

McIntosh Area School, Inc.

A Component Unit of the Marion County District School Board

Financial Statements
And
Independent Auditors' Reports

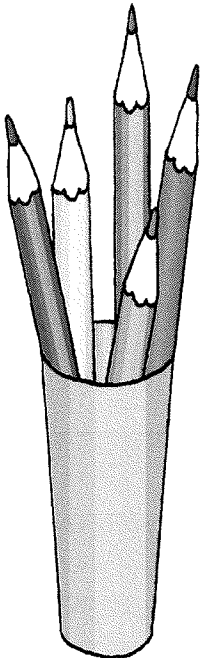
June 30, 2018

KATTELL AND COMPANY, P.L.

A professional accounting firm serving the nonprofit community.

**808-B NW 16th Avenue
Gainesville, Florida 32601**

(352) 395-6565



FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2018

MCINTOSH AREA SCHOOL

A Component Unit of the Marion County District School Board

Contents

INDEPENDENT AUDITORS' REPORT.....	1
REQUIRED SUPPLEMENTARY INFORMATION:	
Management's Discussion and Analysis (MD&A)	2
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position.....	5
Statement of Activities.....	6
Governmental Fund Financial Statements:	
Balance Sheet.....	7
Reconciliation of the Balance Sheet to the Statement of Net Position.....	8
Statement of Revenues, Expenditures and Changes in Fund Balances.....	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.....	10
Notes to the Financial Statements.....	11
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule – General Fund.....	17
ADDITIONAL ELEMENTS:	
Communication with Those Charged with Governance.....	18
Management Letter.....	19
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.....	20
Schedule of Findings.....	21
School's Response.....	22

Kattell and Company, P.L.

Certified Public Accountants Serving the Nonprofit Community

808-B NW 16th Avenue Gainesville, Florida 32601 TEL: 352-395-6565 FAX: 352-395-6636 www.kattell.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
McIntosh Area School, Inc.

August 8, 2018

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of McIntosh Area School, Inc. (the School), a component unit of the Marion County District School Board, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility.

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions. In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters - Required Supplementary Information. Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the budgetary comparison schedule, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2018, on our consideration of the School's internal control over financial reporting (internal control) and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the internal control or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance.

Kattell and Company, P.L.

Management's Discussion and Analysis

June 30, 2018

McIntosh Area School

A Component Unit of the Marion County District School Board

This discussion and analysis of the School's financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the School's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2018:

- The School's overall Net Position increased by approximately \$5,400, which is about 1%.
- Unrestricted Net Position at June 30, 2018 was \$63,521.
- The School had total expenses for the year of about \$564,000, compared to revenues of approximately \$569,000.
- The School served approximately 74 students in 2018 and 74 students in 2017, in grades K-5.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This annual report contains government-wide financial statements that report on the School's activities as a whole and fund financial statements that report on the School's individual funds.

Government-wide Financial Statements

The first financial statement is the Statement of Net Position. This statement includes all of the School's assets and liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current year revenues and expenses are recorded, regardless of when cash is received or paid. Net Position – the difference between assets and liabilities – can be used to measure the School's financial position.

The second financial statement is the Statement of Activities. This statement is also shown using the accrual basis of accounting. It shows the increases and decreases in Net Position during the fiscal year. Over time, the increases or decreases in Net Position are useful indicators of whether the School's financial health is improving or deteriorating. However, other non-financial factors, such as enrollment levels or changes in state funding, must also be considered when assessing the overall health of the School.

In these statements, all of the School's activities are considered to be governmental activities. The School has no business-type activities, which are generally financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Following the government-wide financial statements are the fund financial statements. They provide more detailed information about the School's funds.

The School maintains two individual governmental funds, the General Fund and Capital Projects Fund. These funds are considered to be major funds and, accordingly, they are separately displayed.

