

THE CHILES ACADEMY, INC.
BASIC FINANCIAL STATEMENTS
AND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014

THE CHILES ACADEMY, INC.
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JUNE 30, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
The Chiles Academy, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of The Chiles Academy, Inc. (the School), a component unit of Volusia County District School Board, as of and for the year ended June 30, 2014, 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 auditors' 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 School'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 School'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 reasonable basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of The Chiles Academy, Inc., as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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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 accompanying 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, and 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. 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 accompanying schedule of expenditures of federal awards, required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purpose of additional analysis and is not a required part of the financial statements.

The schedule of expenditures of federal awards 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the 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 September 16, 2014, 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 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.

James Moore & Co., P.L.

Daytona Beach, Florida
September 16, 2014

THE CHILES ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Our discussion and analysis of the Chiles Academy Inc.'s (the School) financial performance provides an overview of the School's financial activities. Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events and conditions, it should be considered in conjunction with the basic financial statements, which follow this section. The basic financial statements include only operations of the School itself, which is a component unit of the Volusia County District School Board. The Volusia County District School Board includes the operations of the School in their operations.

FINANCIAL HIGHLIGHTS

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$274,976 (net position). Of this amount, \$158,249(unrestricted) may be used to meet the School's ongoing obligations.
- The School's total net position increased by \$4,122 based on current year activities. The School had total expenses for the year of \$1,927,240, compared to revenues of \$1,931,362.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$158,249, a decrease of \$2,694 in comparison with the prior year. Approximately 93%, or \$146,255 of the total amount, is unassigned fund balance and is available for spending at the School's discretion.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The basic financial statements include: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements—The government-wide financial statements are designed to provide readers with information about the activities of the School as a whole and a broad overview of the School's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the School's assets and liabilities, with the difference between the two reported as Net Position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's Net Position changed during the fiscal year. This statement is shown using the accrual basis of accounting. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The government-wide financial statements distinguish functions of the School that are principally supported by school board and federal funding, both of which are governmental activities. The governmental activities of the School include basic instruction, exceptional instruction, guidance services, health services, media services, curriculum development, staff development, general administration, school administration, fiscal services, food services, transportation, operation of plant, maintenance of plant, parental involvement, other programs and services, and unallocated depreciation. 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.

THE CHILES ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements—A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of the School are presented in governmental funds.

Governmental funds—Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements are accounted for using the modified accrual basis of accounting and focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for each of the funds. The general fund, the Early Head Start grant, the Title I grant, and the Child Care Nutrition special revenue funds are considered major funds of the School.

The School adopts an annual budget for all of its funds. Budgetary comparison schedules have been provided for the major funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 12 - 15 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 16 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the School's financial position. The School's total assets exceeded total liabilities by \$274,976 (total net position) at June 30, 2014, which was an increase of \$4,122 from the previous year.

The following is a summary of the School's net position as of June 30, 2014, compared to the net position as of June 30, 2013:

THE CHILES ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Condensed Statement of Net Position

	Governmental Activities June 30, 2014	Governmental Activities June 30, 2013
Assets:		
Non-capital assets	\$ 151,018	\$ 153,036
Capital assets, net	154,886	166,770
Other assets – Deposits	18,182	17,845
Total Assets	<u>\$ 324,086</u>	<u>\$ 337,651</u>
Liabilities:		
Current liabilities	\$ 24,369	\$ 33,200
Noncurrent liabilities	24,741	33,957
Total liabilities	<u>\$ 49,110</u>	<u>\$ 66,797</u>
Net Position:		
Net investment in capital assets	\$ 116,727	\$ 109,911
Restricted	0	3,022
Unrestricted	158,249	157,921
Total Net Position	<u>\$ 274,976</u>	<u>\$ 270,854</u>

Net position includes investments in capital assets less any related debt used to acquire those assets that are still outstanding. The School uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the School's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The School reports \$116,727 in net investment in capital assets at June 30, 2014, an increase of \$6,816 from the prior year.

The remaining net position is divided between restricted and unrestricted. Restricted net position represents those assets net of related liabilities that are restricted to uses specified by third parties, primarily Federal grantor agencies. None of the School's net position was restricted at June 30, 2014, a decrease of \$3,022 from the prior year. Unrestricted net position may be used to meet the School's ongoing obligations. Unrestricted net position totaled \$158,249 at June 30, 2013, an increase of \$328 from the prior year.

