

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**ACADEMY OF ENVIRONMENTAL SCIENCE
CITRUS COUNTY, FLORIDA**

JUNE 30, 2017

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**ACADEMY OF ENVIRONMENTAL SCIENCE
CITRUS COUNTY, FLORIDA**

JUNE 30, 2017

TABLE OF CONTENTS

Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-5
Financial Statements	
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	6
Statement of Activities	7
Governmental Fund Financial Statements:	
Balance Sheet	8
Reconciliation of the Balance Sheet to the Statement of Net Position	9
Statement of Revenues, Expenditures, and Changes in Fund Balances	10
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	11
Fiduciary Fund Financial Statement:	
Statement of Fiduciary Net Position	12
Notes to Financial Statements	13-20
Required Supplementary Information	
Budgetary Comparison Schedule—General Fund	21
Supplementary Information	
Schedule of Assets Held for Others	22
Additional Elements Required by the <i>Rules of the Auditor General</i>	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23-24
Schedule of Findings	25-26
Management Letter	27-28
Management Response Letter	29

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Academy of Environmental Science
Citrus County, Florida

Report on the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Certified Public Accountants

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

MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

To the Board of Directors
Academy of Environmental Science
Citrus County, Florida

INDEPENDENT AUDITORS' REPORT *(Concluded)*

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The supplementary information, listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2017, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.


December 14, 2017
Ocala, Florida

**MANAGEMENT DISCUSSION AND ANALYSIS
ACADEMY OF ENVIRONMENTAL SCIENCE
CITRUS COUNTY, FLORIDA**

This discussion and analysis of the Academy of Environmental Science's (the School) 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 total net position is \$488,980.
- Total ending unrestricted net position is \$4,296.
- The School had total expenditures for the year of \$662,054 compared to revenues of \$546,490.

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 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:

- **Governmental Funds**—These funds are accounted for using modified accrual accounting. Modified accrual accounting focuses on available cash and other financial assets that can readily be converted to cash. This provides a shorter-term view of the governmental fund's financial position. A reconciliation is provided with these statements, which helps to explain the difference between the fund financial statements and the government-wide financial statements.

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

- **Fiduciary Funds**—These funds are used to report assets held in a Trustee or fiduciary capacity for the benefit of external parties, such as student activity funds. The School uses agency funds to account for the resources held for student activities and groups.

**MANAGEMENT DISCUSSION AND ANALYSIS
ACADEMY OF ENVIRONMENTAL SCIENCE
CITRUS COUNTY, FLORIDA
(Continued)**

STATEMENTS OF NET POSITION

	2017 Governmental Activities	2016 Governmental Activities
Assets		
Noncapital Assets	\$ 12,324	\$ 168,682
Capital Assets, Net	484,684	441,245
Total Assets	<u>497,008</u>	<u>609,927</u>
Liabilities		
Current Liabilities	<u>8,028</u>	<u>5,383</u>
Net Position		
Net Investment in Capital Assets	484,684	441,245
Restricted	-	18,463
Unrestricted	4,296	144,836
Total Net Position	<u>\$ 488,980</u>	<u>\$ 604,544</u>

STATEMENTS OF ACTIVITIES

Revenues		
Program Revenues:		
Capital Grants and Contributions	\$ 24,185	\$ 36,479
General Revenues:		
Florida Education Finance Program	513,620	619,247
Other Revenues	8,685	3,608
Total Revenues	<u>546,490</u>	<u>659,334</u>
Program Expenses		
Instruction	407,203	457,180
Student Personnel Services	111	119
Instruction and Curriculum	4,969	3,384
Instruction Related Technology	35,444	209
Board Related	13,283	32,899
School Administration	40,906	40,878
Facilities Acquisition/Construction	3,869	14,263
Fiscal Services	27,624	31,674
Central Services	232	256
Operation and Maintenance of Plant	74,470	87,799
Technology Services	8,024	6,606
Unallocated Depreciation	45,919	40,484
Total Expenses	<u>662,054</u>	<u>715,751</u>
Changes in Net Position	(115,564)	(56,417)
Beginning Net Position	<u>604,544</u>	<u>660,961</u>
Ending Net Position	<u>\$ 488,980</u>	<u>\$ 604,544</u>

**MANAGEMENT DISCUSSION AND ANALYSIS
ACADEMY OF ENVIRONMENTAL SCIENCE
CITRUS COUNTY, FLORIDA
(Concluded)**

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities

The governmental activities generated \$24,185 in program revenues and \$522,305 of general revenues, and incurred \$662,054 of program expenses. This resulted in \$115,564 decrease in net position.

THE SCHOOL'S INDIVIDUAL FUNDS

General Fund

The General Fund's fund balance is \$4,296. Expenditures exceeded Revenues by \$159,003.

Capital Projects Fund

The Capital Projects Fund's fund balance is \$0.

BUDGETARY HIGHLIGHTS

General Fund

A revised, supplemental budget was adopted during the year. There were no significant budget variances. Budgeted expenditures exceeded actual amounts by a total of \$4,001.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The School spent about \$88,696 for capital assets during 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 has no long-term debt. However, the School does have a long-term operating lease with the City of Crystal River, Florida for the use of their facilities.

ECONOMIC FACTORS

We are not currently 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 Sandy Balfour, Administrator, 12695 West Fort Island Trail, Crystal River, Florida 33429.

FINANCIAL STATEMENTS

**STATEMENT OF NET POSITION
ACADEMY OF ENVIRONMENTAL SCIENCE
CITRUS COUNTY, FLORIDA
JUNE 30, 2017**

	<u>2017</u>
Assets	
Cash and Cash Equivalents	\$ -
Due from Other Agencies	4,324
Due from Internal Accounts	8,000
Capital Assets, Net	<u>484,684</u>
Total Assets	<u>497,008</u>
 Liabilities	
Accounts Payable and Accrued Liabilities	<u>8,028</u>
 Net Position	
Net Investment in Capital Assets	484,684
Restricted for Categorical	-
Unrestricted	<u>4,296</u>
Total Net Position	<u><u>\$ 488,980</u></u>

See accompanying notes.

**STATEMENT OF ACTIVITIES
ACADEMY OF ENVIRONMENTAL SCIENCE
CITRUS COUNTY, FLORIDA
FOR FISCAL YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction	\$ 407,203	\$ -	\$ -	\$ -	\$ (407,203)
Student Personnel Services	111	-	-	-	(111)
Instruction and Curriculum	4,969	-	-	-	(4,969)
Instruction Related Technology	35,444	-	-	-	(35,444)
Board Related	13,283	-	-	-	(13,283)
School Administration	40,906	-	-	-	(40,906)
Facilities Acquisition/Construction	3,869	-	-	24,185	20,316
Fiscal Services	27,624	-	-	-	(27,624)
Central Services	232	-	-	-	(232)
Operation and Maintenance of Plant	74,470	-	-	-	(74,470)
Technology Services	8,024	-	-	-	(8,024)
Unallocated Depreciation	45,919	-	-	-	(45,919)
Total Governmental Activities	<u>\$ 662,054</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 24,185</u>	<u>(637,869)</u>
General Revenues					
Florida Education Finance Program					513,620
Other Revenues					8,685
Total General Revenues					<u>522,305</u>
Change in Net Position					(115,564)
Net Position - Beginning of Year					<u>604,544</u>
Net Position - End of Year					<u>\$ 488,980</u>

See accompanying notes.

BALANCE SHEET
ACADEMY OF ENVIRONMENTAL SCIENCE
GOVERNMENTAL FUNDS
CITRUS COUNTY, FLORIDA
JUNE 30, 2017

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$ -	\$ -	\$ -
Due from Internal Accounts	8,000	-	8,000
Due from Other Agencies	2,242	2,082	4,324
Total Assets	<u>10,242</u>	<u>2,082</u>	<u>12,324</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable and Accrued Liabilities	<u>5,946</u>	<u>2,082</u>	<u>8,028</u>
Fund Balances:			
Restricted for Categorical	-	-	-
Unassigned	4,296	-	4,296
Total Fund Balances	<u>4,296</u>	<u>-</u>	<u>4,296</u>
Total Liabilities and Fund Balances	<u>\$ 10,242</u>	<u>\$ 2,082</u>	<u>\$ 12,324</u>

See accompanying notes.

**RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET POSITION
ACADEMY OF ENVIRONMENTAL SCIENCE
CITRUS COUNTY, FLORIDA
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Fund Balances - Governmental Funds	\$ 4,296
---	----------

**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	<u>484,684</u>
---	----------------

Total Net Position - Governmental Activities	<u><u>\$ 488,980</u></u>
---	--------------------------

See accompanying notes.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ACADEMY OF ENVIRONMENTAL SCIENCE
GOVERNMENTAL FUNDS
CITRUS COUNTY, FLORIDA
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
Florida Education Finance Program	\$ 513,620	\$ -	\$ 513,620
Public Education Capital Outlay	-	24,185	24,185
Other Revenue	8,000	23	8,023
Total Revenues	<u>521,620</u>	<u>24,208</u>	<u>545,828</u>
Expenditures			
Current:			
Instruction	407,203	-	407,203
Student Personnel Services	111	-	111
Instruction and Curriculum	4,969	-	4,969
Instruction Related Technology	35,444	-	35,444
Board Related	13,283	-	13,283
School Administration	40,906	-	40,906
Facilities Acquisition/Construction	-	3,869	3,869
Fiscal Services	27,624	-	27,624
Central Services	232	-	232
Operation and Maintenance of Plant	74,470	-	74,470
Technology Services	8,024	-	8,024
Capital Outlay	68,357	20,339	88,696
(Total Expenditures)	<u>680,623</u>	<u>24,208</u>	<u>704,831</u>
Excess of Revenues Over Expenditures	<u>(159,003)</u>	<u>-</u>	<u>(159,003)</u>
Net Change in Fund Balances	(159,003)	-	(159,003)
Fund Balances, Beginning of Year	<u>163,299</u>	<u>-</u>	<u>163,299</u>
Fund Balances, End of Year	<u><u>\$ 4,296</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,296</u></u>

See accompanying notes.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
ACADEMY OF ENVIRONMENTAL SCIENCE
GOVERNMENTAL FUND
CITRUS COUNTY, FLORIDA
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Excess of Revenues over Expenditures - Total Governmental Funds	\$ (159,003)
--	--------------

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 the estimated useful lives:

Expenditures for Capital Assets	88,696
Donated Capital Asset, Net	662
Current Year Depreciation Expense	(45,919)

Change in Net Position - Governmental Activities	\$ (115,564)
---	--------------

See accompanying notes.

**STATEMENT OF FIDUCIARY NET POSITION
ACADEMY OF ENVIRONMENTAL SCIENCE
FIDUCIARY FUND
CITRUS COUNTY, FLORIDA
JUNE 30, 2017**

	Agency Fund
Assets	
Cash	\$ 33,863
Total Assets	<u>33,863</u>
Liabilities	
Due to Academy	8,000
Assets Held for Others	25,863
Total Liabilities, Net Position	<u>\$ 33,863</u>

See accompanying notes.

**NOTES TO FINANCIAL STATEMENTS
ACADEMY OF ENVIRONMENTAL SCIENCE
CITRUS COUNTY, FLORIDA**

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Academy of Environmental Science conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Reporting Entity

The Academy of Environmental Science, 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 the Academy of Environmental Science (the School). The governing body of the School is the not-for-profit corporation's Board of Directors, which is composed of nine members.

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 Citrus County District School Board (the District). Various services are provided to the School by the District at no charge. The current charter is effective until June 30, 2017, and may be renewed 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. As of July 1, 2017, the District and the Charter School were able to successfully negotiate the extension of their charter agreement. The renewal is for five years with a one-time five-year renewal upon mutual agreement of the parties.

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 (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.

Certain services are provided by the School District to the Charter School.

Reporting Model

The School follows GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended.

NOTES TO FINANCIAL STATEMENTS
ACADEMY OF ENVIRONMENTAL SCIENCE
CITRUS COUNTY, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

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 non-fiduciary 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
- 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.

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 governmental funds are used by the School:

General Fund—The General Fund is the general operating fund of the School. It is used to account for and report all financial resources not accounted for and reported in another fund.

Capital Projects Fund—The Capital Projects Fund is primarily used to account for and report financial resources that are restricted to capital uses.

In the accompanying fund financial statements, the General Fund and Capital Projects Fund are considered to be major funds and, therefore, are separately displayed. Additionally, the School reports the following fiduciary fund:

Agency Fund—The Agency Fund is used to account for financial resources held in a purely custodial capacity which are the School's Internal Account for students' activities.

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.

NOTES TO FINANCIAL STATEMENTS
ACADEMY OF ENVIRONMENTAL SCIENCE
CITRUS COUNTY, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Concluded)

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.

The School's revenue sources are considered to be susceptible to accrual and are recognized in the current fiscal period. Certain other revenue items may be considered to be measurable and available only when cash is received.

Agency fund assets and liabilities are accounted for on the accrual basis of accounting.

Deposits with Financial Institutions

All deposits are placed in banks that qualify as public depositories, as required by law (*Florida Security for Public Deposits Act*). Accordingly, all deposits are insured by Federal depository insurance and/or collateralized pursuant to Chapter 280, Florida Statutes.

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 at 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>
Furniture, Fixtures and Equipment	3 - 10
Leasehold Improvements	7 - 40

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 Education 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.

Charter School Capital Outlay Funds - Public Education Outlay Funds (PECO) Funds are appropriated per Section 1013.62(1), Florida Statutes for capital outlay purposes. The Commissioner of Education allocates the funds among eligible Charter Schools.

**NOTES TO FINANCIAL STATEMENTS
ACADEMY OF ENVIRONMENTAL SCIENCE
CITRUS COUNTY, FLORIDA
(Continued)**

Note 1 - Summary of Significant Accounting Policies (Continued)

Net Position

Net position represents the difference between assets and liabilities and is reported in three categories as hereafter described. Net 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 its use by legislation, or external restrictions imposed by other governments, creditors, or grantors. Unrestricted net position does not meet the definitions of the classifications previously described.

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

Fund Balance

The School follows the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, to classify fund balances for governmental funds into specifically defined classifications. The classifications comprise a hierarchy based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance is described below:

- **Nonspendable Fund Balance**—Nonspendable fund balances are 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 Fund Balance**—Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed Fund Balance**—Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the School's highest level of decision-making authority, which is a resolution of the Board of Directors. Committed amounts cannot be used for any other purpose unless the School removes those constraints by taking the same type of action.
- **Assigned Fund Balance**—Assigned fund balances are amounts that are constrained by the School's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by: (a) the Board of Directors; or (b) a body or official to which the Board has delegated the authority to assign amounts to be used for specific purposes.
- **Unassigned Fund Balance**—Unassigned fund balance is the residual classification for the General Fund.

The School's policy is to expend resources in the following order: restricted, committed, assigned, and unassigned.

Compensated Absences

The School contracts with the District for employees; therefore, the liability for compensated absences of the School's personnel is reported by the District.

NOTES TO FINANCIAL STATEMENTS
ACADEMY OF ENVIRONMENTAL SCIENCE
CITRUS COUNTY, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Income Taxes

The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the financial statements do not reflect a provision for income taxes. The School is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2014.

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.

Subsequent Events

The School has evaluated events and transactions for potential recognition or disclosure in the financial statements through December 14, 2017, the date the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

Note 2 - Operating Lease

The School's facilities are owned by the City of Crystal River (the City). The School's current lease agreement with the City has been extended to September 1, 2018. The lease was renewed after the City received a letter from the Florida Department of Environmental Protection stating that the required construction and maintenance of a boardwalk and trail and other public access requirements had been met. This letter was dated May 13, 2014. Rent paid in 2017 totaled \$23,724. The future lease payment requirement is as follows:

<u>Year Ending</u> <u>September 1,</u>	<u>Amount</u>
2018	\$ <u>23,724</u>

Note 3 - Capital Assets and Depreciation

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

	<u>Balance</u> <u>July 1,</u> <u>2016</u>	<u>Deletions/</u> <u>Additions</u>	<u>Transfers/</u> <u>Deletions</u>	<u>June 30,</u> <u>2017</u>
Capital Assets				
Capital Assets Not Being Depreciated:				
Construction in Process	\$ 2,000	\$ 86,805	\$ (88,805)	\$ 0
Capital Assets Being Depreciated:				
Leasehold Improvements	597,848	513	88,805	687,166
Furniture, Fixtures and Equipment	43,738	1,378	4,941	50,057
Total Capital Assets	<u>643,586</u>	<u>88,696</u>	<u>4,941</u>	<u>737,223</u>

**NOTES TO FINANCIAL STATEMENTS
ACADEMY OF ENVIRONMENTAL SCIENCE
CITRUS COUNTY, FLORIDA
(Continued)**

Note 3 - Capital Assets and Depreciation (Concluded)

	<u>Balance July 1, 2016</u>	<u>Deletions/ Additions</u>	<u>Balance Transfers</u>	<u>June 30, 2017</u>
Capital Assets (Concluded)				
Less Accumulated Depreciation:				
Leasehold Improvements	\$ (165,334)	\$ (40,904)	\$ -	\$ (206,238)
Furniture, Fixtures and Equipment	(37,007)	(5,015)	(4,279)	(46,301)
Total Accumulated Depreciation	<u>(202,341)</u>	<u>(45,919)</u>	<u>(4,279)</u>	<u>(252,539)</u>
Total Capital Assets, Net	<u>\$ 441,245</u>	<u>\$ 42,777</u>	<u>\$ 662</u>	<u>\$ 484,684</u>

Depreciation expense for the fiscal year was \$45,919.

Note 4 - Pension Plan/Other Post-Employment Benefits

The School contracts with the District for employees; therefore, personnel of the School participate in the District's pension plan and will receive Other Post-Employment Benefits from the District. This information is described below:

Pension Plan

- *Plan Description*—The District contributes to the Florida Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida, Department of Administration, Division of Retirement. The System provides retirement, disability, or death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Florida Retirement System, PO Box 9000, Tallahassee, Florida 32315-9000, or by calling (850) 488-6491.
- *Funding Policy*—For the period July 1, 2016 through June 30, 2017, the employee contribution rate was 3.00%. The District is required to contribute for the School's employees at an actuarially determined rate. The employer contribution rate at June 30, 2017, was 7.26%.
- *GASB Pronouncement No. 68*—As of and for the year ended June 30, 2017, the unfunded pension liability for the leased employees is recorded in the School District financial statements due to the leased relationship. Therefore the Charter School will not have a GASB *Pronouncement No. 68* liability recorded in the Statement of Net Position.

NOTES TO FINANCIAL STATEMENTS
ACADEMY OF ENVIRONMENTAL SCIENCE
CITRUS COUNTY, FLORIDA
(Continued)

Note 4 - Pension Plan/Other Post-Employment Benefits (Concluded)

Other Post-Employment Benefits (OPEB)

- *Plan Description*—The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District or its component unit, Academy of Environmental Science, Inc., are eligible to participate in the District's health and prescription drug coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or other entity.
- *Funding Policy*—Plan contribution requirements of the District and OPEB Plan members are established and may be amended through recommendations of the administration and action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis.
- *Annual OPEB Cost and Net OPEB Obligation*—For the period July 1, 2016 through June 30, 2017, the OPEB liability for the leased employees is recorded at the District level due to the leased relationship. Therefore the School will not have an OPEB liability in the Statement of Net Position.

Note 5 - Schedule of State Revenue Sources

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 411,250
Academic Instruction	18,856
Class Size Reduction	74,114
Discretionary Lottery	1,285
Classroom Supply Assistance	1,380
Advanced Placement Award	3,462
Other	3,273
Total	<u>\$ 513,620</u>

Accounting policies relating to certain state revenue sources are described in Note 1.

Note 6 - Interfund Transfers

There were no interfund transfers made during the year. Contributions from the internal accounts is presented as other revenue.

NOTES TO FINANCIAL STATEMENTS
ACADEMY OF ENVIRONMENTAL SCIENCE
CITRUS COUNTY, FLORIDA
(Concluded)

Note 7 - Risk Management

The School is exposed to various risks of loss related to general liability, workers' compensation, health benefits, property damage, and errors and omissions. In accordance with the charter, the School is operating as a District-initiated School. As such, all the District's risk management programs cover the School. However, the District does not have insurance to cover actions of the Board Members of the School. As a result, the School purchased commercial insurance with minimal deductibles to cover Board Member liability. There have been no claims filed since the inception of the School.

REQUIRED SUPPLEMENTARY INFORMATION

**BUDGETARY COMPARISON SCHEDULE
ACADEMY OF ENVIRONMENTAL SCIENCE
GENERAL FUND
CITRUS COUNTY, FLORIDA
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Florida Education Finance Program	\$ 545,070	\$ 513,310	\$ 513,114	\$ (196)
Other Revenue	-	1,000	8,506	7,506
Total Revenues	<u>545,070</u>	<u>514,310</u>	<u>521,620</u>	<u>7,310</u>
Expenditures				
Current:				
Instruction	412,326	408,400	407,203	1,197
Student Personnel Services	150	111	111	-
Instruction and Curriculum	5,386	4,969	4,969	-
Instruction Related Technology	33,929	35,444	35,444	-
Board Related	26,908	13,283	13,283	-
School Administration	96,101	40,906	40,906	-
Fiscal Services	29,295	27,624	27,624	-
Central Services	3,050	3,583	232	3,351
Operation and Maintenance of Plant	63,584	73,875	74,470	(595)
Technology Services	8,028	8,072	8,024	48
Capital Outlay	-	68,357	68,357	-
(Total Expenditures)	<u>678,757</u>	<u>684,624</u>	<u>680,623</u>	<u>4,001</u>
(Deficiency)/Excess of Revenues				
(Under)/Over Expenditures	<u>(133,687)</u>	<u>(170,314)</u>	<u>(159,003)</u>	<u>11,311</u>
Net Change in Fund Balances	(133,687)	(170,314)	(159,003)	11,311
Fund Balances, Beginning of Year	<u>202,173</u>	<u>129,025</u>	<u>163,299</u>	<u>34,274</u>
Fund Balances, End of Year	<u>\$ 68,486</u>	<u>\$ (41,289)</u>	<u>\$ 4,296</u>	<u>\$ 45,585</u>

Note to Budgetary Comparison 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.

SUPPLEMENTARY INFORMATION

**SCHEDULE OF ASSETS HELD FOR OTHERS
ACADEMY OF ENVIRONMENTAL SCIENCE
FOR FISCAL YEAR ENDED JUNE 30, 2017**

Functions/Programs	Balance July 1, 2016	Additions	Deletions	Net Transfers	Balance June 30, 2017
Classes	\$ 3,780	\$ 540	\$ -	\$ -	\$ 4,320
Clubs	1,038	11,330	(8,058)	(50)	4,260
Trusts	609	150	(239)	50	570
General	18,931	17,331	(11,549)	-	24,713
Total Cash	<u>24,358</u>	<u>29,351</u>	<u>(19,846)</u>	<u>-</u>	<u>33,863</u>
Due To Academy	<u>-</u>	<u>-</u>	<u>(8,000)</u>	<u>-</u>	<u>(8,000)</u>
Assets Held for Others	<u>\$ 24,358</u>	<u>\$ 29,351</u>	<u>\$ (27,846)</u>	<u>\$ -</u>	<u>\$ 25,863</u>

**ADDITIONAL ELEMENTS REQUIRED BY
THE *RULES OF THE AUDITOR GENERAL***

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

To the Board of Directors
Academy of Environmental Science
Citrus County, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Academy of Environmental Science (the School), a component unit of the Citrus County School Board District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 14, 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 a deficiency in internal control described in the Schedule Audit Findings as item 2013-1.