Governmental funds are accounted for using modified accrual accounting. Modified accrual accounting focuses on available cash and other financial assets that can readily be converted to cash. This provides a shorter-term view of the governmental fund's financial position. A reconciliation is provided with these statements, which helps to explain the differences between the fund financial statements and the government-wide financial statements.

Management's Discussion and Analysis
June 30, 2018
McIntosh Area School
A Component Unit of the Marion County District School Board

CONDENSED FINANCIAL INFORMATION

The following table presents condensed, government-wide current year and prior year data about Net Position and changes in Net Position.

	2018	2017
	Governmental	Governmental
	Activities	Activities
Net Position		
Assets:		
Non-capital Assets	\$ 91,922	\$ 78,769
Capital Assets, Net	416,328	441,691
Total Assets	<u>508,250</u>	<u>520,460</u>
Liabilities:		
Current Liabilities	28,401	28,761
Non-current Liabilities	1,486	18,693
Total Liabilities	<u>29,887</u>	<u>47,454</u>
Net Position:		
Net Investment in Capital Assets	414,842	422,998
Unrestricted	63,521	50,008
Total Net Position	<u>\$ 478,363</u>	<u>\$ 473,006</u>
Changes in Net Position		
Program Revenues:		
Charges for Services	\$ 19,541	\$ 18,734
Capital Grants & Contributions	20,383	26,047
General Revenues:		
Title I Grant	37,244	18,644
Florida Education Finance Program	464,810	454,782
Other State Revenues	8,740	9,124
Unrestricted Grants & Contributions	18,574	16,483
Unrestricted Investment Earnings	122	197
Total Revenues	<u>569,414</u>	<u>544,011</u>
Program Expenses:		
Instruction	343,187	363,777
Instructional Support	-	500
General Support	204,568	200,115
Community Service	12,780	20,280
Maintenance of Plant	2,800	2,100
Interest on Long Term Debt	722	1,823
Total Expenses	<u>564,057</u>	<u>588,595</u>
Change in Net Position	5,357	(44,584)
Beginning Net Position	473,006	517,590
Ending Net Position	<u>\$ 478,363</u>	<u>\$ 473,006</u>

Management's Discussion and Analysis

June 30, 2018

McIntosh Area School

A Component Unit of the Marion County District School Board

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities. The governmental activities generated \$36,357 in program revenues and \$533,057 of general revenues and incurred \$564,057 of program expenses. This resulted in a \$5,357 increase in Net Position.

THE SCHOOL'S INDIVIDUAL FUNDS

General Fund. The fund balance of the General Fund has increased by \$13,513 from \$50,008 to \$63,521.

Capital Projects Fund. The fund balance of the Capital Projects Fund remained at \$0. All revenues for the year were expended on eligible costs.

BUDGETARY HIGHLIGHTS

General Fund. There were no significant changes to the original budget. There were no differences between the final budget and actual amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The School had no significant capital asset activity for the year. Please refer to a note to the accompanying financial statements entitled *Capital Assets and Depreciation* for more detailed information about the School's capital asset activity.

Debt Administration. The School issued no new debt during the year and made scheduled payments on existing long-term debt. Please refer to a note to the accompanying financial statements entitled *Long Term Liabilities* for more detailed information about the School's long-term debt activity.

ECONOMIC FACTORS

The School currently is not aware of any conditions that are expected to have a significant effect on the School's financial position or results of operations.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the School's finances and to show the School's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Cindy Roach (Principal), McIntosh Area School, Post Office Box 769, McIntosh, Florida 32664.

Statement of Net Position

June 30, 2018

McIntosh Area School

A Component Unit of the Marion County District School Board

	Governmental Activities
<u>Assets</u>	
Cash	\$ 87,094
Receivables	308
Prepays	4,520
Capital Assets:	
Land	80,860
Construction in Progress	35,654
Depreciable Capital Assets, Net	<u>299,814</u>
Total Assets	<u>508,250</u>
<u>Liabilities</u>	
Accounts Payable	1,437
Accrued Expenses	3,404
Salaries Payable	23,560
Notes Payable	<u>1,486</u>
Total Liabilities	<u>29,887</u>
<u>Net Position</u>	
Net Investment in Capital Assets	414,842
Unrestricted	<u>63,521</u>
Total Net Position	<u>\$ 478,363</u>

See accompanying notes.

