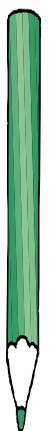
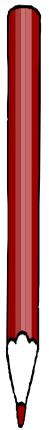
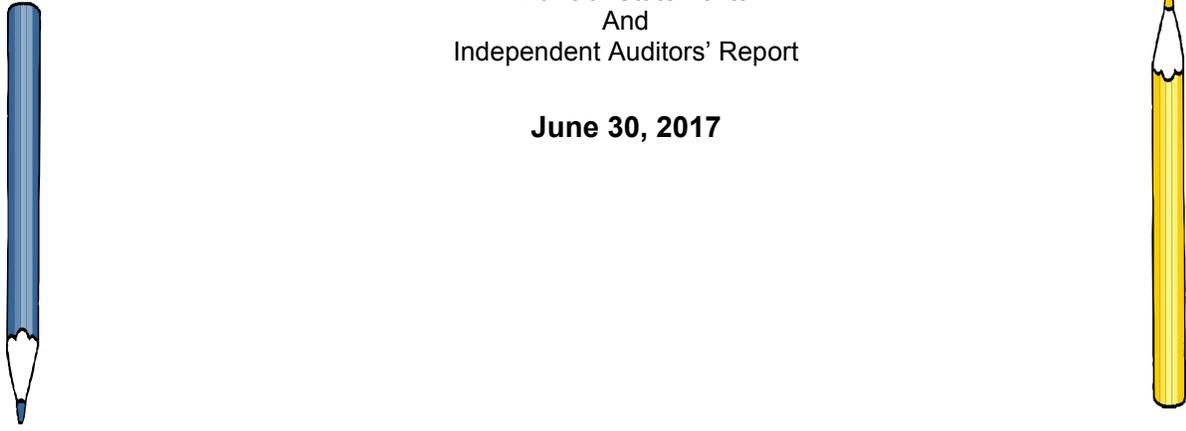


Marion Charter School, Inc.

A Component Unit of the Marion County District School Board

Financial Statements
And
Independent Auditors' Report

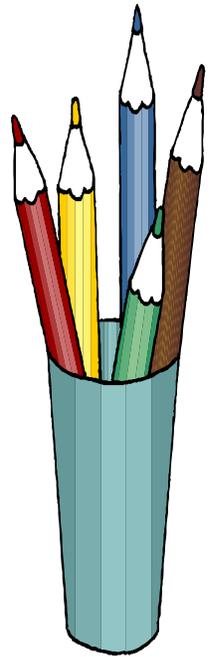
June 30, 2017



KATTELL AND COMPANY, P.L.
Certified Public Accountants Serving the Nonprofit Community

**808-B NW 16th Avenue
Gainesville, Florida 32601**

(352) 395-6565



FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS
JUNE 30, 2017
MARION CHARTER SCHOOL
A Component Unit of the Marion County District School Board

Contents

INDEPENDENT AUDITORS' REPORT	1
REQUIRED SUPPLEMENTARY INFORMATION:	
Management's Discussion and Analysis (MD&A)	2
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	5
Statement of Activities	6
Governmental Fund Financial Statements:	
Balance Sheet	7
Reconciliation of the Balance Sheet to the Statement of Net Position	8
Statement of Revenues, Expenditures and Changes in Fund Balances	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	10
Notes to Financial Statements	11
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule – General Fund	20
Budgetary Comparison Schedule – Special Revenue Fund	21
Schedules of School's Proportionate Share of the Net Pension Liability	22
Schedule of School's Contributions	23
ADDITIONAL ELEMENTS:	
Communication with Those Charged with Governance	24
Management Letter	25
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>	26
Schedule of Findings	27
School's Response	28

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Marion Charter School, Inc.

August 3, 2017

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Marion Charter School, Inc. (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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards required 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 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.

Opinions. In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters - Required Supplementary Information. Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison schedules, and certain pension related 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 August 3, 2017, on our consideration of the School's internal control over financial reporting (internal control) 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 and compliance and the results of that testing, and not to provide an opinion on the internal control 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 and compliance.

Kattell and Company, P.L.

Management's Discussion and Analysis

June 30, 2017

Marion Charter School

A Component Unit of the Marion County District School Board

This discussion and analysis of 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 2017:

- The School's overall net position increased by approximately \$72,000 which is about 11%.
- Unrestricted net position at June 30, 2017, was \$178,476.
- The School had total expenses for the year of about \$1,529,000 compared to revenues of approximately \$1,601,000.
- The School served approximately 215 students in 2017 and 209 students in 2016, in grades K-5.

