

**MADISON CREATIVE ARTS ACADEMY, INC.
(A COMPONENT UNIT OF MADISON COUNTY
SCHOOL DISTRICT)**

FINANCIAL STATEMENTS

JUNE 30, 2019

MADISON CREATIVE ARTS ACADEMY, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Madison Creative Arts Academy, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund, and the aggregate remaining fund information of Madison Creative Arts Academy, Inc. (the "School") (a component unit of the Madison County School District) as of and for the year ended June 30, 2019, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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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, and the aggregate remaining fund information of Madison Creative Arts Academy, Inc. as of June 30, 2019 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information 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 11, 2019 on our consideration of Madison Creative Arts Academy, Inc.'s internal control over financial reporting and 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 and compliance and the results of that testing, and not to provide an opinion on 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 Madison Creative Arts Academy, Inc.'s internal control over financial reporting and compliance.

James Moore & Co., P.L.

Tallahassee, Florida
September 11, 2019

MADISON CREATIVE ARTS ACADEMY, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2019

This discussion and analysis (MD&A) of Madison Creative Arts Academy, Inc.'s (the "School") financial condition provides an overview of financial activity, identifies changes in financial position and assists the reader in focusing on significant financial issues. The primary purpose of the School is to provide an educational program for approximately 300 students. It is important to the long-term existence of the School to maintain its financial health. Net position is accumulated only to the extent required to ensure that there are sufficient reserve funds for future operations and for new capital needs.

The MD&A provides summary level financial information; therefore, it should be read in conjunction with the accompanying financial statements.

SIGNIFICANT ACTIVITIES DURING FISCAL YEAR 2018-2019 ARE NOTED BELOW:

- The School's enrollment was 316 students.
- The School was rated by the State of Florida as an "A" school.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the School using the integrated approach as prescribed by GASB Statement Number 34.

The government-wide financial statements present the financial picture of the School from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities. These statements include all assets of the School as well as all liabilities. Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The fund financial statements include statements for the governmental activities. The governmental funds are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

Reconciliations of the fund financial statements to the government-wide financial statements are provided to explain the differences created by the integrated approach.

The Primary unit of the government is the School Board of Madison County, Florida.

An overview of significant financial information from the current year includes:

- The School's net position was \$971,166 at June 30, 2019.
- Total governmental fund revenues and other financing sources exceeded expenditures and other financing uses by \$501,158.
- Capital assets, net of depreciation, equaled \$361,566.
- The School's governmental funds reported combined ending fund balances of \$828,581.
- The school is striving to sustain the minimum general fund balance of 5% as a percentage of current year expenditures and was able to end the fiscal year with the ratio at 38%.

MADISON CREATIVE ARTS ACADEMY, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2019
(Continued)

REPORTING THE SCHOOL AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the School as a whole and about its activities. These statements include *all* assets and liabilities of the School using the accrual basis accounting, which is similar to the accounting used by most private-sector companies. All of the current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School's *net position* and changes in them. Net position is the difference between assets and liabilities and is one way to measure the School's financial health, or *financial position*. Over time, *increases or decreases* in the School's net position are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the School's revenue base and the condition of the School's capital assets.

The relationship between revenues and expenses is the School's operating results. Since the Board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the School. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

Net Position

The School's net position was \$971,166 for the fiscal year ended June 30, 2019. Of this amount, \$485,302 was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants, grantors, constitutional provisions and enabling legislation that limit the School's ability to use the net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the School's governmental activities.

Table 1

	Net Position June 30, 2019	Net Position June 30, 2018
Current and other assets	\$ 897,010	\$ 392,043
Capital assets, being depreciated, net	361,566	500,792
Total assets	1,258,576	892,835
 Deferred outflows	 967,081	 735,537
 Current liabilities	 68,429	 64,620
Noncurrent liabilities	21,560	15,902
Net pension liability	1,068,046	728,876
Total liabilities	1,158,035	809,398
 Deferred inflows	 96,456	 37,964
Net investment in capital assets	361,566	500,792
Restricted	124,298	22,038
Unrestricted	485,302	258,180
Total net position	\$ 971,166	\$ 781,010

MADISON CREATIVE ARTS ACADEMY, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2019
(Continued)

Changes in Net Position

The results of this year's operations for the School as a whole are reported in the Statement of Activities on page 10. Table 2 takes the information from the Statement and rearranges it slightly to more readily identify the total revenues for the year.

