

REQUESTS FOR SCHOOL BOARD AGENDA

Requested for February 14, 2017 School Board Meeting.
Requested by Sandra Balfour, Lead Teacher Department of Academy of Environmental Science
Additional contact(s)/originator Tammy Wilson, Director of Finance

Document Title 2015-2016 Academy of Environmental Science Auditor's Report

Board Action Required:

Presentation/Recognition _____ Information _____
Consideration/Approval Approve the 2015-2016 Academy of Environmental Science Auditor's Report

(This wording should be your actual motion to appear on the agenda)

Backup Material: attached _____ available in district office _____ other _____

Executive Summary/Highlights:

To Approve the 2015-2016 Academy of Environmental Science Auditor's Report

Strategic Goals:

- ☐ 1. All students will develop a foundation of knowledge and skills through a rigorous and relevant curriculum that exceeds local, state, and national expectations, closes all performance gaps, and helps all students realize their full potential.
- ☐ 2. Schools will be safe and secure for all individuals and will provide students the opportunity to participate in a school community that creates a caring environment committed to building positive relationships.
- ☐ 3. Other/Operational Activity

Strategies include:

- ☐ Innovative and research-based curriculum and program delivery systems;
- ☐ Emphasis on at-risk and special groups of learners (including gifted);
- ☐ Staff development, recruitment, and retention of workforce;
- ☐ Data systems (technology);
- ☒ Allocation of resources (human, physical, technological, financial);
- ☐ Career preparations;
- ☐ Community Connections

Financial Impact to the District: N/A

Amount Budgeted _____ Additional Amount Requested _____

Funding Source: _____

Personnel:

Estimated Salary _____ hour _____ day _____ annual _____

Pay Grade/Level _____

Benefits _____ Terms of Position _____

Financial Impact reviewed by: Tammy Wilson

(Form Board Approved 7/10/07)

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

We have audited 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, for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and *Rules of the Auditor General*, Chapter 10.850, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 29, 2016. Professional standards also require that we communicate to you the following information related to our audit:

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. 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 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. The most sensitive estimate affect the School's financial statements is:

- Management's estimate of the useful life of Capital Assets for purposes of depreciation expense. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There are no particularly sensitive disclosures significantly affecting the financial statement.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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. Management has corrected all such misstatements. There were no corrected or uncorrected misstatements identified during the audit.

Certified Public Accountants

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443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
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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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 22, 2016.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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.

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis and the Budgetary Comparison Schedule-General Fund, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedule of Assets Held for Others, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Darwin, Gray and Company, LLP

December 22, 2016
Ocala, Florida

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

ACADEMY OF ENVIRONMENTAL SCIENCE
CITRUS COUNTY, FLORIDA

JUNE 30, 2016

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

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

JUNE 30, 2016

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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, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

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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, 2016, 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. The supplementary information, listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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 22, 2016, 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.

Parvis, Gray and Company, LLP

December 22, 2016
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, 2016. Please read it in conjunction with the School's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2016:

- The School's total net position is \$604,544.
- Total ending-unrestricted net position is \$144,836.
- The School had total expenditures for the year of \$715,751 compared to revenues of \$659,334.

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)

STATEMENT OF NET POSITION

	2016 Governmental Activities	2015 Governmental Activities
Assets		
Noncapital Assets	\$ 168,682	\$ 411,302
Capital Assets, Net	441,245	338,715
Total Assets	<u>609,927</u>	<u>750,017</u>
Liabilities		
Current Liabilities	<u>5,383</u>	<u>89,056</u>
Net Position		
Net Investment in Capital Assets	441,245	338,715
Restricted for Categorical	18,463	74,539
Unrestricted	144,836	247,707
Total Net Position	<u>\$ 604,544</u>	<u>\$ 660,961</u>

STATEMENT OF ACTIVITIES

Revenues		
Program Revenues:		
Capital Grants and Contributions	\$ 36,479	\$ 55,003
General Revenues:		
Florida Education Finance Program	619,247	732,327
Other Revenues	3,608	3,343
Total Revenues	<u>659,334</u>	<u>790,673</u>
Program Expenses		
Instruction	457,180	440,892
Student Personnel Services	119	-
Instruction and Curriculum	3,384	-
Instructional Staff Training	209	-
Instruction Related Technology	32,899	22,277
School Administration	40,878	42,828
Facilities Acquisition/Construction	14,263	23,850
Fiscal Services	31,674	36,162
Transportation	256	306
Operation and Maintenance of Plant	87,799	80,268
Technology Services	6,606	-
Unallocated Depreciation Expense	40,484	17,898
Total Expenses	<u>715,751</u>	<u>664,481</u>
Changes in Net Position	(56,417)	126,192
Beginning Net Position	<u>660,961</u>	<u>534,769</u>
Ending Net Position	<u>604,544</u>	<u>660,961</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 \$36,479 in program revenues and \$619,247 of general revenues, and incurred \$715,751 of program expenses. This resulted in a \$56,417 decrease in net position.

