

# 2020

Francis Marion Military Academy D/B/A/ Marion Military Academy (A Component Unit of the Marion County District School Board)

## Financial Statements and Independent Auditor's Reports

June 30, 2020

**FRANCIS MARION MILITARY ACADEMY D/B/A MARION MILITARY ACADEMY**  
*(A Component Unit of the Marion County District School Board)*

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORTS**

**JUNE 30, 2020**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Francis Marion Military Academy d/b/a Marion Military Academy

We have audited the accompanying financial statements of the governmental activities and each major fund of Francis Marion Military Academy d/b/a Marion Military Academy (the School), a component unit of the Marion County District School Board, as of and for the year ended June 30, 2020, 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.

### **Auditor's 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. Those standards require 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 auditor's 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.

## CERTIFIED PUBLIC ACCOUNTANTS

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To the Board of Directors  
Francis Marion Military Academy d/b/a Marion Military Academy

## INDEPENDENT AUDITOR'S REPORT

### 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, 2020, 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.

### Emphasis of a Matter – School Closure

As more fully described in Note 6, the School closed in December 2019 as they were unable to financially sustain the number of teachers and students that were necessary to continue operations. The Marion County District School Board officially terminated the charter school contract.

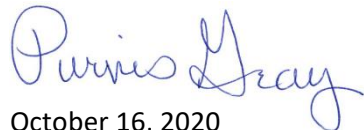
### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the budgetary comparison schedules, 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 October 16, 2020, on our consideration of the School's internal control over financial reporting 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 over financial reporting 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 over financial reporting and compliance.



October 16, 2020  
Ocala, Florida

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020**  
**FRANCIS MARION MILITARY ACADEMY D/B/A MARION MILITARY ACADEMY**  
*(A Component Unit of the Marion County District School Board)*

This discussion and analysis of Francis Marion Military Academy d/b/a Marion Military Academy's (the School) financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the School's financial statements, which follow this section.

The following are various financial highlights for fiscal year ended June 30, 2020:

- The School's overall net position decreased by \$220,785.
- Total ending unrestricted net position was \$229,517.
- The School had total expenses for the year of \$900,998 compared to revenues of \$680,213.
- The School served approximately 185 students in 2019-2020 and 180 students in 2018-2019 in grades nine through twelve.
- The School closed in December 2019 and the charter was terminated by the Marion County School District in September 2020.

**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* - These 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, 2020**  
**FRANCIS MARION MILITARY ACADEMY D/B/A MARION MILITARY ACADEMY**  
*(A Component Unit of the Marion County District School Board)*

**CONDENSED FINANCIAL INFORMATION**

The following table presents condensed, government-wide current year data about net position and changes in net position:

<b>NET POSITION</b>	<b>2020</b> <b>Governmental</b> <b>Activities</b>	<b>2019</b> <b>Governmental</b> <b>Activities</b>
	<u>          </u>	<u>          </u>
Assets:		
Non-Capital Assets	\$ 14,661	\$ 29,858
Capital Assets, Net	-	124,083
Total Assets	<u>14,661</u>	<u>153,941</u>
Liabilities:		
Current Liabilities	244,178	122,832
Non-Current Liabilities	-	39,841
Total Liabilities	<u>244,178</u>	<u>162,673</u>
Net Position:		
Net Invested in Capital Assets	-	124,083
Unrestricted	<u>(229,517)</u>	<u>(132,815)</u>
Total Net Position	<u>\$ (229,517)</u>	<u>\$ (8,732)</u>
<b>CHANGE IN NET POSITION</b>		
Program Revenues:		
Charges for Services	\$ 11,000	\$ 5,427
Operating Grants and Contributions	88,943	-
Capital Grants and Contributions	26,678	-
General Revenues:		
JROTC	31,177	46,159
Florida Education Finance Program	506,372	963,040
Other Local Revenues	16,043	30,835
Total Revenues	<u>680,213</u>	<u>1,045,461</u>
Program Expenses:		
Instruction	314,347	434,530
General Support	433,063	681,843
Community Service	-	15,045
Maintenance of Plant	147,996	1,452
Interest on Long-Term Debt	-	469
Unallocated Depreciation	5,592	13,310
Total Expenses	<u>900,998</u>	<u>1,146,649</u>
Change in Net Position	(220,785)	(101,188)
Beginning Net Position	(8,732)	92,456
Ending Net Position	<u>\$ (229,517)</u>	<u>\$ (8,732)</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020**  
**FRANCIS MARION MILITARY ACADEMY D/B/A MARION MILITARY ACADEMY**  
*(A Component Unit of the Marion County District School Board)*

**OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS**

**Governmental Activities.** The governmental activities generated \$126,621 in program revenues and \$553,592 of general revenues, and incurred \$900,998 of program expenses. This resulted in a \$220,785 decrease in net position.

**THE SCHOOL'S INDIVIDUAL FUNDS**

**General Fund.** The fund balance of the General Fund decreased by \$136,543 from (\$92,974) to (\$229,517).

**BUDGETARY HIGHLIGHTS**

**General Fund.** The original budget was not amended during the year. The School had an excess of expenditures over appropriations.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Debt Administration.** The School paid \$39,842 towards existing debt, and \$9,925 towards a new loan received from a board member. The School had no outstanding debt at year-end. 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 FACTOR**

The School is no longer operational and closed in December 2019. The charter was terminated in September of 2020.

**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. Due to the closure of the School and dissolution of the charter, all questions about this report or requests for additional financial information may be directed to the Marion County School Board.

## **BASIC FINANCIAL STATEMENTS**



**STATEMENT OF NET POSITION**

**JUNE 30, 2020**

**FRANCIS MARION MILITARY ACADEMY D/B/A MARION MILITARY ACADEMY - OCALA, FLORIDA**

*(A Component Unit of the Marion County District School Board)*

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash	\$ 14,661
<b>Total Assets</b>	<u>14,661</u>
<b>Liabilities</b>	
Accounts Payable	229,678
Payroll Liability	14,500
<b>Total Liabilities</b>	<u>244,178</u>
<b>Net Position</b>	
Unrestricted	(229,517)
<b>Total Net Position</b>	<u>\$ (229,517)</u>

See accompanying notes.

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2020**  
**FRANCIS MARION MILITARY ACADEMY D/B/A MARION MILITARY ACADEMY - OCALA, FLORIDA**  
*(A Component Unit of the Marion County District School Board)*

Function/Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ (314,347)	\$ -	\$ 88,943	\$ -	\$ (225,404)
General Support	(433,063)	11,000	-	-	(422,063)
Maintenance of Plant	(147,996)	-	-	-	(147,996)
Capital Outlay	-	-	-	26,678	26,678
Unallocated Depreciation	(5,592)	-	-	-	(5,592)
<b>Total Governmental Activities</b>	<b>\$ (900,998)</b>	<b>\$ 11,000</b>	<b>\$ 88,943</b>	<b>\$ 26,678</b>	<b>(774,377)</b>
<b>General Revenues</b>					
State Revenue:					
Florida Education Finance Program					537,549
Other Miscellaneous Income					16,043
<b>Total General Revenues</b>					<b>553,592</b>
<b>Change in Net Position</b>					<b>(220,785)</b>
<b>Net Position, Beginning of Year</b>					<b>(8,732)</b>
<b>Net Position, End of Year</b>					<b>\$ (229,517)</b>

See accompanying notes.

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**  
**FRANCIS MARION MILITARY ACADEMY D/B/A MARION MILITARY ACADEMY - OCALA, FLORIDA**  
*(A Component Unit of the Marion County District School Board)*

	<b>General Fund</b>
<b>Assets</b>	
Cash	\$ 14,661
<b>Total Assets</b>	14,661
 <b>Liabilities and Fund Balances</b>	
Liabilities:	
Accounts Payable	229,678
Payroll Liability	14,500
Total Liabilities	244,178
Fund Balances:	
Unassigned	(229,517)
Total Fund Balance	(229,517)
 <b>Total Liabilities and Fund Balances</b>	\$ 14,661