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 deferred outflows and liabilities and deferred inflows 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 deferred outflows and liabilities and deferred inflows – 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 three individual governmental funds, the General Fund, Special Revenue Fund and Capital Projects Fund. These funds are considered to be major funds and, accordingly, they are separately displayed.

Governmental 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

Marion Charter School

A Component Unit of the Marion County District School Board

CONDENSED FINANCIAL INFORMATION

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

Net Position	2017 Governmental Activities	2016 Governmental Activities
Net Position		
Assets:		
Non-capital Assets	\$ 636,281	\$ 548,088
Capital Assets, Net	662,567	695,445
Total Assets	<u>1,298,848</u>	<u>1,243,533</u>
Deferred Outflows	<u>347,859</u>	<u>135,564</u>
Liabilities:		
Current Liabilities	3,395	1,360
Net Pension Liability	780,838	475,826
Non-current Liabilities	106,647	163,521
Total Liabilities	<u>890,880</u>	<u>640,707</u>
Deferred Inflows	<u>21,431</u>	<u>76,585</u>
Net Position:		
Net Investment in Capital Assets	555,920	531,924
Restricted	--	1,523
Unrestricted	<u>178,476</u>	<u>128,358</u>
Total Net Position	<u>\$ 734,396</u>	<u>\$ 661,805</u>
Changes in Net Position		
Program Revenues:		
Charges for Services	\$ 72,261	\$ 62,323
Capital Grants and Contributions	75,729	77,069
General Revenues:		
Title 1 Grant	50,618	51,087
Florida Education Finance Program	1,384,248	1,321,605
Other State Revenues	3,780	3,471
Unrestricted Grants & Contributions	14,696	9,846
Unrestricted Investment Earnings	<u>1</u>	<u>1</u>
Total Revenues	<u>1,601,333</u>	<u>1,525,402</u>
Program Expenses:		
Instruction	1,017,279	855,200
Instructional Support Services	98,583	74,755
General Support	385,500	340,291
Community Service	20,467	25,118
Interest on Long-term Debt	<u>6,913</u>	<u>9,715</u>
Total Expenses	<u>1,528,742</u>	<u>1,305,079</u>
Change in Net Position	72,591	220,323
Beginning Net Position	<u>661,805</u>	<u>441,482</u>
Ending Net Position	<u>\$ 734,396</u>	<u>\$ 661,805</u>

Management's Discussion and Analysis

June 30, 2017

Marion Charter School

A Component Unit of the Marion County District School Board

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities. The governmental activities generated \$147,990 in program revenues and \$1,453,343 of general revenues, and incurred \$1,528,742 of program expenses. This resulted in a \$72,591 increase in net position.

THE SCHOOL'S INDIVIDUAL FUNDS

General Fund. The fund balance of the General Fund has increased by \$87,681, from \$545,205 to \$632,886.

Special Revenue Fund. The fund balance of the Special Revenue Fund remained the same at \$0 which means that all grant funds were spent during the year. This is expected due to the nature of the Title I grant funds.

Capital Projects Fund. The fund balance of the Capital Project Fund decreased to \$0 from \$1,523. Prior year fund balance was used for current year allowable capital expenditures.

BUDGETARY HIGHLIGHTS

General Fund. There were no significant changes to the original budget. There were no differences between the final budget and actual amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The School had no 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.

Debt Administration. The School issued no new debt during the year and made scheduled payments on existing long-term debt. Please refer to a note to the accompanying financial statements entitled *Long Term Liabilities* for more detailed information about the School's long-term debt activity.

ECONOMIC FACTORS

The School currently is not aware of any conditions that are expected to have a significant effect on the School's financial position or results of operations.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the School's finances and to show the School's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Michelle Axson (Director), Marion Charter School, 39 Cedar Road, Ocala, Florida 34472.

Statement of Net Position

June 30, 2017

Marion Charter School

A Component Unit of the Marion County District School Board

	Governmental Activities
Cash	\$ 626,929
Grant Receivable	6,540
Other Receivables	74
Prepaid Expenses	1,138
Deposits	1,600
Capital Assets:	
Land and Land Improvements	248,319
Depreciable Capital Assets, Net	414,248
Total Assets	<u>1,298,848</u>
Deferred Outflows	<u>347,859</u>
Accounts Payable	3,395
Long-Term Liabilities:	
Due Within One Year	59,854
Due in More Than One Year	46,793
Net Pension Liability	780,838
Total Liabilities	<u>890,880</u>
Deferred Inflows	<u>21,431</u>
Net Investment in Capital Assets	555,920
Restricted for Capital Grant	--
Unrestricted	178,476
Total Net Position	<u><u>\$ 734,396</u></u>

See accompanying notes.

Statement of Activities
For the Year Ended June 30, 2017
Marion Charter School

A Component Unit of the Marion County District School Board

	Program Revenues			Net (Expense) Revenue and Change in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Functions/Programs:					
Governmental Activities:					
Instruction	\$ (1,017,279)	\$ 14,219	\$ --	\$ --	\$ (1,003,060)
Instructional Support Services	(98,583)	--	--	--	(98,583)
General Support	(385,500)	--	--	68,816	(316,684)
Community Service	(20,467)	58,042	--	--	37,575
Interest on Long-Term Debt	(6,913)	--	--	6,913	--
Total	<u>\$ (1,528,742)</u>	<u>\$ 72,261</u>	<u>\$ --</u>	<u>\$ 75,729</u>	<u>(1,380,752)</u>

General Revenues:

Federal through State:	
Title I Grant	50,618
State Revenue:	
Florida Education Finance Program	1,384,248
Other State Revenues	3,780
Unrestricted Grants and Contributions	14,696
Unrestricted Investment Earnings	<u>1</u>

Total General Revenues 1,453,343

Change in Net Position 72,591

Net Position – Beginning of Year 661,805

Net Position – End of Year \$ 734,396

See accompanying notes.

Balance Sheet – Governmental Funds

June 30, 2017

Marion Charter School

A Component Unit of the Marion County District School Board

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Assets				
Cash	\$ 626,929	\$ --	\$ --	\$ 626,929
Grant Receivable	6,540	--	--	6,540
Other Receivables	74	--	--	74
Prepaid Expenses	1,138	--	--	1,138
Deposits	1,600	--	--	1,600
Total Assets	\$ 636,281	\$ --	\$ --	\$ 636,281
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 3,395	\$ --	\$ --	\$ 3,395
Total Liabilities	3,395	--	--	3,395
Fund Balances:				
Non-spendable – Deposits/Prepays	2,738	--	--	2,738
Restricted	--	--	--	--
Unassigned	630,148	--	--	630,148
Total Fund Balances	632,886	--	--	632,886
Total Liabilities and Fund Balances	\$ 636,281	\$ --	\$ --	\$ 636,281

See accompanying notes.

**Reconciliation of the Balance Sheet to the Statement of Net Position -
Governmental Funds**

June 30, 2017

Marion Charter School

A Component Unit of the Marion County District School Board

Fund Balances – Total Governmental Funds	\$ 632,886
---	------------

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

Capital assets used in governmental activities are not reported in the governmental funds:

Capital Assets – Net of Accumulated Depreciation	662,567
--	---------

Long-term liabilities are not reported in the governmental funds:

Note Payable	(106,647)
--------------	-----------

Accounting for the School's participation in the Florida Retirement System – the following amounts are reported in the Government-Wide Statements (see Note 6):

Deferred Outflows	347,859
Deferred Inflows	(21,431)
Net Pension Liability	(780,838)
	<hr/>

Net Position of Governmental Activities	\$ 734,396
	<hr/>

See accompanying notes.

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended June 30, 2017

Marion Charter School

A Component Unit of the Marion County District School Board

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Federal through State:				
Title I Grant	\$ --	\$ 50,618	\$ --	\$ 50,618
State Revenue:				
Florida Education Finance Program	1,384,248	--	--	1,384,248
Other State Revenues	3,780	--	--	3,780
Public Education Capital Outlay	--	--	75,729	75,729
Local Revenue:				
After School Child Care Fees	58,042	--	--	58,042
Other Local Revenues	18,963	--	--	18,963
Total Revenues	1,465,033	50,618	75,729	1,591,380
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instruction	941,621	49,324	--	990,945
Instructional Support Services	94,618	1,294	--	95,912
General Support	371,079	--	--	371,079
Community Service	19,987	--	--	19,987
Capital Outlay	--	--	13,465	13,465
Debt Service:				
Principal	--	--	56,874	56,874
Interest	--	--	6,913	6,913
Total Expenditures	1,427,305	50,618	77,252	1,555,175
Excess of Revenues Over/(Under) Expenditures	37,728	--	(1,523)	36,205
Other Financing Sources				
Insurance Loss Recovery	49,953	--	--	49,953
Changes in Fund Balances				
Net Change in Fund Balance	87,681	--	(1,523)	86,158
Fund Balances, July 1, 2016	545,205	--	1,523	546,728
Fund Balances, June 30, 2017	\$ 632,886	\$ --	\$ --	\$ 632,886

See accompanying notes.

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance to the Statement of Activities - Governmental Funds**

For the Year Ended June 30, 2017

Marion Charter School

A Component Unit of the Marion County District School Board

Net Change in Fund Balance – Total Governmental Funds \$ 86,158

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	--
Current Year Depreciation Expense	(32,878)

Repayment of principal is an expenditure in the governmental funds, but has no effect on net position:

Principal Payments	56,874
--------------------	--------

Accounting for the School's participation in the Florida Retirement System:

Adjustment of required contribution to net pension expense.	<u>(37,563)</u>
---	-----------------

Change in Net Position of Governmental Activities \$ 72,591

See accompanying notes.

Notes to the Financial Statements

June 30, 2017

Marion Charter School

A Component Unit of the Marion County District School Board

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of 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

Marion Charter School, Inc. 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 Marion Charter School (the School). The governing body of the School is the not-for-profit corporation's Board of Directors.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the Marion County District School Board (the District). The current charter is effective until June 30, 2020, and may be renewed up to an additional 15 years provided that a program review demonstrates that certain criteria addressed in Section 1002.33(7), Florida Statutes, have been successfully accomplished. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. Pursuant to Section 1002.33(8)(e), Florida Statutes, the charter school contract provides that in the event the School is dissolved or terminated, any unencumbered funds and all School property purchased with public funds automatically revert to the District. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a component unit of the District.

Criteria for determining if other entities are potential component units of the School which should be reported with the School's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provide for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

Government-wide Financial Statements

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of the School. Governmental activities are reported separately from business-type activities, which rely on fees charged to external parties as their primary revenues. The School has no business-type activities.

Any internal inter-fund activity has been eliminated from the government-wide financial statements.

The Statement of Net Position reports the School's financial position as of the end of the fiscal year. In this statement, the School's net position is reported in three categories: net investment in capital assets; restricted net assets; and unrestricted net assets.

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.

Notes to the Financial Statements

June 30, 2017

Marion Charter School

A Component Unit of the Marion County District School Board

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, except those associated with grants that are restricted to specified uses.

Special Revenue Fund – The Special Revenue Fund is used to account for financial resources associated with grants that are restricted to operational uses, specifically Title I funding.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources associated with grants that are restricted to capital uses.

In the accompanying fund financial statements, the General Fund, Special Revenue Fund and Capital Projects Fund are all considered to be major funds and, therefore, are separately displayed. The School has no non-major funds.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

Most revenues are considered to be susceptible to accrual and have been measured in the current fiscal period. Certain other items are considered to be measurable and available only when cash is received.

Cash

Cash consists of deposits in financial institutions. Deposits in financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per institution. At June 30, 2017 and 2016, the School held approximately \$390,642 and \$302,146, respectively, in excess of this limit. The School has no policy regarding deposit custodial credit risk.

Notes to the Financial Statements

June 30, 2017

Marion Charter School

A Component Unit of the Marion County District School Board

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets and Depreciation

Capital assets are defined by the School as assets with an initial, individual cost of \$1,000 or more and an estimated useful life of more than one year. These assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value on the date of donation.

Depreciable capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10 - 30
Improvements Other than Buildings	15
Furniture, Fixtures and Equipment	3 - 5

Revenue Sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Educational Finance Program and the actual weighted FTE students reported by the School during the designated FTE student survey periods. The School also receives other financial assistance. This assistance is generally based on applications submitted to and approved by the granting agency.

Compensated Absences

The School does not pay for employees' unused sick and vacation time at termination, and unused time does not accumulate. Therefore, no liability for compensated absences is recorded.

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Long-term liabilities are not reported in the governmental funds because governmental funds use the current financial resources measurement focus.

Net Position

The net position represents the difference between assets and deferred outflows and liabilities and deferred inflows and is reported in three categories as hereafter described. *Net investment 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 their use by legislation, or external restrictions imposed by other governments, creditors, or grantors. The balance of the net position is reported as *unrestricted*.

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 the Financial Statements

June 30, 2017

Marion Charter School

A Component Unit of the Marion County District School Board

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Fund Balance Classifications

Governmental funds report separate classifications of fund balance.

Non-Spendable. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted. The restricted fund balance is defined as having restrictions (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed. Committed fund balance is defined as amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School's Board of Directors.

Assigned. Assigned fund balance is defined as amounts that are constrained by the intent of the School's Board of Directors to be used for specific purposes, but are neither restricted nor committed. The School has given the authority to assign fund balance to the School's Executive Director. Assigned fund balance includes spendable fund balance amounts established by the Executive Director that are intended to be used for specific purposes that are neither considered restricted or committed. Assignment of fund balance may be (a) made for a specific purpose that is narrower than the general purposes of the government itself; and/or (b) used to reflect the appropriation of a portion of existing unassigned fund balance to eliminate a projected deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues. Assigned fund balance shall reflect management's intended use of resources as set forth each year by the Executive Director. Assigned fund balance may or may not be appropriated for expenditure in the subsequent year depending on the timing of the project/reserve for which it was assigned.

Unassigned. Unassigned fund balance is the residual classification for the general fund.

It is the policy of the School that they will 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.

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 the Health Insurance Subsidy (HIS), and additions to/deductions from the FRS and HIS fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. 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.

Notes to the Financial Statements

June 30, 2017

Marion Charter School

A Component Unit of the Marion County District School Board

NOTE 2 – CAPITAL ASSETS AND DEPRECIATION

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

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital Assets not Being Depreciated:				
Land	\$ 101,354	\$ --	\$ --	\$ 101,354
Land Improvements	146,965	--	--	146,965
Total Capital Assets not Being Depreciated	<u>248,319</u>	<u>--</u>	<u>--</u>	<u>248,319</u>
Capital Assets Being Depreciated:				
Buildings	725,207	--	--	725,207
Improvements Other Than Buildings	17,496	--	--	17,496
Furniture, Fixtures & Equipment	63,814	--	--	63,814
Total Capital Assets Being Depreciated	<u>806,517</u>	<u>--</u>	<u>--</u>	<u>806,517</u>
Accumulated Depreciation:				
Buildings	292,744	28,100	--	320,844
Improvements Other Than Buildings	10,642	1,167	--	11,809
Furniture, Fixtures & Equipment	56,005	3,611	--	59,616
Total Accumulated Depreciation	<u>359,391</u>	<u>32,878</u>	<u>--</u>	<u>392,269</u>
Net Capital Assets	<u>\$ 695,445</u>	<u>\$ (32,878)</u>	<u>\$ --</u>	<u>\$ 662,567</u>

Depreciation was charged to functions/programs as follows:

Instructional	\$ --
General Support	<u>32,878</u>
Total	<u>\$ 32,878</u>

NOTE 3 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Amount Due In 1 Year
Notes Payable	<u>\$ 163,521</u>	<u>\$ --</u>	<u>\$ (56,874)</u>	<u>\$ 106,647</u>	<u>\$ 59,854</u>

On June 13, 2003, the School borrowed \$637,760 to finance the acquisition of its facility. The note is paid at a fixed rate of 4.95% and is collateralized by the School's real property. Scheduled debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 59,854	\$ 3,933	\$ 63,787
2019	46,793	969	47,762
Total	<u>\$ 106,647</u>	<u>\$ 4,902</u>	<u>\$ 111,549</u>

Notes to the Financial Statements

June 30, 2017

Marion Charter School

A Component Unit of the Marion County District School Board

NOTE 4 – RISK MANAGEMENT

The School is exposed to various risks of loss, including general liability, personal injury, workers compensation, and errors and omissions. To manage its risks, the School has purchased commercial insurance. Settled claims resulting from these risks have not exceeded commercial coverage in the current and previous two years.

NOTE 5 – EMPLOYEE RETIREMENT PLAN

The Florida Department of Management Services, Division of Retirement (Division), is part of the primary government of the state of Florida and is responsible for administering the Florida Retirement System Pension Plan and Other State-Administered Systems (System). The School participates in two defined benefit plans administered by the Division. The Division issues a publicly-available, audited comprehensive annual financial report (CAFR) on behalf of the System that includes financial statements, notes and required supplementary information for each of the pension plans. The System's CAFR and the actuarial valuation reports, which provide detailed information about the plans, are available on line at: http://www.dms.myflorida.com/workforce_operations/retirement/publications. The system's CAFR and actuarial reports may also be obtained by contacting the Division of Retirement at: Department of Management Services, Division of Retirement, Bureau of Research and Member Communications, P.O. Box 9000, Tallahassee, FL 32315-9000, or call 850-488-5706 or toll free at 877-377-1737.