THE CHILES ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Key elements of the changes in the School's net position for the fiscal years ended June 30, 2014 and June 30, 2013 are as follows:

Change in Net Position

	Governmental Activities 2014	Governmental Activities 2013
	<u>2014</u>	<u>2013</u>
Program revenues:		
Charges for services	\$ 241,588	\$ 202,581
Operating grants and contributions:		
Federal grants	631,220	647,560
Other grants	8,425	3,734
General revenues:		
Volusia County District School Board	1,045,638	1,027,697
Other revenues	4,491	11,308
Total revenues	<u>1,931,362</u>	<u>1,892,880</u>
Program expenses:		
Basic instruction	756,712	741,008
Exceptional instruction	31,358	33,966
Guidance services	53,136	52,951
Health Services	35,226	43,978
Curriculum development	0	1,405
Staff development	26,915	23,548
General administration	7,129	6,054
School administration	204,525	206,378
Fiscal services	105,082	96,393
Food services	230,840	207,100
Transportation	46,765	56,806
Operation of plant	172,649	161,835
Maintenance of plant	6,822	6,694
Parental Involvement	41,749	43,785
Other programs and services	189,070	174,849
Unallocated depreciation	16,431	15,544
Interest charges	2,831	2,451
Total expenses	<u>1,927,240</u>	<u>1,874,745</u>
Change in Net Position	4,122	18,135
Net Position, beginning of year	<u>270,854</u>	<u>252,719</u>
Net Position, end of year	<u>\$ 274,976</u>	<u>\$ 270,854</u>

Governmental activities of the School generated \$639,645 in operating grants and contributions, and \$1,505,129 of general revenues, and incurred \$1,927,240 of program expenses. Additional revenues totaling \$202,581 were generated by charges of \$202,562 for contracted child care services, \$33,843 for facility usage, and \$5,183 for food services. This resulted in an overall \$4,122 increase in Net Position.

THE CHILES ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Total revenues increased from \$1,892,880 in the 2012-2013 school year to \$1,931,362 in the 2013-2014 school year ended June 30, 2014. This increase in revenue was the result of a combination of factors. The net per-pupil funding for a Full Time Equivalent student by the State of Florida increased as did child care services and facility usage. Meanwhile, donations, other income, and food services showed decreases from the previous year.

The Chiles Academy enrollment for 2013-2014 declined slightly at 162.7 students after the 2014 fourth survey which is a decrease of about 4% from the 2012-2013 school year enrollment of 169.5. Florida Education Funding Program per pupil funding increased almost 5%. In addition, the school served 40% more ESE students than in 2012-2013 and doubled the amount earned for special education services.

GOVERNMENTAL FUNDS

The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a School's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the School's four (4) governmental funds reported combined ending fund balances of \$158,249, a decrease of \$2,694 in comparison with the prior year. Approximately 93% of this total, or \$146,255, constitutes unassigned fund balance, which is available for spending at the School's discretion. The remainder of fund balance (\$11,994 or 7%) is non-spendable relating to inventories and prepaid items.

The general fund is the chief operating fund of the School. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$151,926, which represents 14% of total General Fund expenditures and transfers out for the fiscal year 2014. The total fund balance of the School's general fund decreased by \$2,694, from \$160,943 to \$158,249, during the current fiscal year.

The Early Head Start Grant, Title I Grant, and Child Care Nutrition special revenue funds are the funds used to account for revenues and expenditures of grant activities. There were no changes in the each of the special revenue fund's fund balance in the current fiscal year. However, due to the excess of expenditures over revenues, The Chiles Academy was required to transfer in money from the General Fund to the Early Head Start Grant and Child Care Nutrition special revenue funds in the amounts of \$73,799 and \$71,896, respectively.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended budget reflects an increase of \$32,958 from the original budget. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates used to prepare the original budget once exact information is available, 2) amendments made to recognize changes in funding amounts, and 3) changes in appropriations that become necessary to maintain services.

THE CHILES ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Significant variances between the original budget and the final amended budget are summarized as follows:

Revenues:

- \$20,000 Child care service fees – The Early Learning Coalition of Flagler and Volusia Counties was able to fund more vouchers for subsidized child care and more community children were served in our child care than in previous years.
- 2,000 Donations – More donations were received than anticipated.

Expenditures:

- (\$25,405) Basic instruction – Decrease due to vacancy savings.
- \$7,000 Staff Development – Increase due to timing of summer conferences.
- \$4,000 Other Program Services – Increase due to additional costs related to contracted child care serving more children.
- \$6,822 Maintenance of Plant – PECO funds carried from previous years was expended and additional unbudgeted maintenance needs were identified.

