

FRANCIS MARION CHARTER SCHOOL, INC.
d/b/a Ocali Charter Middle School
(A Component Unit of the Marion County District School Board)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2017

FRANCIS MARION CHARTER SCHOOL, INC.
d/b/a Ocali Charter Middle School
(A Component Unit of the Marion County District School Board)

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORTS**

JUNE 30, 2017

TABLE OF CONTENTS

Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-5
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position.....	6
Statement of Activities	7
Governmental Fund Financial Statements:	
Balance Sheet	8
Reconciliation of the Balance Sheet to the Statement of Net Position.....	9
Statement of Revenues, Expenditures, and Changes in Fund Balances	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	11
Notes to Financial Statements	12-17
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund.....	18
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 <i>Government Auditing Standards</i>	19-20
Management Letter.....	21-22
Management Letter Comments.....	23
Management Letter Response.....	24

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Francis Marion Charter School, Inc.
d/b/a Ocali Charter Middle School
Ocala, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Francis Marion Charter School, Inc. d/b/a Ocali Charter Middle School (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.

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
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 Charter School, Inc.
d/b/a Ocali Charter Middle School
Ocala, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Opinion

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.

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.

Durvis, Gray and Company, LLP

August 24, 2017
Ocala, Florida

MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2017
FRANCIS MARION CHARTER SCHOOL, INC.
d/b/a Ocali Charter Middle School
(A Component Unit of the Marion County District School Board)
OCALA, FLORIDA

This discussion and analysis of Francis Marion Charter School, Inc. d/b/a Ocali Charter Middle School (the School)’s financial performance provides an overview of the School’s financial activities for the fiscal year ended June 30, 2017. 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 ending unrestricted net position totaled \$32,386 at June 30, 2017, the end of the School’s second year of operation.
- The School had total expenses for the year of \$763,441 compared to revenues of \$732,976.
- The School served approximately 115 students in the 2016-2017 school year and 110 students in 2015-2016, in grades six through eight.

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 one governmental fund - the General Fund.

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 CHARTER SCHOOL, INC.
d/b/a Ocali Charter Middle School
(A Component Unit of the Marion County District School Board)
OCALA, FLORIDA
(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
	Activities	Activities
	<u> </u>	<u> </u>
NET POSITION		
Assets:		
Non-capital Assets	\$ 34,720	\$ 85,751
Capital Assets, Net	<u>30,020</u>	<u>12,221</u>
Total Assets	<u>64,740</u>	<u>97,972</u>
Liabilities:		
Current Liabilities	<u>2,334</u>	<u>5,101</u>
Total Liabilities	<u>2,334</u>	<u>5,101</u>
Net Position:		
Net Invested in Capital Assets	30,020	12,221
Restricted	0	4,785
Unrestricted	<u>32,386</u>	<u>75,865</u>
Total Net Position	<u>\$ 62,406</u>	<u>\$ 92,871</u>
 CHANGE IN NET POSITION		
General Revenues:		
Florida Education Finance Program	\$ 651,714	\$ 692,609
Charter School Capital Outlay Funds	38,890	0
Other Local Revenues	<u>42,372</u>	<u>70,252</u>
Total Revenues	<u>732,976</u>	<u>762,861</u>
Program Expenses:		
Instruction	305,104	279,475
General Support	436,222	333,798
Community Service	21,226	7,168
Maintenance of Plant	<u>889</u>	<u>4,519</u>
Total Expenses	<u>763,441</u>	<u>624,960</u>
Change in Net Position	(30,465)	137,901
Beginning, Net Position	<u>92,871</u>	<u>(45,030)</u>
Ending, Net Position	<u>\$ 62,406</u>	<u>\$ 92,871</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017
FRANCIS MARION CHARTER SCHOOL, INC.
d/b/a Ocali Charter Middle School
(A Component Unit of the Marion County District School Board)
OCALA, FLORIDA
(Concluded)

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities. The governmental activities generated \$732,976 of general revenues, and incurred \$763,441 of program expenses. This resulted in a (\$30,465) decrease in net position.

THE SCHOOL'S INDIVIDUAL FUNDS

General Fund. The fund balance of the General Fund decreased by (\$48,264) to a balance of \$32,386.