Table 2

	Governmental Activities June 30, 2019	Governmental Activities June 30, 2018
Revenues		
General Revenues:		
State of Florida Education Finance Program	\$ 2,363,143	\$ 1,976,578
Federal grants	-	384,197
Charges for services	117,467	85,016
Insurance proceeds	-	8,951
Other revenue	32,494	-
Interest income	1,790	431
Total Revenues	2,514,894	2,455,173
Expenses		
Instruction and instruction related services	1,382,211	1,342,253
School administration	349,320	386,599
Operations	225,428	181,144
Community Service	13,978	15,299
Pupil transportation services	32,494	32,186
Food services	95,675	70,262
Health services	13,305	-
Fiscal services	46,058	33,335
Depreciation expense	166,269	131,253
Total Expenses	2,324,738	2,192,331
Change in Net Position	\$ 190,156	\$ 262,842

Governmental Activities

All of the School's services are reported in this category. This includes the education of kindergarten through eighth grade students, and the on-going effort to improve and maintain capital assets. Revenues received from the Florida Education Finance Program through the Madison County Public School system, Federal grants and miscellaneous local revenues finance these activities.

MADISON CREATIVE ARTS ACADEMY, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2019
(Continued)

In Table 3, we have presented the cost of the School’s three largest operational functions - basic instruction, school administration, operations. Providing this information allows citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services
Basic Instruction	\$ 1,382,211
School Administration	349,320
Operations	225,428
Total	\$ 1,956,959

REPORTING THE SCHOOL’S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the School as a whole. Some funds are required to be established by State law. However, management may establish various funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies that it receives.

Governmental funds—The School’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School’s general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the School’s programs. The differences between the governmental fund financial statements and the government-wide financial statements are explained in reconciliations following each governmental fund financial statement.

THE SCHOOL’S FUNDS

For the year ended June 30, 2019, the governmental funds reported a combined fund balance of \$828,581 (Table 4).

Table 4

	Fund Balance June 30, 2019
General Fund	\$ 704,283
Capital Project Fund	124,298
Totals	\$ 828,581

MADISON CREATIVE ARTS ACADEMY, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2019
(Continued)

General Fund Budgetary Highlights

During the course of the fiscal year, the School revises its General Fund Budget in order to deal with unexpected changes in revenue and expenditures. The Governing Board adopts its initial budget based on projected enrollment and the corresponding projected revenues. Amendments are primarily required to reflect changes in revenue estimates from the State of Florida Education Finance Program (FEFP) as actual enrollments are determined. A schedule showing the School’s original and final General Fund budget amounts compared with actual amounts paid and received is provided on page 26.

Capital Project Fund Budgetary Highlights

During the course of the fiscal year, the School did not need to revise its Capital Project Fund Budget. Governing Board adopts its initial budget based on the rent expenditures expected to be paid for the year. A schedule showing the School’s Capital Project Fund budget amounts compared with actual amounts paid and received is provided on page 27.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the School had \$361,566 invested in capital assets (net of depreciation), including furniture, equipment and building improvements (Table 5).

Table 5

	<u>Governmental Activities June 30, 2019</u>
Furniture, Fixtures and Equipment	\$ 683,810
Leasehold Improvements	30,806
Software	27,365
Accumulated Depreciation and Amortization	<u>(380,415)</u>
Totals	<u><u>\$ 361,566</u></u>

ECONOMIC FACTORS

The economic position of the school for general operating is closely tied to that of the State. The formula for determining funding for education is set by Statute. State funds to charter schools are provided primarily by legislative appropriations from the State’s general revenue funds under the Florida Education Finance Program (FEFP), and the State funding for operations is primarily from sales, gasoline, and corporate income taxes. Additionally, the level of tourism in the State heavily influences the amount of taxes collected. Significant changes in State revenue collections could directly impact future School revenue allocations.

MADISON CREATIVE ARTS ACADEMY, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2019
(Continued)

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, parents and creditors with a general overview of the School's finances, and to demonstrate the School's accountability for the money it receives. If readers have any questions about this report or need additional financial information, contact the Principal, at Madison Creative Arts Academy, Inc., 2812 West U.S. Highway 90; Madison, FL 32340.

