

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

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORTS**

**JUNE 30, 2016**

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

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORTS**

**JUNE 30, 2016**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Francis Marion Military Academy

We have audited the accompanying financial statements of the governmental activities and each major fund of Francis Marion Military Academy (the School), a component unit of the Marion County District School Board, as of and for the year ended June 30, 2016, 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. 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.

### **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, 2016, 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.

### **Certified Public Accountants**

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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS  
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

To the Board of Directors  
Francis Marion Military Academy

**INDEPENDENT AUDITORS' REPORT**  
*(Concluded)*

**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 September 13, 2016, 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.

*Purvis, Gray and Company, LLP*

September 13, 2016  
Ocala, Florida

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016**  
**FRANCIS MARION MILITARY ACADEMY**  
*(A Component Unit of the Marion County District School Board)*

This discussion and analysis of Francis Marion Military Academy (the School)'s financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2016. 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, 2016:

- The School's overall net position increased by \$51,806.
- Total ending unrestricted net position was (\$27,275).
- The School had total expenses for the year of \$657,846 compared to revenues of \$709,652.
- The School served approximately 105 students in 2015-2016 and 124 students in 2014-2015 in grades nine through twelve.

### **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, 2016**  
**FRANCIS MARION MILITARY ACADEMY**  
*(A Component Unit of the Marion County District School Board)*  
*(Continued)*

**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>2016 Governmental Activities</b>	<b>2015 Governmental Activities</b>
Assets:		
Non-capital Assets	\$ 22,800	\$ 25,940
Capital Assets, Net	115,440	110,035
Total Assets	<u>138,240</u>	<u>135,975</u>
Liabilities:		
Current Liabilities	22,969	49,263
Non-current Liabilities	27,106	50,353
Total Liabilities	<u>50,075</u>	<u>99,616</u>
Net Position:		
Net Invested in Capital Assets	115,440	108,792
Unrestricted	(27,275)	(72,433)
Total Net Position	<u>\$ 88,165</u>	<u>\$ 36,359</u>
<b>CHANGE IN NET POSITION</b>		
Program Revenues:		
Charges for Services	\$ 15,887	\$ 15,101
Capital Grants and Contributions	0	47,183
General Revenues:		
JROTC	82,479	62,361
Florida Education Finance Program	591,822	585,364
Debt Forgiveness and Related Party Disposition	0	11,850
Other Local Revenues	19,464	38,818
Total Revenues	<u>709,652</u>	<u>760,677</u>
Program Expenses:		
Instruction	345,553	429,998
General Support	291,500	236,992
Community Service	7,504	7,702
Maintenance of Plant	11,045	6,576
Interest on Long-term Debt	2,244	4,291
Total Expenses	<u>657,846</u>	<u>685,559</u>
Change in Net Position	51,806	75,118
Beginning Net Position	36,359	(38,759)
Ending Net Position	<u>\$ 88,165</u>	<u>\$ 36,359</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016**  
**FRANCIS MARION MILITARY ACADEMY**  
*(A Component Unit of the Marion County District School Board)*  
*(Concluded)*

**OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS**

**Governmental Activities.** The governmental activities generated \$98,366 in program revenues and \$611,286 of general revenues, and incurred \$657,846 of program expenses. This resulted in a \$51,806 increase in net position.

**THE SCHOOL'S INDIVIDUAL FUNDS**

**General Fund.** The fund balance of the General Fund increased by \$33,833 from a deficit of \$23,323 to an excess of \$10,510.

**Capital Projects Fund.** The fund balance of the Capital Project Fund is \$0. All capital outlay funds received were expended on eligible costs during the year.

**BUDGETARY HIGHLIGHTS**

**General Fund.** The original budget was amended to reflect debt payments and to reflect revenues and related expenses from fundraising activities. There were no other significant differences between original and final budgets. There were no differences between the final budget and actual amounts.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Debt Administration.** The School paid off a capital lease in the current year and made payments on an outstanding loan. The school received a \$53,345 loan from a board member that was forgiven during the year. 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 **Tommy Adair (Administrator)**, Francis Marion Military Academy, 3443 SW 20<sup>th</sup> Street, Ocala, Florida 34474.