See accompanying notes.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**  
**FRANCIS MARION MILITARY ACADEMY D/B/A MARION MILITARY ACADEMY - OCALA, FLORIDA**  
*(A Component Unit of the Marion County District School Board)*

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Federal Through State:			
JROTC	\$ 31,177	\$ -	\$ 31,177
State Revenue:			
Florida Education Finance Program	595,315	-	595,315
Charter School Capital Outlay Funds	-	26,678	26,678
Local Revenue:			
Other Local Revenues	27,043	-	27,043
<b>Total Revenues</b>	<u>653,535</u>	<u>26,678</u>	<u>680,213</u>
<b>Expenditures</b>			
Current:			
Instructional	314,347	-	314,347
General Support	435,571	-	435,571
Maintenance of Plant	318	26,678	26,996
Debt Service:			
Principal	39,842	-	39,842
<b>(Total Expenditures)</b>	<u>(790,078)</u>	<u>(26,678)</u>	<u>(816,756)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(136,543)	-	(136,543)
<b>Fund Balances, Beginning of Year</b>	<u>(92,974)</u>	<u>-</u>	<u>(92,974)</u>
<b>Fund Balances, End of Year</b>	<u>\$ (229,517)</u>	<u>\$ -</u>	<u>\$ (229,517)</u>

See accompanying notes.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
JUNE 30, 2020  
FRANCIS MARION MILITARY ACADEMY D/B/A MARION MILITARY ACADEMY - OCALA, FLORIDA  
(A Component Unit of the Marion County District School Board)**

<b>Excess of Expenditures Over Revenues After Financing Sources -</b>	
<b>Total Governmental Funds</b>	\$ (136,543)

**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	(5,592)
Disposition of Assets	(118,492)

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 Debt Issuance	(9,925)
Principal Payments	49,767

<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ (220,785)</u></b>
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See accompanying notes.

**NOTES TO FINANCIAL STATEMENTS**  
**FRANCIS MARION MILITARY ACADEMY D/B/A MARION MILITARY ACADEMY**  
*(A Component Unit of the Marion County District School Board)*  
**OCALA, FLORIDA**

**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of Francis Marion Military Academy d/b/a Marion Military Academy (the School) 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**

The School 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 Francis Marion Military Academy d/b/a Marion Military Academy. 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 was effective until June 30, 2028. The charter was terminated by the District effective September 22, 2020, as discussed further in Note 6. 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. 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 inter-fund 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 invested in capital assets, restricted net position, and unrestricted net position.

**NOTES TO FINANCIAL STATEMENTS**  
**FRANCIS MARION MILITARY ACADEMY D/B/A MARION MILITARY ACADEMY**  
*(A Component Unit of the Marion County District School Board)*  
**OCALA, FLORIDA**

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.

**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 Fund:*

- General Fund—The General Fund is the general operating fund of the School. It is used to account for all financial resources.

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, as of June 30, 2020. Under the modified accrual, 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 financial institutions. At times, such deposits may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. At June 30, 2020, there were no amounts in excess of FDIC insurance coverage. The School has no policy regarding deposit custodial credit risk.

**NOTES TO FINANCIAL STATEMENTS**  
**FRANCIS MARION MILITARY ACADEMY D/B/A MARION MILITARY ACADEMY**  
*(A Component Unit of the Marion County District School Board)*  
**OCALA, FLORIDA**

**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:

Assets	Years
Buildings	25
Improvements Other Than Buildings	15
Furniture, Fixtures, and Equipment	3

**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 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 FTE students reported by the School during the designated FTE 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.

**Leased Employees**

All employees are leased through a leasing company. The School does not pay for employee health or retirement benefits paid through the leasing plan.

The School does not pay for employees’ unused sick and vacation time and unused time does not accumulate. Therefore, no liability for compensated absences 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 is reported in three categories as hereafter described. *Net invested 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 its 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 FINANCIAL STATEMENTS**  
**FRANCIS MARION MILITARY ACADEMY D/B/A MARION MILITARY ACADEMY**  
*(A Component Unit of the Marion County District School Board)*  
**OCALA, FLORIDA**

**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 to 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.

**Budgetary Information**

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.