MADISON CREATIVE ARTS ACADEMY, INC.
STATEMENT OF NET POSITION
JUNE 30, 2019

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 828,659
Accounts receivable	8,556
Prepaid items	59,795
Capital assets, being depreciated, net	361,566
Total assets	<u><u>\$ 1,258,576</u></u>
<u>DEFERRED OUTFLOWS</u>	
Related to changes in the net pension liability	<u><u>\$ 967,081</u></u>
<u>LIABILITIES</u>	
Accounts payable and accrued expense	\$ 68,429
Compensated absences	21,560
Net pension liability	1,068,046
Total liabilities	<u><u>\$ 1,158,035</u></u>
<u>DEFERRED INFLOWS</u>	
Related to changes in the net pension liability	<u><u>\$ 96,456</u></u>
<u>NET POSITION</u>	
Net investment in capital assets	\$ 361,566
Restricted	124,298
Unrestricted	485,302
Total net position	<u><u>\$ 971,166</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

**MADISON CREATIVE ARTS ACADEMY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
Governmental activities:					
Instruction and instruction related services	\$ 1,382,211	\$ -	\$ -	\$ -	\$ (1,382,211)
School administration	349,320	-	-	-	(349,320)
Operations	225,428	-	-	-	(225,428)
Pupil transportation services	32,494	-	-	-	(32,494)
Community service	13,978	32,205	-	-	18,227
Food services	95,675	85,262	-	-	(10,413)
Health services	13,305	-	-	-	(13,305)
Fiscal services	46,058	-	-	-	(46,058)
Depreciation	166,269	-	-	-	(166,269)
Total governmental activities	\$ 2,324,738	\$ 117,467	\$ -	\$ -	(2,207,271)
General revenues:					
Grants and contributions not restricted to specific purposes					2,363,143
Interest income					1,790
Other revenue					32,494
Total general revenues					2,397,427
Change in net position					190,156
Net position, beginning of year					781,010
Net position, end of year					\$ 971,166

The accompanying notes to financial statements
are an integral part of this statement.

MADISON CREATIVE ARTS ACADEMY, INC.
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Capital Project Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 828,659	\$ -	\$ 828,659
Grant and other receivables	8,556	-	8,556
Prepaid items and other assets	59,795	-	59,795
Internal balances	(124,298)	124,298	-
Total Assets	\$ 772,712	\$ 124,298	\$ 897,010
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 68,429	\$ -	\$ 68,429
Total liabilities	68,429	-	68,429
Fund Balances:			
Nonspendable:			
Prepaid and other items	59,795	-	59,795
Committed:			
Contingency reserve	128,000	-	128,000
Restricted:			
Capital project fund	-	124,298	124,298
Unassigned	516,488	-	516,488
Total fund balances	704,283	124,298	828,581
Total Liabilities and Fund Balances	\$ 772,712	\$ 124,298	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		\$ 361,566
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences		(21,560)
Net pension liability and related deferred inflows/outflows are not due and payable in the current period and, therefore, are not reported in the funds.		
Deferred outflows	967,081	
Deferred inflows	(96,456)	
Net pension liability	(1,068,046)	(197,421)
Net position of governmental activities		\$ 971,166

The accompanying notes to financial statements
are an integral part of this statement.

MADISON CREATIVE ARTS ACADEMY, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Capital Project Fund	Total Governmental Funds
Revenues			
Intergovernmental			
Florida education finance program	\$ 2,162,641	\$ -	\$ 2,162,641
Capital outlay funds	-	149,298	149,298
Local	168,671	-	168,671
Interest income	1,790	-	1,790
Total revenues	<u>2,333,102</u>	<u>149,298</u>	<u>2,482,400</u>
Expenditures			
Instruction and instruction related services	1,219,198	25,000	1,244,198
School administration	356,621	-	356,621
Community service	13,978	-	13,978
Fiscal services	46,058	-	46,058
Operations	186,762	-	186,762
Food services	93,277	-	93,277
Health services	13,305	-	13,305
Capital outlay	27,043	-	27,043
Total expenditures	<u>1,956,242</u>	<u>25,000</u>	<u>1,981,242</u>
Excess of revenues over expenditures	<u>376,860</u>	<u>124,298</u>	<u>501,158</u>
Net change in fund balances	<u>376,860</u>	<u>124,298</u>	<u>501,158</u>
Fund balance, beginning of year	327,423	-	327,423
Fund balances, end of year	<u>\$ 704,283</u>	<u>\$ 124,298</u>	<u>\$ 828,581</u>

The accompanying notes to financial statements
are an integral part of this statement.