Plan Descriptions

The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple-employer qualified defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established, is administered, and may be amended in accordance with Chapter 121, Florida Statutes. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state community college, or district school board, unless restricted from FRS membership under sections 121.053 and 121.122, Florida Statutes, or allowed to participate in a non-integrated defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

Benefits under the FRS Pension 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. The percentage value for each year of service credit earned ranges from 1.60% to 1.68%. Benefits received are increased by an annual cost-of-living adjustment, ranging from 0% to 3% depending on effective dates of enrollment and retirement.

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established, administered, and subject to amendment 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, 2016, 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.

Notes to the Financial Statements

June 30, 2017

Marion Charter School

A Component Unit of the Marion County District School Board

NOTE 5 – EMPLOYEE RETIREMENT PLAN (continued)

Contributions

Contribution requirements of active employees and participating employers are established and may be amended only through an act of the Florida Legislature. The FRS requires a contribution of 3% of covered pay from most employees. Those in the DROP program do not make contributions. The School is required to contribute at an actuarially determined rate. Contribution rates and amounts are listed in the table below. Amounts contributed were equal to the required contribution for those years.

	Regular 2015	Regular 2016	DROP	Regular 2017	DROP
Contribution Rates – %					
Retirement – Employer	6.07	5.56	11.22	5.80	11.33
HIS – Employer	1.26	1.66	1.66	1.66	1.66
Administrative – Employer	.04	.04	--	.06	--
Employee	3.00	3.00	--	3.00	--
Total	<u>10.37</u>	<u>10.26</u>	<u>12.88</u>	<u>10.52</u>	<u>12.99</u>
Contribution Amounts					
Employer	\$ 57,273	\$ 62,686	\$ 3,362	\$ 67,946	\$ 3,742
Employee	23,313	25,913	--	27,107	--
Totals	<u>\$ 80,586</u>	<u>\$ 88,599</u>	<u>\$ 3,362</u>	<u>\$ 95,053</u>	<u>\$ 3,742</u>

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

At June 30, 2017, the School reported a liability of \$780,838 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's 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 employers, actuarially determined. The following displays the School's proportionate shares for the two programs:

	Share at June 30, 2015	Share at June 30, 2016	Change
Florida Retirement System	0.001661418%	0.001769210%	(0.000107792)%
Health Insurance Subsidy	0.002561490%	0.002866779%	(0.000305289)%

Notes to the Financial Statements

June 30, 2017

Marion Charter School

A Component Unit of the Marion County District School Board

NOTE 5 – EMPLOYEE RETIREMENT PLAN (continued)

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

For the year ended June 30, 2017, the School recognized pension expense of \$101,579. At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience.	\$ 34,205	\$ 4,920
Changes of assumptions.	79,457	--
Net difference between projected and actual earnings on pension plan investments.	115,643	--
Changes in proportion and differences between School contributions and proportionate share of contributions.	47,408	16,511
Contributions subsequent to the measurement date.	71,146	--
Total	\$ 347,859	\$ 21,431

The School reported \$71,146 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the following years:

Year Ending <u>June 30,</u>	FRS	HIS	Total
2018	\$ 22,029	\$ 13,309	\$ 35,338
2019	22,029	13,309	35,338
2020	22,029	13,309	35,338
2021	58,192	13,285	71,477
2022	40,268	11,387	51,655
2023	6,766	10,606	17,372
2024	1,910	5,901	7,811
2025	--	953	953
Total	\$ 173,223	\$ 82,059	\$ 255,282

Actuarial Assumptions and Discount Rate

The total pension liability for cost-sharing defined benefit plans was determined by an actuarial valuation as of July 1, 2016, using the entry age 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 Pension Plan investments is 7.60%. 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 the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 2.85% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index.) Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

The following changes in actuarial assumptions occurred in 2016:

- FRS: The long-term expected rate of return was decreased from 7.65% to 7.60%, and the active member mortality assumption was updated.

Notes to the Financial Statements

June 30, 2017

Marion Charter School

A Component Unit of the Marion County District School Board

NOTE 5 – EMPLOYEE RETIREMENT PLAN (concluded)

Actuarial assumptions and Discount Rate (concluded)

- HIS: The municipal rate used to determine total pension liability was decreased from 3.80% to 2.85%.

Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate. The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact of the School's proportionate share of the collective net pension liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate at June 30, 2016.