Statement of Activities
For the Year Ended June 30, 2018
McIntosh Area School

A Component Unit of the Marion County District School Board

		Program Revenues				
Functions/Programs:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position	
Governmental Activities:						
Instruction	\$ (343,187)	\$ 4,167	\$ --	\$ --	\$ (339,020)	
Instructional Support	--	--	--	--	--	
General Support	(204,568)	--	--	20,383	(184,185)	
Community Service	(12,780)	15,374	--	--	2,594	
Maintenance of Plant	(2,800)	--	--	--	(2,800)	
Interest on Long Term Debt	(722)	--	--	--	(722)	
Total	\$ (564,057)	\$ 19,541	\$ --	\$ 20,383	(524,133)	

General Revenues:

Federal through State:	
Title I Grant	37,244
State Revenue:	
Florida Education Finance Program	464,810
Other State Revenues	8,740
Unrestricted Grants and Contributions	18,574
Unrestricted Investment Earnings	122
Total General Revenues	529,490
Change in Net Position	5,357
Net Position – Beginning of Year	473,006
Net Position – End of Year	\$ 478,363

See accompanying notes.

Balance Sheet – Governmental Funds
June 30, 2018
McIntosh Area School
A Component Unit of the Marion County District School Board

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash	\$ 87,094	\$ --	\$ 87,094
Receivables	308	--	308
Prepays	4,520	--	4,520
Total Assets	\$ 91,922	\$ --	\$ 91,922
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$ 1,437	\$ --	\$ 1,437
Accrued Expenses	3,404	--	3,404
Salaries Payable	23,560	--	23,560
Total Liabilities	28,401	--	28,401
Fund Balances:			
Non Spendable - Prepays	4,520	--	4,520
Unassigned	59,001	--	59,001
Total Fund Balances	63,521	--	63,521
Total Liabilities and Fund Balances	\$ 91,922	\$ --	\$ 91,922

See accompanying notes.

**Reconciliation of the Balance Sheet to the Statement of Net Position -
Governmental Funds**

June 30, 2018

McIntosh Area School

A Component Unit of the Marion County District School Board

Fund Balances – Total Governmental Funds \$ 63,521

Amounts reported for Governmental activities in the statement of Net Position are different because:

Capital assets used in governmental activities are not reported in the governmental funds.

Capital Assets – Net of Accumulated Depreciation 416,328

Long-term liabilities are not reported in the governmental funds:

Capital Lease (1,486)

Net Position of Governmental Activities \$ 478,363

See accompanying notes.

**Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds**

For the Year Ended June 30, 2018

McIntosh Area School

A Component Unit of the Marion County District School Board

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Federal through State:			
Title I Grant	\$ 37,244	\$ --	\$ 37,244
State Revenue:			
Florida Education Finance Program	464,810	--	464,810
Public Education Capital Outlay	--	20,383	20,383
Other State Revenues	8,740	--	8,740
Local Revenue:			
After School Child Care Fees	15,374	--	15,374
Other Local Revenues	22,863	--	22,863
Total Revenues	<u>549,031</u>	<u>20,383</u>	<u>569,414</u>
Expenditures and Changes in Fund Balances			
Expenditures:			
Current:			
Instruction	342,958	--	342,958
Instructional Support	--	--	--
General Support	179,780	--	179,780
Community Services	12,780	--	12,780
Capital Outlay	--	2,455	2,455
Debt Service:			
Principal	--	17,206	17,206
Interest	--	722	722
Total Expenditures	<u>535,518</u>	<u>20,383</u>	<u>555,901</u>
Excess of Revenues Over/(Under) Expenditures	13,513	--	13,513
Fund Balances, July 1, 2017	<u>50,008</u>	<u>--</u>	<u>50,008</u>
Fund Balances, June 30, 2018	<u>\$ 63,521</u>	<u>\$ --</u>	<u>\$ 63,521</u>

See accompanying notes.