**MADISON CREATIVE ARTS ACADEMY, INC.
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

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

Net change in fund balances-total governmental funds		\$ 501,158
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Changes in:

Compensated absences	(5,658)	
Net pension liability	(339,170)	
Deferred outflows related to net pension liability	231,544	
Deferred inflows related to net pension liability	(58,492)	(171,776)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlays	27,043	
Depreciation expense	(166,269)	(139,226)

Change in net position of governmental activities		\$ 190,156
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The accompanying notes to financial statements
are an integral part of this statement.

MADISON CREATIVE ARTS ACADEMY, INC.
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019

<u>ASSETS</u>	
Cash and cash equivalents	<u>\$ 70,174</u>
<u>LIABILITIES</u>	
Due to student clubs and activities	<u>\$ 70,174</u>
<u>NET POSITION</u>	
Net position	<u>\$ -</u>

The accompanying notes to financial statements
are an integral part of this statement.

MADISON CREATIVE ARTS ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

(1) **Summary of Significant Accounting Policies:**

The following is a summary of the more significant accounting policies of Madison Creative Arts Academy, Inc. (the “School”), which affect significant elements of the accompanying basic financial statements:

(a) **Reporting entity**—Madison Creative Arts Academy, Inc. was created on August 6, 2015, to operate as a charter school under Florida Statutes. The charter was approved and effective beginning July 1, 2016. The School entered into a contract with Madison County District School Board (the “District”) to provide an educational program for elementary and middle school public school students. The School receives a majority of its funding through the District based on a formula of student attendance which is identical to that of other Madison County, Florida public schools. The initial Charter has been granted for five years through June 30, 2021. 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. Madison Creative Arts Academy, Inc. is considered a component unit of the Madison County District School Board.

(b) **Description of government wide financial statements**—The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities are normally supported by intergovernmental revenues and other nonexchange transactions.

(c) **Basis of presentation – government wide financial statements**—While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include operating grants and contributions. Items not properly included among program revenues, such as monies received from the Madison County District School Board, are reported as general revenues.

(d) **Basis of presentation – fund financial statements**—The fund financial statements provide information about the government’s funds. Separate statement for the fund category, governmental, is presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Major individual governmental funds are reported as separate columns in the fund financial statements.

The School reports the following major governmental funds:

General Fund—The general fund is used to record the general operations of the School pertaining to education and those operations not provided for in other funds.

Capital Projects Fund—The capital projects fund is used to account for financial resources to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and major maintenance projects.

Additionally, the School reports the following Fiduciary Fund:

Agency Fund—Agency fund are custodial in nature and do not involve measurement of results of operations. The School’s agency fund accounts for classroom support, special area programs and student activities.

MADISON CREATIVE ARTS ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

(1) **Summary of Significant Accounting Policies:** (Continued)

(d) **Basis of presentation – fund financial statements—**(Continued)

During the course of operations the School has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

(e) **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 recognized in the period earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Amounts reported as program revenues include charges for services, operating grants and contributions, and capital grants and contributions. Items not properly included among program revenues, such as monies received from the Madison County School Board, are reported as general revenues.

All governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available. Available means collectible within the current period, or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, state, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. The principal exceptions to this are: principal and interest on general long-term debt, which are recorded as expenditures only when payment is due.

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses.

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

(f) **Budgetary data—**The budgetary process is prescribed by provisions of the laws of Florida and requires the governing board to adopt an operating budget each year. The School's governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption.

MADISON CREATIVE ARTS ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

(1) **Summary of Significant Accounting Policies:** (Continued)

(g) **Deposits and investments**—Cash and cash equivalents include amounts in demand deposits as well as investments that are readily convertible to known amounts of cash. Investments with original maturities of three months or less are considered to be cash equivalents.

(h) **Income taxes**—The School is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the accompanying financial statements.