THE SCHOOL'S INDIVIDUAL FUNDS

General Fund

The General Fund's fund balance is \$163,299. Expenditures exceeded Revenues by \$100,911.

Capital Projects Fund

The Capital Projects Fund's fund balance is \$0.00.

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 \$32,341.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The School spent about \$141,839 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, 2016

	<u>2016</u>
Assets	
Cash and Cash Equivalents	\$ 168,682
Capital Assets, Net	<u>441,245</u>
Total Assets	<u>609,927</u>
Liabilities	
Accounts Payable and Accrued Liabilities	<u>5,383</u>
Net Position	
Net Investment in Capital Assets	441,245
Restricted for Categorical	18,463
Unrestricted	<u>144,836</u>
Total Net Position	<u>\$ 604,544</u>

See accompanying notes.

STATEMENT OF ACTIVITIES
ACADEMY OF ENVIRONMENTAL SCIENCE
CITRUS COUNTY, FLORIDA
FOR FISCAL YEAR ENDED JUNE 30, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction	\$ 457,180	\$ -	\$ -	-	\$ (457,180)
Student Personnel Services	119	-	-	-	(119)
Instruction and Curriculum	3,384	-	-	-	(3,384)
Instructional Staff Training	209	-	-	-	(209)
Instruction Related Technology	32,899	-	-	-	(32,899)
School Administration	40,878	-	-	-	(40,878)
Facilities Acquisition/Construction	14,263	-	-	-	(14,263)
Fiscal Services	31,674	-	-	-	(31,674)
Transportation	256	-	-	-	(256)
Operation and Maintenance of Plant	87,799	-	-	36,479	(51,320)
Technology Services	6,606	-	-	-	(6,606)
Unallocated Depreciation	40,484	-	-	-	(40,484)
Total Governmental Activities	<u>\$ 715,751</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 36,479</u>	<u>(679,272)</u>
General Revenues					
Florida Education Finance Program					619,247
Other Revenues					3,608
Total General Revenues					<u>622,855</u>
Change in Net Position					<u>(56,417)</u>
Net Position - Beginning of Year					<u>660,961</u>
Net Position - End of Year					<u>\$ 604,544</u>

See accompanying notes.

BALANCE SHEET
ACADEMY OF ENVIRONMENTAL SCIENCE
GOVERNMENTAL FUNDS
CITRUS COUNTY, FLORIDA
JUNE 30, 2016

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 168,682	\$ 0	\$ 168,682
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable and Accrued Liabilities	5,383	-	5,383
Fund Balances:			
Restricted for Categorical	18,463	-	18,463
Unassigned	144,836	-	144,836
Total Fund Balances	163,299	-	163,299
Total Liabilities and Fund Balances	<u>\$ 168,682</u>	<u>\$ 0</u>	<u>\$ 168,682</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, 2016**

Fund Balances - Governmental Funds	\$ 163,299
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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.

441,245

Total Net Position - Governmental Activities

\$ 604,544

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, 2016

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
Florida Education Finance Program	\$ 619,247	\$ 0	\$ 619,247
Public Education Capital Outlay	-	36,479	36,479
Other Revenue	2,406	27	2,433
Total Revenues	<u>621,653</u>	<u>36,506</u>	<u>658,159</u>
Expenditures			
Current:			
Instruction	457,180	-	457,180
Student Personnel Services	119	-	119
Instruction and Curriculum	3,384	-	3,384
Instructional Staff Training	209	-	209
Instruction Related Technology	32,899	-	32,899
School Administration	40,878	-	40,878
Facilities Acquisition/Construction	11,390	2,873	14,263
Fiscal Services	31,674	-	31,674
Transportation	256	-	256
Operation and Maintenance of Plant	64,075	23,724	87,799
Technology Services	6,606	-	6,606
Capital Outlay	71,177	70,662	141,839
(Total Expenditures)	<u>719,847</u>	<u>97,259</u>	<u>817,106</u>
Excess of Revenues Over Expenditures	<u>(98,194)</u>	<u>(60,753)</u>	<u>(158,947)</u>
Other Financing Sources (Uses)			
Transfers in	-	2,717	2,717
Transfers (out)	(2,717)	-	(2,717)
Total Other Financing Sources (Uses)	<u>(2,717)</u>	<u>2,717</u>	<u>-</u>
Net Change in Fund Balances	<u>(100,911)</u>	<u>(58,036)</u>	<u>(158,947)</u>
Fund Balances, Beginning of Year	<u>264,210</u>	<u>58,036</u>	<u>322,246</u>
Fund Balances, End of Year	<u>\$ 163,299</u>	<u>\$ 0</u>	<u>\$ 163,299</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, 2016**

