

McIntosh Area School, Inc.

A Component Unit of the Marion County District School Board

Financial Statements
And
Independent Auditors' Reports

June 30, 2023

PRICE & ASSOCIATES CERTIFIED PUBLIC ACCOUNTANTS, LLC

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FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2023

MCINTOSH AREA SCHOOL

A Component Unit of the Marion County District School Board

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
McIntosh Area School, Inc.

August 24, 2023

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of McIntosh Area School, Inc. (the School), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Going Concern.

The accompanying financial statements have been prepared assuming that the School will continue as a going concern. As discussed in Note 7 to the financial statements, the School sustained a decrease in net position for the year ended June 30, 2023 of \$253,889 and ended the year with a deficit in unrestricted net position of \$32,360. Also, the School experienced an excess of expenditures over revenues in the General Fund of \$288,772. This issue raises substantial doubt about the School's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about McIntosh Area School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Report on the Audit of the Financial Statements (concluded)

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (concluded)

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 McIntosh Area School's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about McIntosh Area School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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, 2023 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's 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.

Price & Associates Certified Public Accountants, LLC

Management's Discussion and Analysis

June 30, 2023
McIntosh Area 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, 2023. Please read it in conjunction with the School's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2023:

- The School's overall Net Position decreased by \$252,289, which is about 115%.
- Unrestricted Net Position at June 30, 2023 was \$103,312.
- The School had total expenses for the year of about \$793,000, compared to revenues of approximately \$541,000.
- The School served 51 students in 2023 and 52 students in 2022, 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 liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current year revenues and expenses are recorded, regardless of when cash is received or paid. Net Position – the difference between assets and liabilities – can be used to measure the School's financial position.

The second financial statement is the Statement of Activities. This statement is also shown using the accrual basis of accounting. It shows the increases and decreases in Net Position during the fiscal year. Over time, the increases or decreases in Net Position are useful indicators of whether the School's financial health is improving or deteriorating. However, other non-financial factors, such as enrollment levels or changes in state funding, must also be considered when assessing the overall health of the School.

In these statements, all of the School's activities are considered to be governmental activities. The School has no business-type activities, which are generally financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Following the government-wide financial statements are the fund financial statements. They provide more detailed information about the School's funds.

The School maintains two individual governmental funds, the General Fund and Capital Projects Fund. These funds are considered to be major funds and, accordingly, they are separately displayed.

Governmental funds 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, 2023

McIntosh Area 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.

	2023 Governmental Activities	2022 Governmental Activities
Net Position		
Assets:		
Non-capital Assets	\$153,539	\$ 490,304
Capital Assets, Net	335,798	340,766
Total Assets	<u>489,337</u>	<u>831,070</u>
Liabilities:		
Current Liabilities	9,591	55,000
Non-current Liabilities	512,106	556,141
Total Liabilities	<u>521,697</u>	<u>611,141</u>
Net Position:		
Net Investment in Capital Assets	(176,308)	(215,375)
Restricted – Capital Outlay	40,636	43,220
Unrestricted	103,312	392,084
Total Net Position	<u>\$ (32,360)</u>	<u>\$ 219,929</u>
Changes in Net Position		
Program Revenues:		
Charges for Services	\$ 13,572	\$ 33,784
Capital Grants & Contributions	--	33,317
General Revenues:		
Esser II Grant	87,532	--
Title 1 Grant	10,524	22,513
Florida Education Finance Program	360,794	404,861
Other State Revenue	5,346	1,625
Unrestricted Grants & Contributions	62,874	18,512
Total Revenues	<u>540,642</u>	<u>514,612</u>
Program Expenses:		
Instruction	451,416	461,306
General Support	243,044	238,641
Community Service	2,188	7,723
Maintenance of Plant	96,245	18,578
Interest on Long-Term Debt	38	--
Total Expenses	<u>792,931</u>	<u>726,248</u>
Change in Net Position	(252,289)	(211,636)
Beginning Net Position	219,929	431,565
Ending Net Position	<u>(\$32,360)</u>	<u>\$ 219,929</u>

Management's Discussion and Analysis

June 30, 2023

McIntosh Area School

A Component Unit of the Marion County District School Board

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities. The governmental activities generated \$13,572 in program revenues and \$527,070 of general revenues and incurred \$792,931 of program expenses. This resulted in a \$252,289 decrease in Net Position.

THE SCHOOL'S INDIVIDUAL FUNDS

General Fund. The fund balance of the General Fund decreased by \$288,772 from \$392,084 to \$103,312.

Capital Projects Fund. The fund balance of the Capital Projects Fund decreased by \$2,584.

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 for the year. 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 borrowed from the Small Business Administration. 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 David Friedlander (Principal), McIntosh Area School, Post Office Box 769, McIntosh, Florida 32664.

Statement of Net Position

June 30, 2023

McIntosh Area School

A Component Unit of the Marion County District School Board

	Governmental Activities
Assets	
Cash	\$ 134,791
Prepays	200
Receivables	18,548
Capital Assets:	
Land	116,514
Depreciable Capital Assets, Net	<u>219,284</u>
Total Assets	<u>489,337</u>
Liabilities	
Accrued Expenses	9,591
Long-term liabilities:	
Due Within One Year	20,102
Due in More Than One Year	<u>492,004</u>
Total Liabilities	<u>521,697</u>
Net Position	
Net Investment in Capital Assets	(176,308)
Restricted – Capital Outlay	40,636
Unrestricted	<u>103,312</u>
Total Net Position	<u>\$ (32,360)</u>

See accompanying notes.

Statement of Activities
For the Year Ended June 30, 2023
McIntosh Area 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	\$ (451,416)	\$ 13,572	\$ --	\$ --	\$ (437,844)
General Support	(243,044)	--	--	--	(243,044)
Community Service	(2,188)	--	--	--	(2,188)
Maintenance of Plant	(96,245)	--	--	--	(96,245)
Interest on Long-Term Debt	(38)	--	--	--	(38)
Total	<u>\$ (792,931)</u>	<u>\$ 13,572</u>	<u>\$ --</u>	<u>\$ --</u>	<u>(779,359)</u>

General Revenues:

Federal through State:	
Esser II Grant	87,532
Title I Grant	10,524
State Revenue:	
Florida Education Finance Program	360,794
Other State Revenue	5,346
Unrestricted Grants and Contributions	<u>62,874</u>

Total General Revenues 527,070

Change in Net Position (252,289)

Net Position – Beginning of Year 219,929

Net Position – End of Year \$ (32,360)

See accompanying notes.

Balance Sheet – Governmental Funds

June 30, 2023

McIntosh Area School

A Component Unit of the Marion County District School Board

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash	\$ 94,155	\$ 40,636	\$ 134,791
Receivables	18,548	--	18,548
Prepaid Expenses	<u>200</u>	<u>--</u>	<u>200</u>
Total Assets	<u>\$ 112,903</u>	<u>\$ 40,636</u>	<u>\$ 153,539</u>
Liabilities and Fund Balances			
Liabilities:			
Accrued Expenses	<u>9,591</u>	<u>\$ --</u>	<u>9,591</u>
Total Liabilities	9,591	--	9,591
Fund Balances:			
Non Spendable	200	--	200
Restricted	--	40,636	40,636
Unassigned	<u>103,112</u>	<u>--</u>	<u>103,112</u>
Total Fund Balances	<u>103,312</u>	<u>40,636</u>	<u>143,948</u>
Total Liabilities and Fund Balances	<u>\$ 112,903</u>	<u>\$ 40,636</u>	<u>\$ 153,539</u>

See accompanying notes.

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

June 30, 2023

McIntosh Area School

A Component Unit of the Marion County District School Board

Fund Balances – Total Governmental Funds	\$143,948
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Amounts reported for Governmental activities in the statement of Net Position are different because:

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

Capital Assets – Net of Accumulated Depreciation	335,798
--	---------

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

Compensated Absences	(12,493)
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Notes Payable	(499,613)
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Net Position of Governmental Activities	<u>\$ (32,360)</u>
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See accompanying notes.

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

For the Year Ended June 30, 2023

McIntosh Area School

A Component Unit of the Marion County District School Board

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
Federal through State:			
Esser II Grant	\$ 87,532	\$ --	\$ 87,532
Title I Grant	10,524	--	10,524
State Revenue:			
Florida Education Finance Program	360,794	--	360,794
Public Education Capital Outlay	--	--	--
Other State Revenues	5,346	--	5,346
Local Revenue:			
After School Child Care Fees	13,572	--	13,572
Other Local Revenues	12,874	--	12,874
Total Revenues	490,642	--	490,642
Expenditures and Changes in Fund Balances			
Expenditures:			
Current:			
Instruction	446,546	--	446,546
General Support	234,210	--	234,210
Community Services	2,188	--	2,188
Maintenance of Plant	96,245	--	96,245
Debt Service			
Principal	187	--	187
Interest	38	--	38
Capital Outlay	--	2,584	2,584
Total Expenditures	779,414	2,584	781,998
Excess of Revenues Over/(Under) Expenditures	(288,772)	(2,584)	(291,356)
Net Change in Fund Balance	(288,772)	(2,584)	(291,356)
Fund Balances, July 1, 2022	392,084	43,220	435,304
Fund Balances, June 30, 2023	\$ 103,312	\$ 40,636	\$ 143,948

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, 2023

McIntosh Area School

A Component Unit of the Marion County District School Board

Net Change in Fund Balance – Total Governmental Funds \$ (291,356)

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	21,473
Current Year Depreciation Expense	(26,441)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Net change in Compensated Absences	(6,152)
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Issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net position. Repayment of principal is an expenditure in governmental funds, but reduces long-term liabilities in the Statement of Net Position.

Repayment of Long-Term Debt	187
Current Year Conversion of Long-Term Debt to a gift	<u>50,000</u>

Change in Net Position of Governmental Activities \$(252,289)

See accompanying notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of McIntosh Area 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

McIntosh Area 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 McIntosh Area 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, 2026, 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 interfund activity has been eliminated from the government-wide financial statements.

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

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.

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.

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 and Capital Projects Fund are both 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 qualified public depositories and the bank has identified the School's deposits as public deposits.

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid assets are reported as "non-spendable" in the funds financial statements to indicate that prepaids do not represent available expendable resources.

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	20
Leasehold Improvements	7 - 20
Improvements other than Buildings	20
Furniture, Fixtures and Equipment	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 full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Educational Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The School also receives other financial assistance. This assistance is generally based on applications submitted to and approved by the granting agency.

Compensated Absences

The School does not pay for employees’ unused sick leave. Unused time may accumulate to be used in subsequent years but the balance is not paid out at termination. The liability of compensated absences is accrued when incurred in the government-wide financial statements. In the fund financial statements, a liability for compensated absences is reported to the extent that the liability will be liquidated with expendable available financial resources. Compensated absences are liquidated from the General Fund.

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

Net Position represents the difference between assets and liabilities and are 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. *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.

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.

NOTE 2 – 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 did not exceed commercial coverage in the current or previous two years.

NOTE 3 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Capital Assets not Being Depreciated:				
Land	\$ 80,860	\$ --	\$ --	\$ 80,860
Construction in Process	35,654	--	--	35,654
Total Capital Assets not Being Depreciated	<u>116,514</u>	<u>--</u>	<u>--</u>	<u>116,514</u>
Capital Assets Being Depreciated:				
Buildings	353,094	--	--	353,094
Improvements other than Buildings	48,925	--	--	48,925
Furniture, Fixtures & Equipment	105,076	21,473	--	126,549
Total Capital Assets Being Depreciated	<u>507,095</u>	<u>21,473</u>	<u>--</u>	<u>528,568</u>
Accumulated Depreciation:				
Buildings:				
Under Capital Lease	34,254	3,806	--	38,060
Other	122,443	13,829	--	136,272
Leasehold Improvements	23,834	1,985	--	25,819
Improvements other than buildings	4,500	500	--	5,000
Furniture, Fixtures & Equipment	97,812	6,321	--	104,133
Total Accumulated Depreciation	<u>282,843</u>	<u>26,441</u>	<u>--</u>	<u>309,284</u>
Net Capital Assets	<u>\$ 340,766</u>	<u>\$ (4,968)</u>	<u>\$ --</u>	<u>\$ 335,798</u>

Depreciation was charged to functions/programs as follows:

Instructional	\$ --
General Support	26,441
Total	<u>\$ 26,441</u>

NOTE 4 – LEASE

The School leases land and office space from the Town of McIntosh for \$10 per year. This agreement is renewed annually.

NOTE 5 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Balance June 30, <u>2022</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2023</u>	Amount Due <u>In 1 Year</u>
Compensated Absences	\$ 6,341	\$ 6,152	\$ --	\$ 12,493	\$ 12,493
Notes Payable – Private	50,000	--	50,000	--	--
Notes Payable - SBA	<u>149,900</u>	<u>349,900</u>	<u>187</u>	<u>499,613</u>	<u>7,609</u>
Totals	<u>\$ 206,241</u>	<u>\$ 356,052</u>	<u>\$ 50,187</u>	<u>\$ 512,106</u>	<u>\$ 20,102</u>

During the year ended June 30, 2021, the School obtained a private loan in the amount of \$50,000. During the year, the donor converted the loan to a gift. In addition, during the year ended June 30, 2022, the School obtained a SBA loan in the amount of \$349,900. The interest rate is 2.75% with monthly payments of \$2,248 beginning 30 months after the loan date with full repayment required by 30 years from the loan date. Future debt is schedule as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023-2024	\$ 7,609	\$ 7,229	\$ 14,838
2024-2025	13,627	13,349	26,976
2025-2026	14,008	12,968	26,976
2026-2027	14,397	12,579	26,976
2027-2028	14,798	12,178	26,976
Thereafter	<u>435,174</u>	<u>140,314</u>	<u>575,488</u>
Total	<u>\$499,613</u>	<u>\$198,617</u>	<u>\$698,230</u>

NOTE 6 – EMPLOYEE RETIREMENT PLAN

The School made contributions on behalf of its employees to a defined contribution 401(k) pension plan administered by American Funds. The School matches employee contributions up to 4% of the employee’s gross pay. The Board of Directors has the authority to amend or terminate the plan, although it has not expressed an intention to do so.

<u>Year Ended June 30,</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>
2021	\$ 4,291	\$ 4,147
2022	\$ 1,563	\$ 1,563
2023	\$ 1,563	\$ 1,563

NOTE 7 – DETERIORATING FINANCIAL CONDITION

The School sustained a decrease in net position for the year ended June 30, 2023 of \$253,889 and ended the year with a deficit in unrestricted net position of \$32,360. Also, the School experienced an excess of expenditures over revenues in the General Fund of \$288,772. Although the School has obtained liquidity to sustain operations from low interest rate borrowings, such financing is not likely to be available in future years.

Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2023
McIntosh Area School

A Component Unit of the Marion County District School Board

	<u>BUDGETED AMOUNTS</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Federal through State:				
Esser II Grant	\$ --	\$ 87,532	\$ 87,532	\$ --
Title I Grant	--	10,524	10,524	--
State Revenue:				
Florida Education Finance Program	365,488	360,794	360,794	--
Other State Revenues	129,096	5,346	5,346	--
Local Revenue:				
After School Child Care Fees	--	13,572	13,572	--
Other Local Revenues	52,000	12,874	12,874	--
Total Revenues	546,584	490,642	490,642	--
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instruction	576,889	446,546	446,546	--
General Support	30,850	234,210	234,210	--
Community Services	2,000	2,188	2,188	--
Maintenance of Plant	49,609	96,245	96,245	--
Debt Service				
Principal	10,000	187	187	--
Interest	--	38	38	--
Total Expenditures	669,348	779,414	779,414	--
Excess of Revenues Over/(Under) Expenditures	(122,764)	(288,772)	(288,772)	--
Net Change in Fund Balance	(122,764)	(288,772)	(288,772)	--
Fund Balances, July 1, 2022	224,990	392,084	392,084	--
Fund Balances, June 30, 2023	\$ 102,226	\$ 103,312	\$ 103,312	\$ --

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. A final budget amendment is made so that final budgeted amounts agree to actual amounts. The fund is the legal level of control.

Price & Associates Certified Public Accountants, LLC

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www.pricebussolutions.com

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

August 24, 2023

To the Board of Directors
McIntosh Area School, Inc.

We have audited the financial statements of McIntosh Area School, Inc. (the School) for the year ended June 30, 2023 and have issued our report thereon dated August 24, 2023. 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 December 22, 2022. 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. 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 trivial, and communicate them to the appropriate level of management. There are no material uncorrected misstatements.

Our Working Relationship with Management

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

Disagreements with Management. For purposes of this letter, professional standards define a disagreement with management as 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 auditors' 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,

Price & Associates, Certified Public Accountants, LLC

Price & Associates Certified Public Accountants, LLC

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MANAGEMENT LETTER

To the Board of Directors,
McIntosh Area School, Inc.

August 24, 2023

Report on the Financial Statements. We have audited the financial statements of McIntosh Area School, Inc.(the School), as of and for the fiscal year ended June 30, 2023, and have issued our report thereon dated August 24, 2023.

Auditors' Responsibility. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.850, Rules of the Auditor General.

Other Reporting Requirements. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and 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 24, 2023, 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 action to correct the prior year findings 2022-001 and 2022-002. Finding 2022-003 is similar to Finding 2023-001.

Official Title. Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title of the entity is McIntosh Area School, Inc. and the school code assigned by the Florida Department of Education is 42-9680.

Financial Condition.

Sections 10.854(1)(e)2. And 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify 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 review of financial information provided by same. Our financial condition assessment procedures disclosed indications of deteriorating financial condition as discussed in Finding 2023-001.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Transparency. Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School did maintain on its website the information specified in Section 1002.33(9)(p), Florida Statutes at July 26, 2023, the date of our procedures.

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate 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 warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter. Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies if any, the Board of Directors, applicable management, and the Marion County District School Board 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.

Price & Associates Certified Public Accountants, LLC

Price & Associates Certified Public Accountants, LLC

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

To the Board of Directors,
McIntosh Area 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 McIntosh Area School, Inc. (the School), as of and for the year ended June 30, 2023, and the related notes to financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 24, 2023.

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) as a basis for designing 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as finding 2023-002, that we consider to be significant deficiencies.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any 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 our finding 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 reported certain matters to management of the School in the attached Management Letter dated August 24, 2023.

Price & Associates Certified Public Accountants, LLC

August 24, 2023
St Petersburg, Florida

Schedule of Findings

June 30, 2023

McIntosh Area School

A Component Unit of the Marion County District School Board

DETERIORATING FINANCIAL CONDITION

2023-001 Reduction in Net Position

Finding - The School sustained a decrease in net position for the year ended June 30, 2023 of \$253,889 and ended the year with a deficit in unrestricted net position of \$32,360. In addition, the School experienced an excess of expenditures over revenues in the General Fund of \$288,772. Although the School has obtained liquidity to sustain operations from low interest rate borrowings, such financing is not likely to be available in future years.

Recommendation – The School should consider what adjustments will need to be made to its operations to ensure that revenues are sufficient to cover operating expenses and future debt service requirements.

SIGNIFICANT DEFICIENCIES

2023-002 Documentation of Receipts/Disbursements

Finding - The School did not maintain complete documentation supporting the receipts for after care, fundraising, yearbook and donations and complete documentation supporting the disbursements for expenses.

Recommendation - The School could improve its controls by ensuring that all receipts and disbursements are supported by adequate documentation. Adequate documentation should make clear the date, amount, payee/payor and purpose. In the limited cases when supporting documentation cannot be located, a form should be completed that details the date, amount, payee/payor and purpose.



McIntosh Area School
20400 10th Street
McIntosh, Florida 32664

30 August 2023

Price & Associates Certified Public Accountants, LLC
9800 4th Street North
St Petersburg, FL 33702

Thank you for your thorough financial audit of McIntosh Area School for the 2022-2023 fiscal year. We understand the findings and recommendations. We accept our responsibility for these findings and have taken corrective action.

Finding 2023-001– Reduction in Net Position: The School sustained a decrease in net position for the year ended June 30, 2023 of \$253,889 and ended the year with a deficit in unrestricted net position of \$32,360. In addition, the School experienced an excess of expenditures over revenues in the General Fund of \$288,772. Although the School has obtained liquidity to sustain operations from low interest rate borrowings, such financing is not likely to be available in future years.

Corrective action – We agree with the auditor’s finding and recommendation. We have already reduced costs for the 2023-2024 year, started a new VPK program, reinforced our enrollment recruitment and retention of students/families, and have engaged with investors to sustain our operations further. Our student performance from the 2022-2023 school year will also allow Capital Outlay funds to return to the school.

Finding 2023-002 – -002 Documentation of Receipts/Disbursements: The School did not maintain complete documentation supporting the receipts for after care, fundraising, yearbook and donations and complete documentation supporting the disbursements for expenses.

Recommendation - The School could improve its controls by ensuring that all receipts and disbursements are supported by adequate documentation. Adequate documentation should make clear the date, amount, payee/payor and purpose. In the limited cases when supporting documentation cannot be located, a form should be completed that details the date, amount, payee/payor and purpose.

Corrective action – We agree with the auditor’s finding and recommendation. This has already been corrected using a new invoicing/payment system that ties into our accounting software (Charter Ace) and Quickbooks via our CPA at Building Hope. In addition, the Board Treasurer will meet with the Principal and Administrative Assistant to review the process for filing of receipts/documentation. She will ensure it is repeatable via a written checklist and requires all documentation to include the date, amount, payee/payor and purpose. In very limited cases of lost receipts, a form will be completed that details the date, amount, payee/payor and purpose. All documentation will be reviewed via our standing two-person policy to ensure it is uploaded into the financial system Charter Ace before it is electronically approved.

Deb MacKay
President, Board of Directors
McIntosh Area School

Come Soar with Us!