The School files income tax returns in the U.S. Federal jurisdiction. The School’s income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

The School has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the School.

(i) **Capital assets**—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. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

Property, plant and equipment of the School is depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Furniture and equipment	3 – 5
Leasehold improvements	3 – 5
Software	5

(j) **Revenue sources**—Revenues for current operations are received primarily from the Madison County District School Board pursuant to the funding provisions included in the School’s charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the Madison County District School Board.

Under the provisions of Section 1011.62, Florida Statutes, the Madison County District School Board 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 revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted FTE students reported by the School during designated FTE student survey periods.

(k) **Use of estimates**—The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

MADISON CREATIVE ARTS ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

(1) **Summary of Significant Accounting Policies:** (Continued)

(l) **Prepaid items and other assets**—Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

(m) **Fund Balance**—

Net position flow assumption—Sometimes the School will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions—Sometimes the School will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

(n) **Pensions**—For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) and additions to/deductions from FRS’s fiduciary net position have been determined on the same basis as they are reported by FRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(o) **Deferred outflows/inflows of resources**—In addition to assets and liabilities, the statement of financial position will, if required, report a separate section for deferred outflows of resources and deferred inflows of resources, respectfully. These separate financial statement elements, deferred outflows/inflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow/inflow of resources (expense/expenditure or revenue) until then. Currently, the only item in this category consisted of deferred amounts related to pension, as discussed further in Note (8b).

MADISON CREATIVE ARTS ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

(2) **Capital Assets:**

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets, being depreciated:				
Leasehold improvements	\$ 30,806	\$ -	\$ -	\$ 30,806
Furniture, fixtures, and equipment	657,546	26,264	-	683,810
Computer software	26,586	779	-	27,365
Total capital assets, being depreciated	<u>714,938</u>	<u>27,043</u>	<u>-</u>	<u>741,981</u>
Less accumulated depreciation:				
Leasehold improvements	(6,483)	(3,830)	-	(10,313)
Furniture, fixtures, and equipment	(201,129)	(155,731)	-	(356,860)
Computer software	(6,534)	(6,708)	-	(13,242)
Total accumulated depreciation	<u>(214,146)</u>	<u>(166,269)</u>	<u>-</u>	<u>(380,415)</u>
Capital assets being depreciated, net	<u>\$ 500,792</u>	<u>\$ (139,226)</u>	<u>\$ -</u>	<u>\$ 361,566</u>

Capital assets are used by multiple functions with the School and cannot be easily charged directly to a specific function. For the year ended June 30, 2019, unallocated depreciation expense was \$166,269.

(3) **Deposits:**

(a) **Custodial credit risk**—In the case of deposits, this is the risk that in the event of a bank failure, the School's deposits may not be returned. At year end, the carrying amount of the School's deposits was \$828,659 and the bank balance was \$906,011. Of the bank balance, \$250,000 is covered by Federal depository insurance or by collateral held by the School's custodial bank which is pledged to a state trust fund that provides security for amounts held in excess of FDIC coverage in accordance with the Florida Security for Deposits Act Chapter 280, Florida Statutes. The Florida Security for Public Deposits Act established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral.

(4) **Significant Funding Source:**

The School receives a substantial amount of its funding from the Madison County District School Board. A significant reduction in the level of this funding, if this were to occur, could have an adverse effect on the School's programs and activities.

MADISON CREATIVE ARTS ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

(5) **Operating Leases:**

The School is located on approximately 6.5 acres of land in Madison County, Florida. The property, which includes land and buildings, is leased by the School through July 1, 2021. Lease payments totaled \$25,000 for the year ended June 30, 2019. Minimum future rental payments under this non-cancelable operating lease are:

<u>Year</u>	<u>Amount</u>
2020	\$ 25,000
2021	25,000
Total minimum future rental payments	<u>\$ 50,000</u>

(6) **Risk Management:**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance.

(7) **Due From/To Other Funds:**

The following is a summary of inter-fund amounts related to special revenue fund expenditures paid out of the general fund account at June 30, 2019:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Project Fund	General Fund	<u>\$ 124,298</u>

(8) **Florida Retirement System:**

Plan Description and Administration

The School participates in the Florida Retirement System (FRS), a multiple-employer, cost sharing defined public employee retirement system which covers all of the School's full-time employees. The System is a noncontributory retirement plan, administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

MADISON CREATIVE ARTS ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

(8) **Florida Retirement System:** (Continued)

Plan Description and Administration (Continued)

In addition, all regular employees of the School are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended June 30, 2019, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

Benefits Provided and Employees Covered

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

Deferred Retirement Option Program (DROP), subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months.