Excess of Revenues over Expenditures - Total Governmental Funds	\$ (158,947)
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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	141,839
Donated Capital Asset	1,175
Current Year Depreciation Expense	<u>(40,484)</u>

Change in Net Position - Governmental Activities	<u>\$ (56,417)</u>
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See accompanying notes.

STATEMENT OF FIDUCIARY NET POSITION
ACADEMY OF ENVIRONMENTAL SCIENCE
FIDUCIARY FUND
CITRUS COUNTY, FLORIDA
JUNE 30, 2016

	Agency Fund
Assets	
Cash	\$ 24,358
Total Assets	24,358
Liabilities	
Assets Held for Others	24,358
Total Liabilities, Net Position	\$ 24,358

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.

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.

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.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Government-wide Financial Statements (Concluded)

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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as

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)

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 2013.

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 22, 2016, 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 2016 totaled \$23,724. The future lease payment requirements are as follows:

<u>Year Ended</u> <u>September 1,</u>	<u>Amount</u>
2016	\$ 23,724
2017	23,724
2018	23,724

Note 3 - Capital Assets and Depreciation

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Balance</u> <u>July 1,</u> <u>2015</u>	<u>Deletions/</u> <u>Additions</u>	<u>Transfers/</u> <u>Deletions</u>	<u>June 30,</u> <u>2016</u>
Capital Assets				
Capital Assets Not Being Depreciated:				
Construction in Process	\$ 108,281	\$ 102,090	\$ (208,371)	\$ 2,000
Capital Assets Being Depreciated:				
Leasehold Improvements	349,728	39,749	208,371	597,848
Furniture, Fixtures and Equipment	50,648	1,175	(8,085)	43,738
Total Capital Assets	<u>508,657</u>	<u>143,014</u>	<u>(8,085)</u>	<u>643,586</u>

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

Note 3 - Capital Assets and Depreciation (Concluded)

	Balance July 1, 2015	Deletions/ Additions	Balance Transfers	June 30, 2016
Capital Assets (Concluded)				
Less Accumulated Depreciation:				
Leasehold Improvements	\$ (126,649)	\$ (38,685)	\$ -	\$ (165,334)
Furniture, Fixtures and Equipment	(43,293)	(1,799)	8,085	(37,007)
Total Accumulated Depreciation	(169,942)	(40,484)	8,085	(202,341)
Total Capital Assets, Net	\$ 338,715	\$ 102,530	\$ 0	\$ 441,245

Depreciation expense for the fiscal year was \$40,484.

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, 2015 through June 30, 2016, 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, 2016, was 7.26%.
- **GASB Pronouncement No. 68**—As of and for the year ended June 30, 2016, 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 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, 2015 through June 30, 2016, 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	\$ 489,491
Academic Instruction	23,399
Class Size Reduction	91,471
Classroom Supply Assistance	1,624
Advanced Placement Award	2,266
School Recognition	10,996
Total	<u>\$ 619,247</u>

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

Note 6 - Interfund Transfers

Interfund transfers of \$2,717 represent a transfer to the capital projects fund to cover expenses incurred.