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance to the Statement of Activities - Governmental Funds**
For the Year Ended June 30, 2018
McIntosh Area School
A Component Unit of the Marion County District School Board

Net Change in Fund Balance – Total Governmental Funds \$ 13,513

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Current Year Depreciation Expense (25,363)

Issuance of long term debt provides current financial resources to governmental funds, but has no effect on net position. Repayment of principal is an expenditure in governmental funds, but reduces long-term liabilities in the statement of net position.

Current Year Principal Payments 17,207

Change in Net Position of Governmental Activities \$ 5,357

See accompanying notes.

Notes to the Financial Statements

June 30, 2018

McIntosh Area School

A Component Unit of the Marion County District School Board

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of McIntosh Area School, Inc. conform to generally accepted accounting principles as applicable to governments. The more significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Reporting Entity

McIntosh Area School, Inc. is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The not-for-profit corporation conducts business as McIntosh Area School (the School). The governing body of the School is the not-for-profit corporation's Board of Directors.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the Marion County District School Board (the District). The current charter is effective until June 30, 2021, and may be renewed up to an additional 15 years provided that a program review demonstrates that certain criteria addressed in Section 1002.33(7), Florida Statutes, have been successfully accomplished. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. Pursuant to Section 1002.33(8)(e), Florida Statutes, the charter school contract provides that in the event the School is dissolved or terminated, any unencumbered funds and all School property purchased with public funds automatically revert to the District. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a component unit of the District.

Criteria for determining if other entities are potential component units of the School which should be reported with the School's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provide for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

Government-wide Financial Statements

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of the School. Governmental activities are reported separately from business-type activities, which rely on fees charged to external parties as their primary revenues. The School has no business-type activities.

Any internal interfund activity has been eliminated from the government-wide financial statements.

The Statement of Net Position reports the School's financial position as of the end of the fiscal year. In this statement, the School's Net Position is reported in three categories: Net Investment in Capital Assets; restricted Net Position; and unrestricted Net Position.

The Statement of Activities is displayed using a net-cost format and reports the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for services that are directly related to a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

Notes to the Financial Statements

June 30, 2018

McIntosh Area School

A Component Unit of the Marion County District School Board

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

The financial transactions of the School are reported in individual funds in the fund financial statements. The governmental fund statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The following funds are used by the School:

GOVERNMENTAL FUNDS

General Fund – The General Fund is the general operating fund of the School. It is used to account for all financial resources, except those associated with grants that are restricted to specified uses.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources associated with grants that are restricted to capital uses.

In the accompanying fund financial statements, the General Fund and Capital Projects Fund are both considered to be major funds and, therefore, are separately displayed. The School has no non-major funds.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

Most revenues are considered to be susceptible to accrual and have been measured in the current fiscal period. Certain other items are considered to be measurable and available only when cash is received.

Cash

Cash consists of deposits in qualified public depositories and the bank has identified the School's deposits as public deposits.

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid assets are reported as "non-spendable" in the funds financial statements to indicate that prepaids do not represent available expendable resources.

Notes to the Financial Statements

June 30, 2018

McIntosh Area School

A Component Unit of the Marion County District School Board

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets and Depreciation

Capital assets are defined by the School as assets with an initial, individual cost of \$1,000 or more and an estimated useful life of more than one year. These assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value on the date of donation.

Depreciable capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20
Leasehold Improvements	7 - 20
Improvements other than Buildings	20
Furniture, Fixtures and Equipment	5

Revenue Sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Florida Statutes the District reports the number of full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Educational Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The School also receives other financial assistance. This assistance is generally based on applications submitted to and approved by the granting agency.