During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

MADISON CREATIVE ARTS ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

(8) **Florida Retirement System:** (Continued)

Contributions

Employers may participate in certain classes of FRS membership. The employee contribution rate for eligible employees are 3.0%. Each class has descriptions and employer contribution rates in effect during the fiscal year ended June 30, 2019, as follows (contribution rates are in agreement with the actuarially determined rates):

FRS Membership Plan & Class	Through June 30, 2019	After June 30, 2019
Regular Class	7.92%	8.26%
DROP	13.26%	14.03%
Senior Management	22.71%	24.06%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll, included in the above rates.

Actual contributions made for School employees participating in FRS and HIS for the plan year ended June 30, 2019, were as follows:

School Contributions – FRS	\$ 63,851
School Contributions – HIS	20,147
Employee Contributions – FRS	36,411

Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2019, the School reported a net pension liability related to FRS and HIS as follows:

Plan	Net Pension Liability
FRS	\$ 674,830
HIS	393,216
Total	\$ 1,068,046

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer proportion of the net pension liability was based on a projection of the School's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2019 and June 30, 2018, the School's proportionate share of the FRS and HIS net pension liabilities were as follows:

Plan	2019	2018
FRS	.002240434%	.001543219%
HIS	.003715154%	.002547612%

MADISON CREATIVE ARTS ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

(8) **Florida Retirement System:** (Continued)

Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions (Continued)

For the plan year ended June 30, 2018, pension expense was recognized related to the FRS and HIS plans as follows:

FRS	\$ 172,527
HIS	80,525
Total	\$ 253,052

At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 57,168	\$ (2,075)	\$ 6,020	\$ (668)
Changes of assumptions	220,502	-	43,730	(41,574)
Net different between projected and actual investment earnings	-	(52,139)	237	-
Change in School's proportionate share	269,317	-	283,016	-
Contributions subsequent to measurement date	67,493	-	19,598	-
	\$ 614,480	\$ (54,214)	\$ 352,601	\$ (42,242)

The above amounts for deferred outflows of resources for contributions related to pensions resulting from employer contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

Year	Amount
2020	\$ 200,046
2021	172,535
2022	120,075
2023	125,831
2024	55,494
Thereafter	109,553
Total	\$ 783,534

MADISON CREATIVE ARTS ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

(8) **Florida Retirement System:** (Continued)

Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions (Continued)

Actuarial assumptions:

The actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 7.00%. This rate decreased from the prior year rate, which was 7.10%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.87% was used to determine the total pension for the program. This rate increased from the prior year rate, which was 3.58%. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

Long-term expected rate of return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2018, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Cash	1.0%	2.9%
Fixed income	18.0%	4.4%
Global equities	54.0%	7.6%
Real estate	11.0%	6.6%
Private equity	10.0%	10.7%
Strategic investments	6.0%	6.0%
Total	<u>100.0%</u>	

MADISON CREATIVE ARTS ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

(8) **Florida Retirement System:** (Continued)

Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions (Continued)

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the proportionate shares of the FRS and HIS net pension liability of the School calculated using the current discount rates, as well as what the School's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

Plan	Current Discount Rate	NPL with 1% Decrease	NPL at Current Discount Rate	NPL with 1% Increase
FRS	7.00%	\$ 1,231,594	\$ 674,830	\$ 212,405
HIS	3.87%	447,850	393,216	347,676

(9) **Line of Credit:**

The School has a \$150,000 line of credit with a financial institution. The line is approved on a month to month basis. Amounts borrowed under this agreement bear interest at prime rate plus 1% (currently 6.5%). This line is secured by land and building owned by Madison Academy (a related party). There was no balance on the line at June 30, 2019.

(10) **Related Party Transactions:**

The School leases its property from Madison Academy, a former private school. There is one common board member between the School and Madison Academy. The School paid Madison Academy \$25,000 in lease expense for the year ended June 30, 2019. The School held no material payable or receivable balances with any related parties at year end.