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, 2016**

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final-Budget
	Original	Final		
Revenues				
Florida Education Finance Program	\$ 649,972	\$ 619,071	\$ 619,247	\$ 176
Other Revenue	-	2,932	2,406	(526)
Total Revenues	<u>649,972</u>	<u>622,003</u>	<u>621,653</u>	<u>(350)</u>
Expenditures				
Current:				
Instruction	406,872	424,740	457,180	(32,440)
Student Personnel Services	-	150	119	31
Instruction and Curriculum	-	2,659	3,384	(725)
Instructional Staff Training	-	-	209	(209)
Instruction Related Technology	32,272	32,818	32,899	(81)
School Administration	44,202	40,756	40,878	(122)
Fiscal Services	32,499	30,402	31,674	(1,272)
Transportation	250	37	256	(219)
Operation and Maintenance of Plant	70,914	69,859	64,075	5,784
Technology Services	-	-	6,606	(6,606)
Capital Outlay	120,000	150,767	82,567	68,200
(Total Expenditures)	<u>707,009</u>	<u>752,188</u>	<u>719,847</u>	<u>32,341</u>
(Deficiency)/Excess of Revenues (Under)/Over Expenditures	<u>(57,037)</u>	<u>(130,185)</u>	<u>(98,194)</u>	<u>31,991</u>
Other Financing Sources (Uses)				
Transfers (out)	(5,000)	(5,000)	(2,717)	2,283
Total Other Financing Sources (Uses)	<u>(5,000)</u>	<u>(5,000)</u>	<u>(2,717)</u>	<u>2,283</u>
Net Change in Fund Balances	<u>(62,037)</u>	<u>(135,185)</u>	<u>(100,911)</u>	<u>34,274</u>
Fund Balances, Beginning of Year	<u>264,210</u>	<u>264,210</u>	<u>264,210</u>	<u>0</u>
Fund Balances, End of Year	<u>\$ 202,173</u>	<u>\$ 129,025</u>	<u>\$ 163,299</u>	<u>\$ 34,274</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, 2016**

<u>Functions/Programs</u>	<u>Cash Balance July 1, 2015</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Net Transfers</u>	<u>Balance June 30, 2016</u>
Classes	\$ 3,280	\$ 500	\$ 0	\$ 100	\$ 3,880
Clubs	900	3,725	(3,687)	-	938
Trusts	1,175	2,118	(2,683)	-	610
General	19,293	9,258	(9,521)	(100)	18,930
Total Cash	<u>\$ 24,648</u>	<u>\$ 15,601</u>	<u>\$ (15,891)</u>	<u>\$ 0</u>	<u>24,358</u>
Accounts Payable					<u>0</u>
Assets Held for Others					<u>\$ 24,358</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, 2016, 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 22, 2016.

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 as item 2013-002, that we consider to be a significant deficiency:

Certified Public Accountants

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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)

Internal Control over Financial Reporting (Concluded)

Significant Deficiency

2013-001—(Reported in Previous Audit Reports in 2014 and 2015)

For internal account activity accounted for in the fiduciary fund, the employee who maintains 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.

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. We did not audit the School's response 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.

Curvis, Gray and Company, LLP

December 22, 2016
Ocala, Florida

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, 2016, and have issued our report thereon dated December 22, 2016.

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 22, 2016, 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 audit finding in the preceding audit report is uncorrected, we are required to identify those findings that were also included in the 2014 and 2015 Auditors' Report.

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

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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.

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 maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Other Matters

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

Section 10.854(1)(e)4., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have 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, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to thank you and your staff 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 other matters.

Purvis, Gray and Company, LLP

December 22, 2016
Ocala, Florida



Academy of Environmental Science, Inc.

12695 West Fort Island Trail, Crystal River, FL 34429, (352) 795-8793, Fax (352) 794-0065

December 22, 2016

Ms. Sherrill F. Norman, CPA
Florida Auditor General
Claude Denson Pepper Bldg.
111 W. Madison Street
Tallahassee, Florida 32399-1450

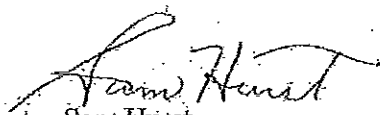
Dear Ms. Norman:

This letter is in response to the Independent Auditor's Report on Internal Control contained in an audit report of the Academy of Environmental Science, Inc. for the fiscal year ended June 30, 2016. We have reviewed the finding and audit report and respond as follows:

Finding 2013-1: We understand the auditor's concern regarding one individual handling all of the accounting and cash transactions for the Internal Accounts. The Internal Accounts transactions represent approximately 1.67% of all revenue accruing to the Academy and accordingly represents a small risk exposure to the financial position of the Academy. Due to the size of our staff and State and local funding, it would not be possible to eliminate this situation. We do require that all checks have the signature of the Academy Administrator as well as the bookkeeper. Bank statements are opened and inspected by the Academy Administrator prior to reconciliation and review by the bookkeeper. In addition, our board treasurer routinely reviews all monthly Internal Accounts reports to detect any unusual or irregular account activity. We believe these measures greatly reduce the possibility of any inappropriate accounting activity.

This concludes our response to the audit report. We appreciate the professional approach of our auditors and the comments and suggestions they have made. If you have any questions, please do not hesitate to let us know.

Sincerely,


Sam Hurst
Treasurer