Compensated Absences

The School does not pay for employees' unused sick leave. Unused time may accumulate to be used in subsequent years but the balance is not paid out at termination. Unused leave at June 30, 2018 was not material; therefore, no liability is recorded.

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Long-term liabilities are not reported in the governmental funds because governmental funds use the current financial resources measurement focus.

Net Position

Net Position represents the difference between assets and liabilities and are reported in three categories as hereafter described. *Net Investment in Capital Assets* represents capital assets, net of accumulated depreciation and any outstanding debt related to those assets. Net Position is reported as *restricted* when there are legal limitations imposed on their use by legislation, or external restrictions imposed by other governments, creditors, or grantors. *Unrestricted* Net Position is Net Position that does not meet the definition of the classifications previously described.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, and then unrestricted resources as they are needed.

Notes to the Financial Statements

June 30, 2018

McIntosh Area School

A Component Unit of the Marion County District School Board

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Fund Balance Classifications

Governmental funds report separate classifications of fund balance.

Non-Spendable. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted. The restricted fund balance is defined as having restrictions (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed. Committed fund balance is defined as amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School's Board of Directors.

Assigned. Assigned fund balance is defined as amounts that are constrained by the intent of the School's Board of Directors to be used for specific purposes, but are neither restricted nor committed. The School has given the authority to assign fund balance to the School's Executive Director. Assigned fund balance includes spendable fund balance amounts established by the Executive Director that are intended to be used for specific purposes that are neither considered restricted or committed. Assignment of fund balance may be (a) made for a specific purpose that is narrower than the general purposes of the government itself; and/or (b) used to reflect the appropriation of a portion of existing unassigned fund balance to eliminate a projected deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues. Assigned fund balance shall reflect management's intended use of resources as set forth each year by the Executive Director. Assigned fund balance may or may not be appropriated for expenditure in the subsequent year depending on the timing of the project/reserve for which it was assigned.

Unassigned. Unassigned fund balance is the residual classification for the general fund.

It is the policy of the School that they will use restricted resources to the extent which they are available, then committed resources, followed by assigned resources. Once these are consumed the School will then use unassigned resources. The School does not have a formal policy requiring a minimum fund balance.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

NOTE 2 – RISK MANAGEMENT

The School is exposed to various risks of loss, including general liability, personal injury, workers compensation, and errors and omissions. To manage its risks, the School has purchased commercial insurance. Settled claims resulting from these risks did not exceed commercial coverage in the current and previous three fiscal years.

Notes to the Financial Statements

June 30, 2018

McIntosh Area School

A Component Unit of the Marion County District School Board

NOTE 3 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital Assets not Being Depreciated:				
Land	\$ 80,860	\$ --	\$ --	\$ 80,860
Construction in Progress	35,654	--	--	35,654
Total Capital Assets not Being Depreciated	116,514	--	--	116,514
Capital Assets Being Depreciated:				
Buildings:				
Under Capital Lease	76,125	--	--	76,125
Other	272,279	--	--	272,279
Leasehold Improvements	35,698	--	--	35,698
Improvements other than Buildings	10,000	--	--	10,000
Furniture, Fixtures & Equipment	96,145	--	--	96,145
Total Capital Assets Being Depreciated	490,247	--	--	490,247
Accumulated Depreciation:				
Buildings:				
Under Capital Lease	15,224	3,806	--	19,030
Other	54,158	13,614	--	67,772
Leasehold Improvements	18,103	1,785	--	19,888
Improvements other than buildings	2,000	500	--	2,500
Furniture, Fixtures & Equipment	75,585	5,658	--	81,243
Total Accumulated Depreciation	165,070	25,363	--	190,433
Net Capital Assets	\$ 441,691	\$ (25,363)	\$ --	\$ 416,328

Depreciation was charged to functions/programs as follows:

Instructional	\$ 230
General Support	25,133
Total	\$ 25,363

Notes to the Financial Statements

June 30, 2018

McIntosh Area School

A Component Unit of the Marion County District School Board

NOTE 4 – LONG-TERM LIABILITIES

Long-term debt activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Capital Lease	\$ 18,693	\$ --	\$(17,207)	\$ 1,486	\$ 1,486