(11) **Subsequent Events:**

Madison Creative Arts Academy, Inc. has evaluated events and transactions for potential recognition or disclosure in the financial statements through September 11, 2019, the date which the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

REQUIRED SUPPLEMENTARY INFORMATION

MADISON CREATIVE ARTS ACADEMY, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET TO ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental				
Revenue from state sources	\$ 2,195,837	\$ 2,195,837	\$ 2,162,641	\$ (33,196)
Local	70,500	70,500	168,671	98,171
Interest income	500	500	1,790	1,290
Total revenues	<u>2,266,837</u>	<u>2,266,837</u>	<u>2,333,102</u>	<u>66,265</u>
Expenditures				
Instruction and instruction related services	1,150,171	1,150,171	1,219,198	(69,027)
School administration	367,026	367,026	356,621	10,405
Community service	-	-	13,978	(13,978)
Fiscal services	31,905	46,058	46,058	-
Pupil transportation services	32,494	32,494	-	32,494
Operations	192,647	192,647	186,762	5,885
Food services	79,014	93,277	93,277	-
Health services	13,591	13,591	13,305	286
Capital outlay	24,000	26,398	27,043	(645)
Total expenditures	<u>1,890,848</u>	<u>1,921,662</u>	<u>1,956,242</u>	<u>(34,580)</u>
Excess of revenues over expenditures	<u>375,989</u>	<u>345,175</u>	<u>376,860</u>	<u>31,685</u>
Net change in fund balances	<u>375,989</u>	<u>345,175</u>	<u>376,860</u>	<u>31,685</u>
Fund balances, beginning of year	327,423	327,423	327,423	-
Fund balances, end of year	<u>\$ 703,412</u>	<u>\$ 672,598</u>	<u>\$ 704,283</u>	<u>\$ 31,685</u>

The accompanying notes to required supplementary information is an integral part of this statement.

MADISON CREATIVE ARTS ACADEMY, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET TO ACTUAL - CAPITAL PROJECT FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental				
Startup grant revenue	\$ -	\$ -	\$ 149,298	\$ 149,298
Total revenues	<u>-</u>	<u>-</u>	<u>149,298</u>	<u>149,298</u>
Expenditures				
Instruction and instruction related services	25,000	25,000	25,000	-
Total expenditures	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Net change in fund balances	<u>(25,000)</u>	<u>(25,000)</u>	<u>124,298</u>	<u>(149,298)</u>
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ (25,000)</u>	<u>\$ (25,000)</u>	<u>\$ 124,298</u>	<u>\$ (149,298)</u>

The accompanying notes to required supplementary information is an integral part of this statement.

MADISON CREATIVE ARTS ACADEMY, INC.
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

(1) **Summary of Significant Accounting Policies:**

The Statements of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual are presented using the School’s budget format for all major governmental funds.

(2) **Budgetary Basis of Accounting:**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for the entire operations at the combined governmental level and may be amended by the Board of Directors (the “Board”). The budget presented for fiscal year ended June 30, 2019, has been amended.

Budgets are presented on the modified accrual basis of accounting. The legal level of budgetary control is the fund level.

MADISON CREATIVE ARTS ACADEMY, INC.
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY -
LAST 10 FISCAL YEARS AS OF JUNE 30

	2019	2018
Florida Retirement System (FRS)		
Proportion of the net pension liability (asset)	0.0022404340%	0.0015432191%
Proportionate share of the net pension liability (asset)	674,830	456,474
Covered-employee payroll	\$ 1,213,698	\$ 1,213,430
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	55.60%	37.62%
Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%
Health Insurance Subsidy Program (HIS)		
Proportion of the net pension liability (asset)	0.003715154%	0.002547612%
Proportionate share of the net pension liability (asset)	393,216	272,402
Covered-employee payroll	\$ 1,213,698	\$ 1,213,430
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	32.40%	22.45%
Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the school will present information for only those years for which information is available.

The accompanying notes are an integral
part of this schedule.