Other Financing Sources (Uses):

- (\$48,086) Transfers out – Increase in transfer to Child Care Nutrition Special Revenue Fund to fund increased food service costs.

With these amendments, there was no significant budget versus actual variances. The actual change in fund balance exceeded the budget by \$26,403, as a result of actual revenues being over budget by \$15,565, budgeted expenditures being \$39,730 under, and budgeted transfers out being \$2,238 under.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets—The School's investment in capital assets for its governmental activities as of June 30, 2014, amounted to \$154,886 (net of accumulated depreciation). This investment in capital assets includes buildings, leasehold improvements, furniture, fixtures, equipment and computer hardware and software. The decrease of \$11,884 from the previous year is the result of accumulated depreciation.

The School had no additional major capital project during the 2013-2014 school year. The purchase and installation of a modular unit during the 2012-2013 school year for vandal security services will ultimately result in revenue for the School in the form of rent.

THE CHILES ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

The following is a summary of capital assets as of June 30, 2014 and June 30, 2013:

Capital Assets
(Net of depreciation)

	Governmental Activities 2014	Governmental Activities 2013
Leasehold improvements	\$ 52,136	\$ 56,360
Furniture, fixtures and equipment	25,380	32,552
Computer hardware and software	5,404	7,452
Buildings	71,966	70,406
Total	<u>\$ 154,886</u>	<u>\$ 166,770</u>

Additional information on the School's capital assets can be found in Note 3 on page 21 of this report.

Long-Term Debt—As of June 30, 2014, the School had total debt outstanding of \$38,159. The debt is related to the purchase of the modular unit in the previous fiscal year.

The following is a summary of outstanding debt as of June 30, 2014 and June 30, 2013:

Outstanding Debt

	Governmental Activities 2014	Governmental Activities 2013
Line of credit	\$ 4,529	\$ 10,529
Note payable	33,630	46,330
Total	<u>\$ 38,159</u>	<u>\$ 56,859</u>

Additional information on the School's long-term debt can be found in Note 4 on pages 21-22 of this report.

ECONOMIC FACTORS

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

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to The Chiles Academy, Inc. 868 George W. Ingram Boulevard, Daytona Beach, FL 32114.

THE CHILES ACADEMY, INC.
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 111,005
Accounts receivable	28,019
Prepaid expenses	6,225
Inventory	5,769
Capital assets:	
Other capital assets, net of depreciation	154,886
Deposits	18,182
Total Assets	<u><u>\$ 324,086</u></u>
LIABILITIES	
Accounts payable and accrued expenses	\$ 10,951
Noncurrent liabilities:	
Due within one year:	
Notes payable	17,947
Due in more than one year:	
Notes payable	20,212
Total Liabilities	<u><u>\$ 49,110</u></u>
NET POSITION	
Net investment in capital assets	\$ 116,727
Unrestricted	158,249
Total Net Position	<u><u>\$ 274,976</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

**THE CHILES ACADEMY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
					<u>Governmental Activities</u>
Governmental activities					
Basic instruction	\$ 756,712	\$ -	\$ 271,768	\$ -	\$ (484,944)
Exceptional instruction	31,358	-	-	-	(31,358)
Guidance services	53,136	-	6,249	-	(46,887)
Health services	35,226	-	8,183	-	(27,043)
Staff development	26,915	-	6,581	-	(20,334)
General administration	7,129	-	-	-	(7,129)
School administration	204,525	-	66,338	-	(138,187)
Fiscal services	105,082	-	34,657	-	(70,425)
Food services	230,840	5,183	158,944	-	(66,713)
Transportation	46,765	-	-	-	(46,765)
Operation of plant	172,649	33,843	36,751	-	(102,055)
Maintenance of plant	6,822	-	-	-	(6,822)
Parental involvement	41,749	-	41,749	-	-
Other programs and services	189,070	202,562	8,425	-	21,917
Interest on long-term debt	2,831	-	-	-	(2,831)
Unallocated depreciation	16,431	-	-	-	(16,431)
Total governmental activities	<u>\$ 1,927,240</u>	<u>\$ 241,588</u>	<u>\$ 639,645</u>	<u>\$ -</u>	<u>(1,046,007)</u>
General revenues					
Volusia County School Board					1,045,638
Other revenues					
Other income					4,491
Total general and other revenues					<u>1,050,129</u>
Change in net position					<u>4,122</u>
Net position, beginning of year					270,854
Net position, end of year					<u>\$ 274,976</u>

The accompanying notes to financial statements
are an integral part of this statement.