Florida Retirement System			Health Insurance Subsidy		
1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)	1% Decrease (1.85%)	Current Discount Rate (2.85%)	1% Increase (3.85%)
\$ 822,454	\$ 446,727	\$ 133,983	\$ 383,301	\$ 334,111	\$ 293,286

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 2016 the FRS Actuarial Assumptions Conference reviewed long-term assumptions developed by capital market assumptions teams from both Milliman and Aon Hewitt Investment Consulting, investment consultants 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. The 2016 FRS Actuarial Assumption Conference selected a return assumption of 7.60 percent, which is a prescribed assumption as defined by ASOP 27.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1%	3.0%	3.0%	1.7%
Fixed Income	18%	4.7%	4.6%	4.6%
Global Equity	53%	8.1%	6.8%	17.2%
Real Estate (Property)	10%	6.4%	5.8%	12.0%
Private Equity	6%	11.5%	7.8%	30.0%
Strategic Investments	12%	6.1%	5.6%	11.1%

Pension plan fiduciary net position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued FRS financial report.

Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2017
Marion Charter School

A Component Unit of the Marion County District School Board

	<u>BUDGETED AMOUNTS</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues				
State Revenue:				
Florida Education Finance Program	\$ 1,254,505	\$ 1,384,248	\$ 1,384,248	\$ --
Other State Revenues	3,471	3,780	3,780	--
Local Revenue:				
Extended Day Child Care Fees	22,000	58,042	58,042	--
Other Local Revenues	15,507	18,963	18,963	--
Total Revenues	<u>1,295,483</u>	<u>1,465,033</u>	<u>1,465,033</u>	<u>--</u>
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instruction	995,234	941,621	941,621	--
Instructional Support Services	97,132	94,618	94,618	--
General Support	342,312	371,079	371,079	--
Community Service	31,151	19,987	19,987	--
Total Expenditures	<u>1,465,829</u>	<u>1,427,305</u>	<u>1,427,305</u>	<u>--</u>
Excess of Revenues Over (Under)Expenditures	<u>(170,346)</u>	<u>37,728</u>	<u>37,728</u>	<u>--</u>
Other Financing Sources				
Insurance Loss Recovery	<u>--</u>	<u>49,953</u>	<u>49,953</u>	<u>--</u>
Changes in Fund Balances				
Net Change in Fund Balance	<u>(170,346)</u>	<u>87,681</u>	<u>87,681</u>	<u>--</u>
Fund Balances, July 1, 2016	<u>545,205</u>	<u>545,205</u>	<u>545,205</u>	<u>--</u>
Fund Balances, June 30, 2017	<u>\$ 374,859</u>	<u>\$ 632,886</u>	<u>\$ 632,886</u>	<u>\$ --</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.

Budgetary Comparison Schedule – Special Revenue Fund
For the Year Ended June 30, 2017
Marion Charter School

A Component Unit of the Marion County District School Board

	<u>BUDGETED AMOUNTS</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues				
Federal through State:				
Title I Grant	\$ 50,618	\$ 50,618	\$ 50,618	\$ --
Total Revenues	50,618	50,618	50,618	--
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instruction	49,324	49,324	49,324	--
Instructional Support Services	1,294	1,294	1,294	--
Total Expenditures	50,618	50,618	50,618	--
Excess of Revenues Over (Under)Expenditures	--	--	--	--
Fund Balances, July 1, 2016	--	--	--	--
Fund Balances, June 30, 2017	\$ --	\$ --	\$ --	\$ --

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.

Schedule of School's Proportionate Share of the Net Pension Liability – Last 10 Fiscal Years
For the Year Ended June 30, 2017
Marion Charter School

A Component Unit of the Marion County District School Board

Florida Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Proportion of the net pension liability (asset)	0.001769210%	0.001661418%	0.001764832%							
Proportionate share of the net pension liability (asset)	\$ 446,727	\$ 214,594	\$ 107,681							
Covered-employee payroll	\$ 889,856	\$ 777,106	\$ 754,155							
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	50.20%	27.61%	14.28%							
Plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%	96.09%							

Health Insurance Subsidy Program

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Proportion of the net pension liability (asset)	0.002866779%	0.002561490%	0.002628726%							
Proportionate share of the net pension liability (asset)	\$ 334,111	\$ 261,232	\$ 245,792							
Covered-employee payroll	\$ 889,856	\$ 777,106	\$ 754,155							
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	37.55%	33.62%	32.59%							
Plan fiduciary net position as a percentage of the total pension liability	0.97%	0.50%	0.99%							

Note: The amounts presented were determined as of June 30 for each fiscal year.

Note: Amounts will be presented prospectively.

Note: There are no factors that have had a significant effect on amounts reported.

Schedule of School's Contributions – Last 10 Fiscal Years
For Year Ended June 30, 2017
Marion Charter School

A Component Unit of the Marion County District School Board

Florida Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Required contribution	\$ 55,668	\$ 50,931	\$ 40,507	\$ 38,657						
Contributions in relation to the required contribution	(55,668)	(50,931)	(40,507)	(38,657)						
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --						
Covered-employee payroll	\$932,382	\$889,856	\$777,106	\$754,155						
Contributions as a percentage of covered-employee payroll	5.97%	5.72%	5.21%	5.13%						

Health Insurance Subsidy Program

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Required contribution	\$ 15,478	\$ 14,772	\$ 9,792	\$ 9,005						
Contributions in relation to the required contribution	(15,478)	(14,772)	(9,792)	(9,005)						
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --						
Covered-employee payroll	\$932,382	\$889,856	\$777,106	\$754,155						
Contributions as a percentage of covered-employee payroll	1.66%	1.66%	1.26%	1.19%						

Note: The amounts presented were determined as of June 30 for each fiscal year.

Note: Amounts will be presented prospectively.

Note: There are no significant trends in the amounts reported.

Kattell and Company, P.L.

Certified Public Accountants Serving the Nonprofit Community

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

August 3, 2017

To the Board of Directors
Marion Charter School, Inc.

We have audited the financial statements of Marion Charter School, Inc. (the School) for the year ended June 30, 2017, and have issued our report thereon dated August 3, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated July 5, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Accounting Policies. Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no estimates that are particularly sensitive.

Disclosures. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There are no disclosures that are particularly sensitive.

Corrected and Uncorrected Misstatements. Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There are no corrected or uncorrected misstatements.

Our Working Relationship with Management

Difficulties Encountered in Performing the Audit. We encountered no difficulties in dealing with management in performing and completing our audit.

Disagreements with Management. For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations. We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants. In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Consultations Prior to Engagement. We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of management and the Board of Directors of the School and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Kattell and Company, P.L.

Gainesville, Florida

Kattell and Company, P.L.

Certified Public Accountants Serving the Nonprofit Community

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MANAGEMENT LETTER

To the Board of Directors,
Marion Charter School, Inc.

Report on the Financial Statements. We have audited the financial statements of Marion Charter School, Inc. (the School), as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated August 3, 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*, and Schedule of Findings. Disclosures in that report and schedule, which are dated August 3, 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. The School has taken corrective actions regarding Finding 2016-001; however, Finding 2017-001 notes that further corrective actions should be made.

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 Marion Charter School, Inc.

Financial Condition.

Sections 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 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 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 is not in compliance with the Statutes because some of the required information is not available on the website. Refer to Finding 2017-001 in the accompanying Schedule of Findings.

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. In connection with our audit, we did not have an such recommendations.

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, the local district school board, 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.

Kattell and Company, P.L.

August 3, 2017

Kattell and Company, P.L.

Certified Public Accountants Serving the Nonprofit Community

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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,
Marion Charter School, Inc.

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 Marion Charter School, Inc. (the School), as of and for the year ended June 30, 2017, and the related notes to financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 3, 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. 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 were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

School's Response to Findings

The School's response to the finding identified in our audit is described in the accompanying letter from the School. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 3, 2017.

Kattell and Company, P.L.

August 3, 2017

Schedule of Findings

June 30, 2017

Marion Charter School

A Component Unit of the Marion County District School Board

Transparency

2017-001 Information on School Website

Finding - According to Florida Statutes, the School is to maintain a website that enables the public to obtain information regarding the School as detailed in Sections 1002.33(9)(p) and 1002.33(21)(3). Although the School does have a website, some of the specific information required to be posted on the website for transparency purposes was not current or was not posted on the website on July 17, 2017, the day we performed our procedures.

Recommendation - The School should maintain a website in compliance with Florida Statutes with all of the required information.

Marion Charter School

(an independent public school)

39 Cedar Road

Ocala, FL 34472

(352) 687-2100 phone

(352) 687-2700- fax

https://www.edline.net/pages/Marion_Charter_School

August 3, 2017

To Kattell and Company:

Thank you for your services this year in preparing our 2016-17 audit. I have discussed the process with Mr. Kattell and had a chance to review the draft audit, which was emailed to me. I understand from our discussions and the draft audit that there was one finding reported in this year's audit. This finding had to do with maintaining our website. Two of the required information that is required to be posted on the Web site was not current. Marion Charter will ensure that all information such as previous audits and the current Board approved budget up to date and available in hard copy in the office.

As always, we appreciate helpful comments to assist us in providing the highest level of accountability in our financial management.

Thank you again for your services and I look forward to receiving the final audit, as well as working with you again next year.

Sincerely,



Michelle Axson
Director

Equal Opportunity School