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 various changes due to reductions in State revenues. The School had an excess of expenditures over appropriations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The School acquired \$24,989 of leasehold improvements and computer software. The School had no other significant capital asset activity. Please refer to a note to the accompanying financial statements entitled *Capital Assets and Depreciation* for more detailed information about the School's capital asset activity.

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 Sharon Murry (Board Chairman), Francis Marion Charter School, Inc., d/b/a Ocali Charter Middle School, 9264 SE 72nd Avenue, Ocala, FL 34472.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
JUNE 30, 2017
FRANCIS MARION CHARTER SCHOOL, INC.
d/b/a OCALI CHARTER MIDDLE SCHOOL
(A Component Unit of the Marion County District School Board)
OCALA, FLORIDA

	Governmental Activities
Assets	
Cash	\$ 6,655
Accounts Receivable	13,761
Deposits	14,304
Capital Assets:	
Depreciable, Net	30,020
Total Assets	64,740
 Current Liabilities	
Accounts and Wages Payable	2,334
Total Liabilities	2,334
 Net Position	
Net Invested in Capital Assets	30,020
Unrestricted	32,386
Total Net Position	\$ 62,406

See accompanying notes.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
FRANCIS MARION CHARTER SCHOOL, INC.
d/b/a OCALI CHARTER MIDDLE SCHOOL
(A Component Unit of the Marion County District School Board)
OCALA, FLORIDA

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	\$ (305,104)	\$ 0	\$ 0	\$ 0	\$ (305,104)
General Support	(436,222)	0	0	0	(436,222)
Community Service	(21,226)	0	0	0	(21,226)
Maintenance of Plant	(889)	0	0	38,890	38,001
Total Governmental Activities	\$ (763,441)	\$ 0	\$ 0	\$ 38,890	(724,551)
General Revenues					
State Revenue:					
Florida Education Finance Program					
					651,714
					810
					41,540
					22
					<u>694,086</u>
					Change in Net Position
					(30,465)
					Net Position, Beginning of Year
					<u>92,871</u>
					Net Position, End of Year
					<u>\$ 62,406</u>

See accompanying notes.

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017
FRANCIS MARION CHARTER SCHOOL, INC.
d/b/a OCALI CHARTER MIDDLE SCHOOL
(A Component Unit of the Marion County District School Board)
OCALA, FLORIDA

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash	\$ 6,655	\$ 0	\$ 6,655
Accounts Receivable	9,935	3,826	13,761
Deposits	14,304	0	14,304
Due from Capital Projects Fund	3,826	0	3,826
Total Assets	34,720	3,826	38,546
Liabilities and Fund Balances			
Liabilities:			
Accounts and Wages Payable	2,334	0	2,334
Due to General Fund	0	3,826	3,826
Total Liabilities	2,334	3,826	6,160
Fund Balances:			
Unassigned	32,386	0	32,386
Total Fund Balances	32,386	0	32,386
Total Liabilities and Fund Balances	\$ 34,720	\$ 3,826	\$ 38,546

See accompanying notes.

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2017
FRANCIS MARION CHARTER SCHOOL, INC.
d/b/a OCALI CHARTER MIDDLE SCHOOL
(A Component Unit of the Marion County District School Board)
OCALA, FLORIDA

Fund Balance - Total Governmental Funds	\$	32,386
--	----	--------

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		30,020
--	--	--------

Net Position of Governmental Activities	\$	62,406
--	----	--------

See accompanying notes.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
FRANCIS MARION CHARTER SCHOOL, INC.
d/b/a OCALI CHARTER MIDDLE SCHOOL
(A Component Unit of the Marion County District School Board)
OCALA, FLORIDA

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
State Revenue:			
Florida Education Finance Program	\$ 651,714	\$ 0	\$ 651,714
Charter School Capital Outlay Funds	0	38,890	38,890
Florida Lead Teacher Stipend	810	0	810
Other Local Revenues	41,540	0	41,540
Interest Income	22	0	22
Total Revenues	694,086	38,890	732,976
Expenditures			
Current:			
Instruction	305,104	0	305,104
General Support	411,308	17,723	429,031
Community Service	21,226	0	21,226
Maintenance of Plant	889	0	889
Capital Outlay	3,823	21,167	24,990
(Total Expenditures)	(742,350)	(38,890)	(781,240)
(Deficiency) of Revenues			
(Under) Expenditures	(48,264)	0	(48,264)
Fund Balances, Beginning of Year	80,650	0	80,650
Fund Balances, End of Year	\$ 32,386	\$ 0	\$ 32,386

See accompanying notes.