In May 2013, the School entered into a capital lease agreement to purchase a modular building. The agreement calls for monthly payments of \$1,494 for 60 months. The lease payments began on August 2013. The following is a schedule of future minimum lease payments:

Fiscal Year <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,486	\$ 8	\$ 1,494
Total	\$ 1,486	\$ 8	\$ 1,494

NOTE 5 – LEASE

The School leases land and office space from the Town of McIntosh for \$10 per year. This agreement is renewed annually.

NOTE 6 – EMPLOYEE RETIREMENT PLAN

The School made contributions on behalf of its employees to a defined contribution 401(k) pension plan administered by American Funds. The School matches employee contributions up to 4% of the employee's gross pay. The Board of Directors has the authority to amend or terminate the plan, although it has not expressed an intention to do so.

<u>Year Ended June 30,</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>
2016	\$ 10,567	\$ 9,460
2017	\$ 11,602	\$ 10,020
2018	\$ 11,395	\$ 9,918

Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2018
McIntosh Area School
A Component Unit of the Marion County District School Board

	<u>BUDGETED AMOUNTS</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Federal through State:				
Title I Grant	\$ 37,440	\$ 37,244	\$ 37,244	\$ --
State Revenue:				
Florida Education Finance Program	478,674	464,810	464,810	--
Other State Revenues	1,350	8,740	8,740	--
Local Revenue:				
After School Child Care Fees	10,842	15,374	15,374	--
Other Local Revenues	20,653	22,863	25,863	--
Total Revenues	548,959	549,031	549,031	--
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instruction	337,031	342,958	342,958	--
Instructional Support	377	--	--	--
General Support	188,774	179,780	179,780	--
Community Services	11,151	12,780	12,780	--
Maintenance of Plant	--	--	--	--
Total Expenditures	537,333	535,518	535,518	--
Excess of Revenues Over/(Under) Expenditures	11,626	13,513	13,513	--
Fund Balances, July 1, 2017	60,787	50,008	50,008	--
Fund Balances, June 30, 2018	\$ 72,413	\$ 63,521	\$ 63,521	\$ --

Note to Schedule:

An annual Budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors. The fund is the legal level of control.

Kattell and Company, P.L.
Certified Public Accountants Serving the Nonprofit Community

808-B NW 16th Avenue Gainesville, Florida 32601 TEL: 352-395-6565 FAX: 352-395-6636 www.kattell.com

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

August 8, 2018

To the Board of Directors
McIntosh Area School, Inc.

We have audited the financial statements of McIntosh Area School, Inc. (the School) for the year ended June 30, 2018 and have issued our report thereon dated August 8, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated July 10, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Accounting Policies. Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no estimates that are particularly sensitive.

Disclosures. There are no disclosures that are particularly sensitive.

Corrected and Uncorrected Misstatements. Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There are no material uncorrected misstatements. However, the School decided not to accrue for unpaid leave time.

Our Working Relationship with Management

Difficulties Encountered in Performing the Audit. We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management. For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations. We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants. In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Consultations Prior to Engagement. We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of management and the board of Directors of the School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Kattell and Company, P.L.

Kattell and Company, P.L.

Certified Public Accountants Serving the Nonprofit Community

808-B NW 16th Avenue Gainesville, Florida 32601 TEL: 352-395-6565 FAX: 352-395-6636 www.kattell.com

MANAGEMENT LETTER

To the Board of Directors,
McIntosh Area School, Inc.

August 8, 2018

Report on the Financial Statements. We have audited the financial statements of McIntosh Area School, Inc.(the School), as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated August 8, 2018.

Auditors' Responsibility. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.850, Rules of the Auditor General.