## **BASIC FINANCIAL STATEMENTS**



**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**  
**FRANCIS MARION MILITARY ACADEMY - OCALA, FLORIDA**  
*(A Component Unit of the Marion County District School Board)*

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash	\$ 21,935
Prepaid Expenses	865
Capital Assets:	
Depreciable, Net	115,440
<b>Total Assets</b>	138,240
<b>Liabilities</b>	
Accounts Payable	12,290
Long-term Liabilities:	
Due Within One Year	10,679
Due in More than One Year	27,106
<b>Total Liabilities</b>	50,075
<b>Net Position</b>	
Net Invested in Capital Assets	115,440
Unrestricted	(27,275)
<b>Total Net Position</b>	\$ 88,165

See accompanying notes.

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**FRANCIS MARION MILITARY ACADEMY - OCALA, FLORIDA**  
*(A Component Unit of the Marion County District School Board)*

<b>Function/Program Activities</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Change in Net Assets</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
Governmental Activities:					
Instruction	\$ (345,553)	\$ 15,887	\$ 82,479	\$ 0	\$ (247,187)
General Support	(291,500)	0	0	0	(291,500)
Community Service	(7,504)	0	0	0	(7,504)
Maintenance of Plant	(11,045)	0	0	0	(11,045)
Interest on Long-term Debt	(2,244)	0	0	0	(2,244)
<b>Total Governmental Activities</b>	<b>\$ (657,846)</b>	<b>\$ 15,887</b>	<b>\$ 82,479</b>	<b>\$ 0</b>	<b>(559,480)</b>

**General Revenues**

State Revenue:

Florida Education Finance Program 591,822

Other Miscellaneous Income 19,464

**Total General Revenues** 611,286

**Change in Net Position** 51,806

**Net Position, Beginning of Year** 36,359

**Net Position, End of Year** \$ 88,165

See accompanying notes.

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**  
**FRANCIS MARION MILITARY ACADEMY - OCALA, FLORIDA**  
*(A Component Unit of the Marion County District School Board)*

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash	\$ 21,935	\$ 0	\$ 21,935
Prepaid Asset	865	0	865
<b>Total Assets</b>	<u>22,800</u>	<u>0</u>	<u>22,800</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts Payable	12,290	0	12,290
Total Liabilities	<u>12,290</u>	<u>0</u>	<u>12,290</u>
Fund Balances:			
Unassigned (Deficit)	10,510	0	10,510
<b>Total Liabilities and Fund Balances</b>	<u>\$ 22,800</u>	<u>\$ 0</u>	<u>\$ 22,800</u>

See accompanying notes.

**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS**

**JUNE 30, 2016**

**FRANCIS MARION MILITARY ACADEMY - OCALA, FLORIDA**

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

<b>Fund Balance - Total Governmental Funds</b>	\$	10,510
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**Amounts Reported for Governmental Activities in the Statement of Net  
Position are Different Because:**

Capital assets used in governmental activities are not financial resources  
and, therefore, are not reported in the governmental funds:

Capital Assets - Net of Accumulated Depreciation	115,440
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Long-term liabilities are not due and payable in the current period and,  
therefore, are not reported in the governmental funds:

Total Long-term Liabilities	<u>(37,785)</u>
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<b>Net Position of Governmental Activities</b>	\$	<u><u>88,165</u></u>
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See accompanying notes.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**FRANCIS MARION MILITARY ACADEMY - OCALA, FLORIDA**  
*(A Component Unit of the Marion County District School Board)*

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
Federal Through State:			
JROTC	\$ 28,544	\$ 0	\$ 28,544
State Revenue:			
Florida Education Finance Program	591,822	0	591,822
Local Revenue:			
Other Local Revenues	62,482	26,804	89,286
<b>Total Revenues</b>	<b>682,848</b>	<b>26,804</b>	<b>709,652</b>
<b>Expenditures</b>			
Current:			
Instructional	345,553	0	345,553
General Support	284,913	0	284,913
Community Service	7,504	0	7,504
Maintenance of Plant	11,045	0	11,045
Capital Outlay	0	11,993	11,993
Debt Service:			
Principal	0	12,567	12,567
Interest	0	2,244	2,244
<b>(Total Expenditures)</b>	<b>(649,015)</b>	<b>(26,804)</b>	<b>(675,819)</b>
<b>Excess/(Deficiency) of Revenues</b>	<b>33,833</b>	<b>0</b>	<b>33,833</b>
<b>Fund Balances, Beginning of Year</b>	<b>(23,323)</b>	<b>0</b>	<b>(23,323)</b>
<b>Fund Balances, End of Year</b>	<b>\$ 10,510</b>	<b>\$ 0</b>	<b>\$ 10,510</b>

See accompanying notes.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUND  
JUNE 30, 2016  
FRANCIS MARION MILITARY ACADEMY - OCALA, FLORIDA  
(A Component Unit of the Marion County District School Board)**

<b>Excess of Revenues Over Expenditures After Financing Sources - Total Governmental Fund</b>	\$ 33,833
 <b>Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:</b>	
 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 Expenditures for Capital Assets	11,992
Current Year Depreciation Expense	(6,587)
 Repayment of principal is an expenditure in governmental funds, but reduces long-term liabilities in the statement of net position:	
Principal Payments	12,568
 <b>Change in Net Position of Governmental Activities</b>	 \$ 51,806

See accompanying notes.

**NOTES TO FINANCIAL STATEMENTS**  
**FRANCIS 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 (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. 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, 2028. 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 invested in capital assets, restricted net position, and unrestricted net position.

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

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Government-wide Financial Statements (Concluded)**

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 Funds:*

- General Fund—The General Fund is the general operating fund of the School. It is used to account for all financial resources.
- Capital Projects Fund—The Capital Projects Fund is used to account for financial resources associated with grants that are restricted to capital uses.

The School has no nonmajor 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.



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

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**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, 2016, there were no amounts in excess of FDIC insurance coverage. The School has no policy regarding deposit custodial credit risk.

**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 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.

**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.

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

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**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.

**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.

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

**Note 1 - Summary of Significant Accounting Policies (Concluded)**

**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 - Capital Assets and Depreciation**

Capital asset activity for the year ended June 30, 2016, is as follows:

	<u>Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Balance</u>
Capital Assets Being Depreciated:				
Buildings and Assets Under Capital Lease	\$ 121,577	\$ 11,992	\$ 0	\$ 133,569
Improvements Other Than Buildings	11,825	0	0	11,825
Furniture, Fixtures, and Equipment	22,449	0	0	22,449
<b>Total Capital Assets Being Depreciated</b>	<b>155,851</b>	<b>11,992</b>	<b>0</b>	<b>167,843</b>
<b>Total Capital Assets Before Depreciation</b>	<b>155,851</b>	<b>11,992</b>	<b>0</b>	<b>167,843</b>
Accumulated Depreciation				
Buildings	6,825	3,279	0	10,104
Assets Under Capital Lease	12,600	2,520	0	15,120
Improvements Other Than Buildings	3,942	788	0	4,730
Furniture, Fixtures, and Equipment	22,449	0	0	22,449
<b>Total Accumulated Depreciation</b>	<b>45,816</b>	<b>6,587</b>	<b>0</b>	<b>52,403</b>
<b>Total Depreciated, Net</b>	<b>\$ 110,035</b>	<b>\$ 5,405</b>	<b>\$ 0</b>	<b>\$ 115,440</b>

Depreciation was charged to functions/programs as follows:

Instructional	\$ 0
General Support	6,587
<b>Total</b>	<b>\$ 6,587</b>

**Note 3 - Long-term Liabilities**

	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>Amount Due in</u>
	<u>July 1, 2015</u>			<u>June 30, 2016</u>	<u>One Year</u>
Capital Lease	\$ 2,464	\$ 0	\$ 2,465	\$ 0	\$ 0
Loan from Board Member:					
Operating Financing	0	53,345	53,345	0	0
Gateway Loan	47,889	0	10,104	37,785	10,679
<b>Total</b>	<b>\$ 50,353</b>	<b>\$ 53,345</b>	<b>\$ 65,913</b>	<b>\$ 37,785</b>	<b>\$ 10,679</b>

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

**Note 3 - Long-term Liabilities (Concluded)**

**Loan from Board Member**

The School borrowed \$53,345 from a Board Member during the course of the school year, to provide operating capital. This is included in Other Local Revenues in the Statements of Revenues, Expenses, and Changes in Fund Balance and in Operating Grants and Contributions in the Statement of Changes in Net Position. The loan was forgiven as of June 30, 2016.

**Bank Note Payable**

In September 2014, the former line of credit was termed into a loan. The loan has a fixed interest rate of 5% and a maturity date of September 26, 2019. Payments of \$1,027 are due on a monthly basis. The loan is collateralized with equipment. Future minimum payments for this note are as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Amount</u>
2017	\$ 12,325
2018	12,325
2019	12,325
2020	810
<b>Total</b>	<u>\$ 37,785</u>

**Note 4 - 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.

The School has been named in a breach of employment contract suit and two asserted claims arising from terminations during the 2015-2016 school year. The suit is being vigorously defended by the School's legal team. The School is insured for this type of suit and these claims.

**Note 5 - Related Party Loans**

**Loan Forgiveness**

The School borrowed \$53,345 from a Board Member during the course of the school year, to provide operating capital. The loan was forgiven as of June 30, 2016.

**Note 6 - Subsequent Event**

**Purchase of Land and Building**

Subsequent to year-end, the School made an offer of \$1,800,000 to purchase property and buildings to serve as a permanent residence for the School. The offer was accepted by the seller and is contingent on the School obtaining financing. The School is in the process of obtaining financing.

**SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**FRANCIS 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	\$ 64,361	\$ 64,361	\$ 28,544	\$ (35,817)
State Revenue:				
Florida Education Finance Program	575,558	575,558	591,822	16,264
Capital Outlay	36,225	36,225	0	(36,225)
Local Revenue:				
Other Local Revenue	46,000	46,000	62,482	16,482
<b>Total Revenues</b>	<u>722,144</u>	<u>722,144</u>	<u>682,848</u>	<u>(39,296)</u>
<b>Expenditures</b>				
Current:				
Instructional	447,508	447,508	345,553	101,955
General Support	216,440	216,440	284,913	(68,473)
Community Service	0	0	7,504	(7,504)
Maintenance Plant	7,040	7,040	11,045	(4,005)
<b>(Total Expenditures)</b>	<u>(670,988)</u>	<u>(670,988)</u>	<u>(649,015)</u>	<u>21,973</u>
<b>Excess of Revenues Over Expenditures</b>	<u>51,156</u>	<u>51,156</u>	<u>33,833</u>	<u>(17,323)</u>
<b>Fund Balances, Beginning of Year</b>	<u>(23,323)</u>	<u>(23,323)</u>	<u>(23,323)</u>	<u>0</u>
<b>Fund Balances, End of Year</b>	<u>\$ 27,833</u>	<u>\$ 27,833</u>	<u>\$ 10,510</u>	<u>\$ (17,323)</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 ELEMENTS OF REPORT PREPARED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*,  
ISSUED BY THE COMPTROLLER GENERAL OF THE  
UNITED STATES AND THE *RULES OF THE AUDITOR GENERAL***

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

To the Board of Directors,  
Francis 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 (the School) as of and for the year ended June 30, 2016, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 13, 2016.

**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 expression 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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, 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 instance of noncompliances or other matters that is required to be reported under *Government Auditing Standards*.

**Certified Public Accountants**

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To the Board of Directors,  
Francis Marion Military Academy

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS**  
*(Concluded)*

**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 September 13, 2016.

*Durvis, Gray and Company, LLP*

September 13, 2016  
Ocala, Florida

## MANAGEMENT LETTER

To the Board of Directors,  
Francis Marion Military Academy

### Report on the Financial Statements

We have audited the financial statements of Francis Marion Military Academy (the School), as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated September 13, 2016.

### 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*. Disclosures in that report and schedule, which are dated September 13, 2016, 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.

### 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 Francis Marion Military Academy, 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 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. In connection with our audit, we determine that the School did not meet any of the conditions described in Section 218.503(1) Florida Statutes.

### Certified Public Accountants

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To the Board of Directors,  
Francis Marion Military Academy

**MANAGEMENT LETTER**  
*(Concluded)*

**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 website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its website the information specified in Section 1002.33(9)(p), Florida Statutes.

**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, see Management Letter Comments.

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, see Management Letter Comments.

**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.

*Durvis, Gray and Company, LLP*

September 13, 2016  
Ocala, Florida

MANAGEMENT LETTER COMMENTS

JUNE 30, 2016

FRANCIS MARION MILITARY ACADEMY - OCALA, FLORIDA

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

To the Board of Directors,  
Francis Marion Military Academy

■ **2016-1, Financial Reporting**

During the fiscal year ended June 30, 2016, Francis Marion Military Academy (the School) operated as a “small shop” with a Board Member to authorize payment of bills, make deposits, and handle general office duties, combined with an outsourced accounting service to review and adjust general ledger activity for the preparation of monthly compiled financial statements.

We recommend the responsibilities of making deposits and handling general office duties be assigned to internal staff and the Board of Directors continue to offer the heavy oversight related to the accounting function, to help ensure the preparation of financial statements in accordance with generally accepted accounting principles and free of material misstatement.

■ **2016-2, Board of Trustees**

Management of the School is a combination of heavy involvement by the Board Chair, an administrator that handles all administrative and fiscal-related items, and a principal for academic issues. The Board of Trustees experienced substantial turnover, leaving the Board with only three active members.

The amended charter agreement provides that the Board of Trustees may provide guidance to the School administration but will not be involved in the day-to-day operation of the School or the supervision of the teachers or staff.

We recommend that open vacancies on the Board of Directors be filled with appropriate Advisory Committees and that day-to-day management of the School rest not with Board members, but with an Academy Director or equivalent, as stipulated in the School’s amended charter agreement.

*Purvis, Gray and Company, LLP*

September 13, 2016  
Ocala, Florida

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# FRANCIS MARION MILITARY ACADEMY

## *College Preparatory High School*

3443 SW 20th St, Ocala, FL 34474

Phone: (352) 291-6600 ~ Fax: (352) 291-6601

[www.marionmilitaryacademy.org](http://www.marionmilitaryacademy.org)

Tom Adair, Administrator

TO: FMMA Board of Trustees  
FMMA Management Responses to Audit Findings

2016-1, Financial Reporting

During the fiscal year ended June 30, 2016 the School operated as a “small shop” with a Board Member to authorize payment of bills, make deposits, and handle general office duties combined with an outsourced accounting service to review and adjust general ledger activity for the preparation of monthly compiled financial statements.

**Management will take over responsibility of making deposits and handling general office duties and report to the Finance Committee on a monthly basis.**

2016-2, Board of Trustees

**The Board of Trustees Chair will refrain from direct involvement with the school.**

We recommend that open vacancies on the Board of Directors be filled with appropriate Advisory Committees and that day to day management of the School rest not with Board members, but with an Academy Director or equivalent, as stipulated in the Schools amended charter agreement.

**The current Trustees have added two (2) new Board Members and are looking for additional Board Members.**

Tom Adair, Administrator