MADISON CREATIVE ARTS ACADEMY, INC.
SCHEDULE OF CONTRIBUTIONS -
LAST 10 FISCAL YEARS AS OF JUNE 30

	2019	2018
<u>Florida Retirement System (FRS)</u>		
Contractually required contribution	\$ 63,851	\$ 75,351
Contributions in relation to the contractually required contribution	(63,851)	(75,351)
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 1,213,698	\$ 1,213,430
Contributions as a percentage of covered-employee payroll	5.26%	6.21%
<u>Health Insurance Subsidy Program (HIS)</u>		
Contractually required contribution	\$ 20,147	\$ 20,143
Contributions in relation to the contractually required contribution	(20,147)	(20,143)
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 1,213,698	\$ 1,213,430
Contributions as a percentage of covered-employee payroll	1.66%	1.66%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the school will present information for only those years for which information is available.

The accompanying notes are an integral part of this schedule.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors,
Madison Creative Arts Academy, Inc.:

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 and the aggregate remaining fund information of Madison Creative Arts Academy, Inc. as of and for the year ended June 30, 2019, and related notes to the financial statements which collectively comprise Madison Creative Arts Academy, Inc.'s basic financial statements and have issued our report thereon dated September 11, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Madison Creative Arts Academy, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Madison Creative Arts Academy, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Madison Creative Arts Academy, Inc.'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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.

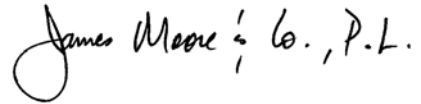
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Madison Creative Arts Academy, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James Moore & Co., P.L.

Tallahassee, Florida
September 11, 2019

**MANAGEMENT LETTER OF INDEPENDENT AUDITORS
REQUIRED BY CHAPTER 10.850, RULES OF THE STATE OF FLORIDA,
OFFICE OF THE AUDITOR GENERAL**

To the Board of Directors,
Madison Creative Arts Academy, Inc.:

Report on the Financial Statements

We have audited the financial statements of Madison Creative Arts Academy, Inc., as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated September 11, 2019.

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 Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 11, 2019, 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 the findings and recommendations made in the preceding annual financial audit report except for finding 2017-06 as noted below.

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 Madison Creative Arts Academy, Inc., 400122.

Financial Condition and Management

Sections 10.854(1)(e)2., Rules of the Auditor General, require that we report the results of our determination as to whether or not the Madison Creative Arts Academy, Inc. 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 Madison Creative Arts Academy, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the Madison Creative Arts Academy, Inc. It is management's responsibility to monitor the Madison Creative Arts Academy, Inc.'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.

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. In connection with our audit, we noted the finding below.

2017-06: Credit Card

Comment: During expense testing, we noted that the School's credit card was in the name of Madison Academy (the name of the former private school) instead of the School's name.

Recommendation: We recommend that management get the credit card switched into the School's name or cancel the credit card and open a new credit card in the School's name.

Transparency

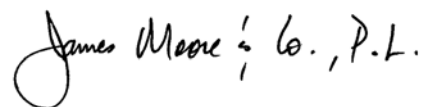
Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we apply appropriate procedures to determine whether the Madison Creative Arts Academy, Inc. maintains on its website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the Madison Creative Arts Academy, Inc. did maintain all of the required information on its website as specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

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, Federal and other granting agencies, Madison County District School Board, the Board of Directors, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.



Tallahassee, Florida
September 11, 2019



September 11, 2019

James Moore & Co, P.L.
121 Executive Circle
Daytona Beach, FL 32114

Re: Response to Finding

Please consider the following response to the finding cited in the Independent Auditors' Report on Internal Control Over Financial Reporting and the Management Letter of Independent Auditors dated September 11, 2019.

Finding 2017-06: Credit Card

Management applied for a new credit account in the name of Madison Creative Arts Academy, Inc. on July 19, 2019, and the new account was approved on July 30, 2019.

Should you require any additional information or clarification, please do not hesitate to contact me via email at barrsj@mcaa.academy or by phone at (850) 973-2529.

Sincerely,

A handwritten signature in black ink, appearing to read "Janna Barrs". The signature is written in a cursive, flowing style.

Ms. Janna Barrs
Executive Director (Administrator)
Madison Creative Arts Academy, Inc.

2812 W. US 90, Madison, Florida 32340

Madison Creative Arts Academy, Inc. is a tuition-free public charter school and will not discriminate illegally on the basis of sex, race, religion, national origin, disability, or age as to employment or educational programs and activities.