THE CHILES ACADEMY, INC.
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General</u>	<u>Early Head Start Grant Special Revenue Fund</u>	<u>Title I Grant Special Revenue Fund</u>	<u>Child Care Nutrition Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 111,005	\$ -	\$ -	\$ -	\$ 111,005
Accounts receivable	20,308	-	-	7,711	28,019
Inventory	98	-	-	5,671	5,769
Deposits	18,182	-	-	-	18,182
Prepays	6,225	-	-	-	6,225
Due from other funds	13,134	-	-	-	13,134
Total Assets	<u>\$ 168,952</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,382</u>	<u>\$ 182,334</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 10,703	\$ -	\$ -	\$ 248	\$ 10,951
Due to other funds	-	-	-	13,134	13,134
Total Liabilities	<u>\$ 10,703</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,382</u>	<u>\$ 24,085</u>
FUND BALANCES					
Nonspendable					
Prepays and inventory	\$ 6,323	\$ -	\$ -	\$ 5,671	\$ 11,994
Unassigned	151,926	-	-	(5,671)	146,255
Total Fund Balances	<u>\$ 158,249</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,249</u>

The accompanying notes to financial statements
are an integral part of this statement.

THE CHILES ACADEMY, INC.
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Fund balances - total governmental funds		\$ 158,249
The net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. Those assets consist of:		
Governmental capital assets	\$ 272,056	
Accumulated depreciation	<u>(117,170)</u>	
Total capital assets, net		154,886
Notes payable and other long-term liabilities are not due and payable currently and therefore are not reported as liabilities in the governmental funds:		
Notes payable		(38,159)
Total net position of governmental activities		<u><u>\$ 274,976</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

THE CHILES ACADEMY, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>	<u>Early Head Start Grant Special Revenue Fund</u>	<u>Title I Grant Special Revenue Fund</u>	<u>Child Care Nutrition Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Revenues					
Volusia County District School Board	\$ 1,045,638	\$ -	\$ -	\$ -	\$ 1,045,638
Federal grants	-	454,521	19,508	157,191	631,220
Other revenues:					
Donations	8,425	-	-	-	8,425
Child care service fees	236,405	-	-	-	236,405
Food service	5,183	-	-	-	5,183
Other income	4,491	-	-	-	4,491
Total revenues	<u>1,300,142</u>	<u>454,521</u>	<u>19,508</u>	<u>157,191</u>	<u>1,931,362</u>
Expenditures					
Current:					
Basic instruction	411,145	326,059	19,508	-	756,712
Exceptional instruction	31,358	-	-	-	31,358
Guidance services	46,887	6,249	-	-	53,136
Health services	27,043	8,183	-	-	35,226
Staff development	20,334	6,581	-	-	26,915
General administration	7,129	-	-	-	7,129
School administration	138,187	61,150	-	5,188	204,525
Fiscal services	70,425	34,657	-	-	105,082
Food services	-	16,080	-	214,760	230,840
Transportation	46,765	-	-	-	46,765
Operation of plant	135,898	27,612	-	9,139	172,649
Maintenance of plant	6,822	-	-	-	6,822
Parental involvement	-	41,749	-	-	41,749
Other programs and services	193,617	-	-	-	193,617
Debt service:					
Principal	18,700	-	-	-	18,700
Interest charges	2,831	-	-	-	2,831
Total expenditures	<u>1,157,141</u>	<u>528,320</u>	<u>19,508</u>	<u>229,087</u>	<u>1,934,056</u>
Excess (deficiency) of revenues over expenditures	<u>143,001</u>	<u>(73,799)</u>	<u>-</u>	<u>(71,896)</u>	<u>(2,694)</u>
Other financing sources (uses)					
Transfers in	-	73,799	-	71,896	145,695
Transfers out	<u>(145,695)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(145,695)</u>
Total other financing sources (uses)	<u>(145,695)</u>	<u>73,799</u>	<u>-</u>	<u>71,896</u>	<u>-</u>
Net change in fund balances	<u>(2,694)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,694)</u>
Fund balances, beginning of year	160,943	-	-	-	160,943
Fund balances, end of year	<u>\$ 158,249</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,249</u>

The accompanying notes to financial statements
are an integral part of this statement.

THE CHILES ACADEMY, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds \$