

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

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORTS**

JUNE 30, 2017

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

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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, 2017, 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, 2017, 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 August 24, 2017, 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

August 24, 2017
Ocala, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017
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, 2017:

- The School's overall net position increased by \$80,132.
- Total ending unrestricted net position was \$54,067.
- The School had total expenses for the year of \$1,021,783 compared to revenues of \$1,101,915.
- The School served approximately 175 students in 2016-2017 and 105 students in 2015-2016 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, 2017
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.

	2017	2016
	Governmental	Governmental
NET POSITION	Activities	Activities
	<hr/>	<hr/>
Assets:		
Non-capital Assets	\$ 76,482	\$ 22,800
Capital Assets, Net	127,583	115,440
Total Assets	<hr/> 204,065	<hr/> 138,240
Liabilities:		
Current Liabilities	20,769	22,969
Non-current Liabilities	14,999	27,106
Total Liabilities	<hr/> 35,768	<hr/> 50,075
Net Position:		
Net Invested in Capital Assets	127,583	115,440
Unrestricted	40,714	(27,275)
Total Net Position	<hr/> <hr/> \$ 168,297	<hr/> <hr/> \$ 88,165
 CHANGE IN NET POSITION		
Program Revenues:		
Charges for Services	\$ 15,562	\$ 15,887
Capital Grants and Contributions	47,391	0
General Revenues:		
JROTC	33,376	82,479
Florida Education Finance Program	997,284	591,822
Other Local Revenues	8,302	19,464
Total Revenues	<hr/> 1,101,915	<hr/> 709,652
Program Expenses:		
Instruction	483,029	345,553
General Support	499,011	291,500
Community Service	12,311	7,504
Maintenance of Plant	25,639	11,045
Interest on Long-term Debt	1,793	2,244
Total Expenses	<hr/> 1,021,783	<hr/> 657,846
Change in Net Position	80,132	51,806
Beginning Net Position	88,165	36,359
Ending Net Position	<hr/> <hr/> \$ 168,297	<hr/> <hr/> \$ 88,165

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017
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 \$96,329 in program revenues and \$1,005,586 of general revenues, and incurred \$1,021,783 of program expenses. This resulted in an \$80,132 increase in net position.

THE SCHOOL'S INDIVIDUAL FUNDS

General Fund. The fund balance of the General Fund increased by \$56,430 from \$10,510 to \$66,940.

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. The School had an excess of expenditures over appropriations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Debt Administration. The School paid \$11,560 towards existing debt, reducing the balance of outstanding debt to \$26,226. 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 20th Street, Ocala, Florida 34474.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
JUNE 30, 2017
FRANCIS MARION MILITARY ACADEMY - OCALA, FLORIDA
(A Component Unit of the Marion County District School Board)

	Governmental Activities
Assets	
Cash	\$ 38,236
Accounts Receivable	4,829
Prepaid Expenses	33,417
Capital Assets:	
Depreciable, Net	127,583
Total Assets	204,065
 Liabilities	
Accounts Payable	9,542
Long-term Liabilities:	
Due Within One Year	11,227
Due in More than One Year	14,999
Total Liabilities	35,768
 Net Position	
Net Invested in Capital Assets	114,230
Unrestricted	54,067
Total Net Position	\$ 168,297

See accompanying notes.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
FRANCIS 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	\$ (483,029)	\$ 15,562	\$ 33,376	\$ 0	\$ (434,091)
General Support	(499,011)	0	0	0	(499,011)
Community Service	(12,311)	0	0	0	(12,311)
Maintenance of Plant	(25,639)	0	0	47,391	21,752
Interest on Long-term Debt	(1,793)	0	0	0	(1,793)
Total Governmental Activities	\$ (1,021,783)	\$ 15,562	\$ 33,376	\$ 47,391	(925,454)

General Revenues

State Revenue:

Florida Education Finance Program 997,284

Other Miscellaneous Income 8,302

Total General Revenues 1,005,586

Change in Net Position 80,132

Net Position, Beginning of Year 88,165

Net Position, End of Year \$ 168,297

See accompanying notes.

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017
FRANCIS MARION MILITARY ACADEMY - OCALA, FLORIDA
(A Component Unit of the Marion County District School Board)

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash	\$ 38,236	\$ 0	\$ 38,236
Account Receivable	0	4,829	4,829
Prepaid Asset	33,417	0	33,417
Due from Capital Projects Fund	4,829	0	4,829
Total Assets	<u>76,482</u>	<u>4,829</u>	<u>81,311</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	9,542	0	9,542
Due to General Fund	0	4,829	4,829
Total Liabilities	<u>9,542</u>	<u>4,829</u>	<u>14,371</u>
Fund Balances:			
Unassigned	<u>66,940</u>	<u>0</u>	<u>66,940</u>
Total Fund Balance	<u>66,940</u>	<u>0</u>	<u>66,940</u>
Total Liabilities and Fund Balances	<u>\$ 76,482</u>	<u>\$ 4,829</u>	<u>\$ 81,311</u>

See accompanying notes.

**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2017
FRANCIS MARION MILITARY ACADEMY - OCALA, FLORIDA
(A Component Unit of the Marion County District School Board)**

Fund Balance - Total Governmental Funds	\$	66,940
 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		127,583
 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>(26,226)</u>
 Net Position of Governmental Activities	 \$	 <u><u>168,297</u></u>

See accompanying notes.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
FRANCIS MARION MILITARY ACADEMY - OCALA, FLORIDA
(A Component Unit of the Marion County District School Board)

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
Federal Through State:			
JROTC	\$ 29,906	\$ 0	\$ 29,906
State Revenue:			
Florida Education Finance Program	997,284	0	997,284
Charter School Capital Outlay Funds	0	47,391	47,391
Local Revenue:			
Other Local Revenues	27,334	0	27,334
Total Revenues	1,054,524	47,391	1,101,915
Expenditures			
Current:			
Instructional	483,029	0	483,029
General Support	450,945	34,038	484,983
Community Service	12,311	0	12,311
Maintenance of Plant	25,639	0	25,639
Capital Outlay	26,170	0	26,170
Debt Service:			
Principal	0	11,560	11,560
Interest	0	1,793	1,793
(Total Expenditures)	(998,094)	(47,391)	(1,045,485)
Excess of Revenues	56,430	0	56,430
Fund Balances, Beginning of Year	10,510	0	10,510
Fund Balances, End of Year	\$ 66,940	\$ 0	\$ 66,940

See accompanying notes.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUND**

JUNE 30, 2017

FRANCIS MARION MILITARY ACADEMY - OCALA, FLORIDA

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

Excess of Revenues Over Expenditures After Financing Sources -

Total Governmental Fund	\$	56,430
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**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 Expenditures for Capital Assets		26,169
Current Year Depreciation Expense		(7,326)
Current Year Loss on Disposal		(6,701)

Repayment of principal is an expenditure in governmental funds, but reduces long-term liabilities in the statement of net position:

Principal Payments		11,560
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Change in Net Position of Governmental Activities	\$	80,132
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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.

Accounts Receivable

Accounts receivable consists of a charter school capital outlay disbursement of \$4,829 that was received subsequent to year-end.

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.

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. For the year ended June 30, 2017, the School had an excess of expenditures over appropriations.

Note 2 - Capital Assets and Depreciation

Capital asset activity for the year ended June 30, 2017, is as follows:

	Balance	Increases	(Decreases)	Balance
Capital Assets Being Depreciated:				
Buildings	\$ 63,000	\$ 0	\$ 0	\$ 63,000
Assets Under Capital Lease	70,569	0	0	70,569
Improvements Other Than Buildings	11,825	23,207	(11,825)	23,207
Furniture, Fixtures, and Equipment	22,449	2,963	0	25,412
Total Capital Assets Being Depreciated	167,843	26,170	(11,825)	182,188
Total Capital Assets Before Depreciation	167,843	26,170	(11,825)	182,188
Accumulated Depreciation:				
Buildings	10,104	4,078	(5,124)	9,058
Assets Under Capital Lease	15,120	2,520	0	17,640
Improvements Other Than Buildings	4,730	657	0	5,387
Furniture, Fixtures, and Equipment	22,449	71	0	22,520
Total Accumulated Depreciation	52,403	7,325	(5,124)	54,604
Total Depreciated, Net	\$ 115,440	\$ 18,844	\$ (6,701)	\$ 127,583

Depreciation was charged to functions/programs as follows:

Instructional	\$ 0
General Support	7,326
Total	<u>\$ 7,326</u>

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

	Balance			Balance	Amount Due in
	July 1, 2016	Additions	Deletions	June 30, 2017	One Year
Gateway Loan	\$ 37,785	\$ 0	\$ 11,560	\$ 26,226	\$ 11,227
Total	\$ 37,785	\$ 0	\$ 11,560	\$ 26,226	\$ 11,227

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:

Fiscal Year	Amount
Ended	
2018	\$ 12,325
2019	12,325
2020	1,576
Total	\$ 26,226

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.

Note 5 - Budgetary Information

The School leased new facilities for use in the 2017-2018 school year. The School began making modifications to the newly leased space to create a classroom environment. As a result of these unplanned expenditures, the School's expenditures exceeded appropriations in the general fund (the legal level of budgetary control).

REQUIRED SUPPLEMENTARY INFORMATION

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017
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	\$ 62,000	\$ 30,393	\$ 29,906	\$ (487)
State Revenue:				
Florida Education Finance Program	1,187,500	1,004,150	997,284	(6,866)
Local Revenue:				
Other Local Revenue	25,000	10,000	27,334	17,334
Total Revenues	<u>1,274,500</u>	<u>1,044,543</u>	<u>1,054,524</u>	<u>9,981</u>
Expenditures				
Current:				
Instructional	580,990	494,550	483,029	11,521
General Support	656,750	441,800	450,945	(9,145)
Community Service	0	0	12,311	(12,311)
Maintenance Plant	24,000	8,000	25,639	(17,639)
Capital Outlay	0	0	26,170	(26,170)
(Total Expenditures)	<u>(1,261,740)</u>	<u>(944,350)</u>	<u>(998,094)</u>	<u>(53,744)</u>
Excess of Revenues Over Expenditures	<u>12,760</u>	<u>100,193</u>	<u>56,430</u>	<u>(43,763)</u>
Fund Balances, Beginning of Year	<u>10,510</u>	<u>10,510</u>	<u>10,510</u>	<u>0</u>
Fund Balances, End of Year	<u>\$ 23,270</u>	<u>\$ 110,703</u>	<u>\$ 66,940</u>	<u>\$ (43,763)</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 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**

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, 2017, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 24, 2017.

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 noncompliance 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 BASED ON AN
AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
(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 August 24, 2017.

Durvis, Gray and Company, LLP

August 24, 2017
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, 2017, and have issued our report thereon dated August 24, 2017.

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 August 24, 2017, 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.

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To the Board of Directors,
Francis Marion Military Academy

MANAGEMENT LETTER
(Concluded)

Financial Condition (Concluded)

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.

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

August 24, 2017
Ocala, Florida

MANAGEMENT LETTER COMMENTS

To the Board of Directors,
Francis Marion Military Academy

■ **2017-1 Budgetary Control**

During our audit we noted that the school had overspent the final budget approved by the Board of Directors. We also noted the school did not amend the final budget at the end of the fiscal year or within the 60 day period allowed for amendments, per Florida Statutes. The budget is the legal level of control over the School's financial operations, and also assists in providing the Board with useful information in understanding the current financial status of the School and for future planning.

We recommend the Board of Directors review the budgeted financial statements and compare it to the actual financial statements periodically throughout the year. We also recommend the School create a process to identify areas over expended and present them to the Board for budget amendments.

Purvis, Gray and Company, LLP

August 24, 2017
Ocala, Florida

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MARION MILITARY ACADEMY

College Preparatory High School

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www.marionmilitaryacademy.org

Tom Adair, Administrator

MANAGEMENT LETTER COMMENTS

To the Board of Directors, Francis Marion Military Academy
Financial Reporting During the fiscal year ended June 30, 2017

- 2017-1 Budgetary Control During our audit we noted that the school had overspent the final budget approved by the Board of Directors. We also noted the school did not amend the final budget at the end of the fiscal year or within the 60 day period allowed for amendments, per Florida Statutes. The budget is the legal level of control over the School's financial operations, and also assists in providing the Board with useful information in understanding the current financial status of the School and for future planning. We recommend the Board of Directors review the budgeted financial statements and compare it to the actual financial statements periodically throughout the year. We also recommend the School create a process to identify areas over expended and present them to the Board for budget amendment.

Because the Academy ended up contracting with Associated Grocers of Florida, Inc. for the property located at 5895 SE 83rd St Ocala, FL 34472, we began the process of preparing the building in both painting and obtaining furniture for the new location. There were additional cost involved in moving all the schools furniture and equipment. Total estimated moving and furnishing cost were in the neighborhood of \$70,000 to \$90,000.

Sincerely,

Charles de Menges

Chairman



*Hono of the
Swamp fox*