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

To the Board of Directors
Academy of Environmental Science
Citrus County, Florida

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 findings identified in our audit is described in its accompanying letter of response. The School's response was not subject 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 the 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.



December 14, 2017
Ocala, Florida

SCHEDULE OF FINDINGS

2013-1 Lack of Segregation of Incompatible Duties for Financial Transactions

<u>Criteria:</u>	Significant deficiency in internal control over the account transactions for the School's Internal Accounts
<u>Condition:</u>	For internal account activity accounted for in the fiduciary fund, there is only one employee who has the sole responsibility to maintain the accounting records also handles cash collections, cosigns checks, and reconciles bank statement balances to the accounting records. Internal control over cash transactions would be strengthened if these duties are separated among employees. While we acknowledge that personnel may not always be available to permit such a separation of employee duties and responsibilities, we think it is important that you are made aware of this condition.
<u>Cause:</u>	The School's financial resources and size of operations only allows for one employee to perform all of the duties related to recording the deposits and disbursements related to the Internal Accounts.
<u>Effect:</u>	The potential effect would be a deficiency in internal control wherein one individual could conceal an inappropriate transaction.
<u>Recommendations:</u>	The School should develop mitigating controls to ensure that secondary reviews are performed by someone other than the one individual performing the transactions. This may include secondary reviews of the bank reconciliation process and detail review of all accounting transactions by someone in administration. Currently the School does mitigate some of the risk by requiring secondary signatures on all checks and preapproval of invoices to be paid by an individual other than the current bookkeeper

2017-1 Deteriorating Financial Condition (Over-expended budget)

<u>Criteria:</u>	Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12) <i>Rules of the Auditor General</i> , we applied financial condition assessment procedures for the School. Based on our assessment the School's financial condition is deteriorating wherein as of June 30, 2017 the School did not have sufficient revenues to cover its expenditures and expenditures exceeded the approved budget.
<u>Condition:</u>	The School experienced a net operating loss for the year. Additionally, certain unrestricted funds from the Schools internal accounts from various unrestricted fundraising expenses were utilized to cover some of the operating expenses. In addition enrollment decreased from the prior year; therefore, related revenues declined contributing to the inability to meet the operational needs.
<u>Cause:</u>	The School did not properly monitor its operating budget and experience unexpected expenditures.
<u>Effect:</u>	The School's operating budget was exceeded and there were insufficient revenues at year-end to cover all expenditures.
<u>Recommendations:</u>	We recommend that the School develop a plan with the School's sponsor to ensure that a budget is developed and monitored on a monthly basis to ensure that revenues will be sufficient to cover all operating expenditures and consider repayment back to the School's internal accounts.

SCHEDULE OF FINDINGS
(Concluded)

2017-2 Transparency of Information Required on School's Website

- Criteria:** In accordance with Section 1002.33(9)(p), Florida Statutes, the School shall maintain a website that enables the public to obtain information regarding the school. Certain information required by the Statute was not maintained or updated on the School's website.
- Condition:** The School's website was not up to date and did not include all required information: most recent audit, current budget, current board members, and academic performance.
- Cause:** Responsible personnel did not maintain all of the current or required information on the Website
- Effect:** Information required by the Statute to provide information concerning the School for the use of the public was not always available.
- Recommendations:** We recommend that management appoint an individual to gain an understanding of the required filing requirements to a website and maintain the information and continue to keep the information updated timely and completely.