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

JUNE 30, 2017

FRANCIS MARION CHARTER SCHOOL, INC.

d/b/a OCALI CHARTER MIDDLE SCHOOL

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

OCALA, FLORIDA

(Deficiency) of Revenues (Under) Expenditures - Total Governmental Fund	\$ (48,264)
--	-------------

**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	24,990
Current Year Depreciation Expense	<u>(7,191)</u>

Change in Net Position of Governmental Activities	<u><u>\$ (30,465)</u></u>
--	---------------------------

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS
FRANCIS MARION CHARTER SCHOOL, INC.
d/b/a OCALI CHARTER MIDDLE SCHOOL
(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 Charter School, Inc. conform to generally accepted accounting principles as applicable to governments. The more significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Reporting Entity

Francis Marion Charter School, Inc. d/b/a Ocali Charter Middle 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 Charter School, Inc. d/b/a Ocali Charter Middle School (the School). The governing body of the School is the not-for-profit corporation's Board of Directors. The School is currently exempt from state and federal income tax under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accordingly, no provision has been made for income tax liabilities or expenses.

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, 2019. 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 *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.

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 CHARTER SCHOOL, INC.
d/b/a OCALI CHARTER MIDDLE SCHOOL
(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 CHARTER SCHOOL, INC.
d/b/a OCALI CHARTER MIDDLE SCHOOL
(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, 2017, 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 \$3,826 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. Furniture, fixtures, and equipment have an estimated useful life of 3 years and leasehold improvements have an estimated useful life of 15 years; all are depreciated using the straight-line method. Leasehold improvements have an estimated useful life of 15 years.

Revenue Sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Educational Finance Program and the actual weighted FTE students reported by the School during the designated FTE student survey periods. The School also receives other local revenues that consist of contributions, school events, and fundraisers.

Compensated Absences

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.

Net Position

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

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

NOTES TO FINANCIAL STATEMENTS
FRANCIS MARION CHARTER SCHOOL, INC.
d/b/a OCALI CHARTER MIDDLE SCHOOL
(A Component Unit of the Marion County District School Board)
OCALA, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Fund Balance Classifications

Governmental funds report separate classifications of fund balance.

Nonspendable: Nonspendable amounts that cannot be spent either because they are in nonspendable form or because they are 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.

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

Use of Estimates

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

Budgetary Information

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors. The fund is the legal level of control. For the year ended June 30, 2017, the School had an excess of expenditures over appropriations.

NOTES TO FINANCIAL STATEMENTS
FRANCIS MARION CHARTER SCHOOL, INC.
d/b/a OCALI CHARTER MIDDLE SCHOOL
(A Component of the Marion County District School Board)
OCALA, FLORIDA
(Continued)

Note 2 - Capital Assets and Depreciation

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

	<u>Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Balance</u>
Capital Assets Being Depreciated:				
Furniture, Fixtures, and Equipment	\$ 12,775	\$ 0	\$ 0	\$ 12,775
Leasehold Improvements	7,240	21,168	0	28,408
Computer Software	0	3,822	0	3,822
Total Capital Assets Before				
Depreciation	<u>20,015</u>	<u>24,990</u>	<u>0</u>	<u>45,005</u>
Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	7,452	4,259	0	11,711
Leasehold Improvements	342	1,764	0	2,106
Computer Software	0	1,168	0	1,168
Total Accumulated Depreciation	<u>(7,794)</u>	<u>(7,191)</u>	<u>0</u>	<u>(14,985)</u>
Total Depreciated, Net	<u>\$ 12,221</u>	<u>\$ 17,799</u>	<u>\$ 0</u>	<u>\$ 30,020</u>
Depreciation Expense				
Instructional				\$ 4,259
General Support				2,932
Total				<u>\$ 7,191</u>

NOTES TO FINANCIAL STATEMENTS
FRANCIS MARION CHARTER SCHOOL, INC.
d/b/a OCALI CHARTER MIDDLE SCHOOL
(A Component Unit of the Marion County District School Board)
OCALA, FLORIDA
(Concluded)

Note 3 - Lease Agreement

The School signed a five-year lease agreement for school space in 2016. Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>School Space</u>
2018	\$ 137,500
2019	141,700
2020	145,900
2021	35,100

Rent expense for the year ended June 30, 2017, was \$129,550.