**NOTES TO FINANCIAL STATEMENTS**  
**FRANCIS MARION MILITARY ACADEMY D/B/A MARION MILITARY ACADEMY**  
*(A Component Unit of the Marion County District School Board)*  
**OCALA, FLORIDA**

**Note 4 - Lease Agreement**

The School signed a five-year lease agreement for school space beginning July 1, 2017. The School also entered into a five-year copier lease agreement, beginning August 2016. The School signed a termination agreement with the lessor in April 2020 to end the lease for school space. The lease for the copy machines was also terminated and the lessor took possession of this equipment.

Rent expense for the year ended June 30, 2020, was \$141,571.

**Note 5 - Risk Management and Legal Claims**

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 have not exceeded commercial coverage in the current and previous two years.

**Note 6 - Financial Condition and School Closure**

During the 2020 fiscal year, the School experienced a continued decline in the financial position. As of June 30, 2020, the fund balance in the General Fund has been reduced by \$136,543 leaving a negative fund balance of (\$229,517). The School stopped paying the building lease in February 2019 and has a lease liability that continued to grow in fiscal year 2020, leaving a balance due at year-end of \$184,042. The lease was terminated in April 2020. The School does not have sufficient assets remaining to pay this and other remaining payables.

On December 16, 2019, the Board of Directors for the School voted to permanently close the School effective December 17, 2019. The funding for the School was not enough to sustain the number of teachers and staff that were necessary to continue operations. The Marion County District School Board terminated the charter school contract officially on September 22, 2020.

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**  
**FRANCIS MARION MILITARY ACADEMY D/B/A MARION MILITARY ACADEMY - OCALA, FLORIDA**  
*(A Component 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>		
Federal Through State:				
JROTC	\$ 65,000	\$ 65,000	\$ 31,177	\$ (33,823)
State Revenue:				
Florida Education Finance Program	1,411,000	1,411,000	595,315	(815,685)
Local Revenue:				
Other Local Revenue	18,000	18,000	27,043	9,043
<b>Total Revenues</b>	<u>1,494,000</u>	<u>1,494,000</u>	<u>653,535</u>	<u>(840,465)</u>
<b>Expenditures</b>				
Current:				
Instructional	599,888	599,888	314,347	(285,541)
General Support	697,028	697,028	435,571	(261,457)
Community Services	1,000	1,000	-	(1,000)
Maintenance Plant	18,120	18,120	318	(17,802)
Debt Service:				
Principal	-	-	39,842	39,842
<b>(Total Expenditures)</b>	<u>(1,316,036)</u>	<u>(1,316,036)</u>	<u>(790,078)</u>	<u>(525,958)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	177,964	177,964	(136,543)	(314,507)
<b>Other Financing Sources</b>	-	-	-	-
<b>Net Change in Fund Balance</b>	177,964	177,964	(136,543)	(314,507)
<b>Fund Balances, Beginning of Year</b>	-	-	(92,974)	(92,974)
<b>Fund Balances, End of Year</b>	<u>\$ 177,964</u>	<u>\$ 177,964</u>	<u>\$ (229,517)</u>	<u>\$ (407,481)</u>

**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.

## **ADDITIONAL INFORMATION**

**INDEPENDENT AUDITOR'S 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**

To the Board of Directors,  
Francis Marion Military Academy d/b/a Marion Military Academy

We have audited, in accordance with the 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 Francis Marion Military Academy d/b/a Marion Military Academy (the School) as of and for the year ended June 30, 2020, which collectively comprise the School's basic financial statements and have issued our report thereon dated October 16, 2020.