2017-3 Lease Agreement with the City of Crystal River

- Criteria:** Per the lease agreement the "Lessor is to utilize the rent paid by the Lessee for maintenance on the constructed facilities and management of the property or other Florida Communities Trust funded property owned by the Lessor."
- Condition:** The Lessee paid for maintenance of the property including roof, soffit, and stairwell repair.
- Cause:** The Academy was under the impression they were responsible for such repairs.
- Effect:** The Academy incurred additional expenses outside of the current lease agreement.
- Recommendation:** We recommend that the Academy consult an attorney to determine if the intent of the contract language is that they pay rent and maintain the property. In addition depending on the outcome of that inquiry, we recommend that the Academy consult the City to be reimbursed for expenses incurred.

MANAGEMENT LETTER

To the Board of Directors
Academy of Environmental Science
Citrus County, Florida

Report on the Financial Statements

We have audited the financial statements of the Academy of Environmental Science (the School) as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated December 14, 2017.

Auditors' Responsibility

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

Other Reports and Schedules

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated December 14, 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 following is a tabulation of Uncorrected Audit Findings:

Current Year Finding No.	2015-16 FY Finding No.	2014-15 FY Finding No.
2013-1	2013-1	2013-1

Official Title

Section 10.854(1)(e)5., *Rules of the Auditor General*, requires the name or official title of the School. The official title of the School is included in Note 1.

Financial Condition

Section 10.854(1)(e)2., *Rules of the Auditor General*, requires that we report the results of our determination as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

To the Board of Directors
Academy of Environmental Science
Citrus County, Florida

MANAGEMENT LETTER
(Concluded)

Financial Condition (Concluded)

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), *Rules of the Auditor General*, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. We have determined that the School is experiencing a deteriorating financial condition. See Finding 2017-2.

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 Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School did not maintain all required items on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. See Finding 2017-3.

Other Matters

Section 10.854(1)(e)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. See Finding 2017-3.

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, applicable management and Citrus County School District and is not intended to be and should not be used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

December 14, 2017
Ocala, Florida



Academy of Environmental Science

12695 West Fort Island Trail, Crystal River, FL 34429, (352) 795-8793, Fax (352) 249-2100

Zachary Leonard
Michelle Leeper

Administrator
Chairman of Board of Directors

December 14, 2017

Purvis, Gray & Company, L.L.P.

Attn: Helen Y. Painter

2347 SE 17th Street

Ocala, FL 34471

Re: The Academy of Environmental Science's Audit

Dear Ms. Painter:

Regarding the above-referenced Audit, the District's Response is as follows:

2013-1 Lack of Segregation of Incompatible Duties for Financial Transactions

School's Response – The School acknowledges that due to staffing levels, duties cannot always be adequately separated. The Sponsor provides a compensating control of review to help mitigate any control issues.

The School will encourage the administration to require that the bank statements be routed to them unopened and that they examine the canceled checks (or check copies) for alteration or unusual payees.

2017-1 Deteriorating Financial Condition (Over-expended budget)

School's Response – The School acknowledges that they spent beyond their budget during the year. There were several factors which contributed to this. When the board approved to build a new dock, enrollment was expected to remain constant. Enrollment declined, which affected funding, while at the same time staffing was not reduced to coincide with the declining enrollment. Unexpected expenses related to the repair of the elevator were also incurred and contributed to use of the fund balance.

Staffing has been reviewed and positions were reduced through attrition, to be more line with the student's needs. The board, administration and staff are closely monitoring their budget and spending, making only absolute necessary purchases. The Sponsor's Finance Director is meeting with the board and administration regularly to review the financial condition and budget.

2017-2 Transparency of Information Required on School's Website

School's Response – The School acknowledges with the change in administration and board members, transparency on the website was neglected.

The administration is working with the webmaster to fulfill all requirements of Section 1002.33(9)(p).

2017-3 Lease Agreement with the City of Crystal River

The Board is the process of retaining an attorney to review their current lease which is expiring June 30, 2018, and renegotiate a more equitable lease agreement for the future.

Sincerely,

Zachary Leonard
Administrator