Other Reports and Schedules. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, and Schedule of Findings. Disclosures in that report and schedule, which are dated August 8, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings. Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In that regard, Finding 2018-001 was similar to Finding 2017-001, Finding 2018-002 was similar to Finding 2017-003 and Finding 2018-003 was similar to Finding 2017-004.

Official Title. Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is McIntosh Area School, Inc.

Financial Condition.

Section 10.854(1)(e)2., Rules of the Auditor General requires that we report the results of our determination as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Transparency. Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we report the results of our determination as to whether the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School did not maintain on its Web site all of the information specified in Section 1002.33(9)(p), Florida Statutes. See Finding 2018-002.

Other Matters

Section 10.854(1)(e)3, Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management.

Section 10.854(1)(e)4, Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, see Findings 2018-003 and 2018-004.

Purpose of this Letter. Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the local district school board, the Board of Directors and management of the School, and is not intended to be and should not be used by anyone other than these specified parties.

Thank you for the cooperation and courtesies extended to us during the course of the audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or any other matters.

Kattell and Company, P.L.

Kattell and Company, P.L.

Certified Public Accountants Serving the Nonprofit Community

808-B NW 16th Avenue Gainesville, Florida 32601 TEL: 352-395-6565 FAX: 352-395-6636 www.kattell.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

To the Board of Directors,
McIntosh Area School, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of McIntosh Area School, Inc. (the School), as of and for the year ended June 30, 2018, and the related notes to financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 8, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. In connection with our audit, we identified a significant weakness regarding the lack of documentation for disbursements. See Finding 2018-001.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

School's Response to Findings

The School's responses to the findings identified in our audit are described in the accompanying letter from the School. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

* * * * *

As required by the Rules of the Auditor General of the State of Florida, we reported certain matters to management of the School in the attached Management Letter dated August 8, 2018.

Kattell and Company, P.L.

August 8, 2018
Gainesville, Florida

Schedule of Findings
For the Year Ended June 30, 2018
McIntosh Area School
A Component Unit of the Marion County District School Board

Significant Deficiency

2018-001 – Controls over Unauthorized Disbursements

Finding. In the course of performing our audit procedures, we observed the following:

- Supporting documentation for approximately 17% of the disbursements was not available.

Cause. These observations indicate a lack of adherence to School processes.

Effect. The School could potentially make unauthorized and/or inappropriate payments.

Recommendation. The School should ensure that all disbursements have supporting documentation.

Transparency

2018-002 Information on School Web site

Finding. The School has developed a web site that includes most information required by Sections 1002.33(9)(p) and 1002.33(21)(3), Florida Statutes; however, the following information was not available on July 16, 2018, the date of our procedures:

- The School's academic performance.

Recommendation. The School should maintain a Web site in compliance with Florida Statutes, including all of the required information.

Immaterial Noncompliance

2018-003 – Retirement Benefit

Finding – The School offers up to a 4% retirement benefit match to its employees. There were some employees who were not paid in compliance with the plan agreement. Specifically, employees were not paid match on employee bonuses.

Recommendation – The School should review the provisions of its retirement plan to ensure compliance.

2018-004 – Employee Insurance Contribution

Finding – The School offers a \$500 insurance benefit to its employees. There was one employee whose benefit was not contributed on a timely basis.

Recommendation – The School should ensure that such benefits are contributed on a timely basis.



August 8, 2018

Kattell and Company
808-BNW 16th Ave.
Gainesville, FL 32601

Dear Kattel and Company,

In response to the McIntosh Area School audit for the 2017-2018 school year. We have noted the findings below and will address them in the following manner.

2018-001 Controls over Unauthorized Disbursements- MAS will ensure that all disbursements have the appropriate supporting documentations.

2018-002 Information on School Website- MAS will maintain our Web site in compliance with Florida Statutes, including all required information.

2018-003 Retirement Benefit- MAS will review the provisions of the retirement plan to ensure compliance.

2018-004 Employee Insurance Contribution- MAS will ensure that such benefits are contributed on a timely basis.

Cindy Roach