**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.

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 have not been identified. We did identify certain significant deficiencies in internal control, described as 2020-01, below that we consider to be material weaknesses:

■ **2020-01 Internal Control and Financial Reporting**

The School has a small staff and has outsourced the accounting function to an accounting firm to record monthly activity for the last few years; however, during the audit for June 30, 2020, we noted that after the closure of the School in December 2019, there was no functioning system of internal controls related to finance and accounting; therefore, the records were reviewed and reconstructed

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To the Board of Directors,  
Francis Marion Military Academy d/b/a Marion Military Academy

**INDEPENDENT AUDITOR'S 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***

by district staff and many audit adjustments were required. While we recognize that the School did close during the year and the amount of transactions significantly decreased, it was difficult to ensure that all of the transactions for the year had been appropriately recorded at year-end. Additionally, due to the financial difficulties encountered during the year due to enrollment and the ultimate decision to close the School, there were some accounting entries and considerations that required additional work by the Marion County School District finance staff to ensure that the accounting and financial reporting was completed in accordance with generally accepted accounting principles. Examples of these transactions included the inventory of fixed asset items and the existence of the accounts payable that were due to others as of June 30, 2020.

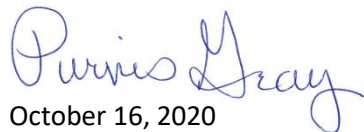
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the financial statements. 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 instance of non-compliance or other matters that is required to be reported under *Government Auditing Standards*.

**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 noted certain matters that we reported to management of the School in the management letter dated October 16, 2020.



October 16, 2020  
Ocala, Florida



## MANAGEMENT LETTER

To the Board of Directors,  
Francis Marion Military Academy d/b/a Marion Military Academy

### Report on the Financial Statements

We have audited the financial statements of Francis Marion Military Academy d/b/a Marion Military Academy (the School), as of and for the fiscal year ended June 30, 2020, and have issued our report thereon dated October 16, 2020.

### Auditor's 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 Requirements

We have issued our Independent Auditor's 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*. Disclosures in that report and schedule, which are dated October 16, 2020, 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, except as noted below:

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2018-2019 FY Finding #	2017-2018 FY Finding #
2020-2	2019-4	2018-4

### Official Title

Section 10.854(1)(e)5, *Rules of the Auditor General*, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title of the entity is Francis Marion Military Academy d/b/a Marion Military Academy, Inc.

### Financial Condition

Sections 10.854(1)(e)2 and 10.855(11), *Rules of the Auditor General*, require us to apply appropriate procedures and communicate whether 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 to

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To the Board of Directors,  
Francis Marion Military Academy d/b/a Marion Military Academy

### MANAGEMENT LETTER

identify the specific condition(s) met. In connection with our audit, we determined that the School met one of the conditions described in Section 218.503(1), Florida Statutes. See management letter comments.

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. Our financial conditions assessment procedures disclosed a deteriorating financial condition. See management letter comments.

Section 10.854(1)(e)3, *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. See material weakness 2020-01.

#### Transparency

Sections 10.854(1)(e)7 and 10.855(13), *Rules of the Auditor General*, requires us to apply appropriate procedures and communicate the results of our determination as to whether the School maintains on its website the information specified in Section 1002.33(9)(p), Florida Statutes. Due to the School's closure in December 2019, the School no longer maintains a website.

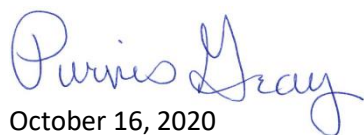
#### Other Matters

Section 10.854(1)(e)4., *Rules of the Auditor General*, requires us to communicate non-compliance 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 warrants the attention of those charged with governance.

#### 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, and 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.



October 16, 2020  
Ocala, Florida

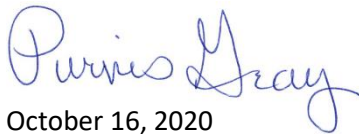
## MANAGEMENT LETTER COMMENTS

To the Board of Directors,  
Francis Marion Military Academy d/b/a Marion Military Academy

During the course of our June 30, 2020 audit, the following item came to our attention. These items involve primarily operation matters:

■ **2020-2 Financial Condition**

During our review of Sections 10.854(1)e6.a. and 10.855(12), *Rules of the Auditor General*, we noted that Francis Marion Military Academy d/b/a Marion Military Academy (the School) had a loss in the General Fund that increased the deficit in unrestricted fund balance at the end of the year. Per the notes to the financial statements, the School closed in December of 2019 and the charter was officially terminated in September of 2020. The School does not have sufficient assets remaining to pay remaining payables.



October 16, 2020  
Ocala, Florida

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