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.

Note 5 - Budgetary Information

The School created a new student computer lab in the current year. As a result, the School's expenditure's 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 CHARTER SCHOOL, INC.
d/b/a OCALI CHARTER MIDDLE SCHOOL
(A Component of the Marion County District School Board)
OCALA, FLORIDA

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
State Revenue:				
Florida Education Finance Program	\$ 704,863	\$ 641,161	\$ 651,714	\$ 10,553
Florida Lead Teacher Stipend	1,602	810	810	0
Local Revenue:				
Other Local Revenue	62,439	66,636	41,540	(25,096)
Interest Income	0	0	22	22
Total Revenues	<u>768,904</u>	<u>708,607</u>	<u>694,086</u>	<u>(14,521)</u>
Expenditures				
Current:				
Instruction	331,731	313,792	305,104	8,688
General Support	387,432	395,557	411,308	(15,751)
Community Service	200	200	21,226	(21,026)
Maintenance Plant	15,000	19,360	889	18,471
Capital Outlay	14,000	14,620	3,823	10,797
Debt Service	5,000	5,000	0	5,000
(Total Expenditures)	<u>(753,363)</u>	<u>(748,529)</u>	<u>(742,350)</u>	<u>6,179</u>
Excess/(Deficiency) of Revenues Over (Under)/Expenditures	15,541	(39,922)	(48,264)	(8,342)
Beginning Fund Balance	<u>80,650</u>	<u>80,650</u>	<u>80,650</u>	<u>0</u>
Ending Fund Balance	<u>\$ 96,191</u>	<u>\$ 40,728</u>	<u>\$ 32,386</u>	<u>\$ (8,342)</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 Charter School, Inc.
d/b/a Ocali Charter Middle School
Ocala, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Francis Marion Charter School, Inc. d/b/a Ocali Charter Middle School (the School) 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 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 expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
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 Charter School, Inc.
d/b/a Ocali Charter Middle School
Ocala, Florida

**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)**

Compliance and Other Matters

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

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 Charter School, Inc.
d/b/a Ocali Charter Middle School
Ocala, Florida

Report on the Financial Statements

We have audited the financial statements of Francis Marion Charter School, Inc. d/b/a Ocali Charter Middle School (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, 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, which is 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 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 Charter School, Inc. d/b/a Ocali Charter Middle School.

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 the conditions described in Section 218.503(1), Florida Statutes.

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
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 Charter School, Inc.
d/b/a Ocali Charter Middle School
Ocala, Florida

MANAGEMENT LETTER
(Concluded)

Financial Condition (continued)

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

Transparency

Sections 10.854(1)(e)7. and 10.855(13), *Rules of the Auditor General*, require that we report the results of our determination as to whether the School maintains on its 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. In connection with our audit, we did not have 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, 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.



August 24, 2017
Ocala, Florida

MANAGEMENT LETTER COMMENTS

To the Board of Directors
Francis Marion Charter School, Inc.
d/b/a Ocali Charter Middle School
Ocala, Florida

During the course of our June 30, 2017 audit, the following items came to our attention. These items involve primarily operation matters, which, if improved, will result in more efficient and effective operations.

Prior Year Comments

All prior year Management Letter Comments have been addressed by the School.

Current Year Comments

2017-01 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 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

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
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

Ocali



Charter Middle School

ACADEMY of MATH, SCIENCE, TECHNOLOGY and ENRICHMENT
A Public Charter Middle School

September 1, 2017

To the Board of Trustees,
Francis Marion Charter School, Inc. dba Ocali Charter Middle School

Re: Audit Management Letter Response

2017-01 Budgetary Control

The Board of Trustees will review the budgeted financial statements with comparison to the actual financial statements on a monthly basis as part of the regularly scheduled Board of Trustees meetings.

Monthly statements will have comparisons of actual vs budget vs previous year columns as part of the monthly financial statements to allow the Board members to review the school's financial picture.

All changes to the budgets will be approved by the Board of Trustees within the 60 day period allowed for amendment per Florida Statutes.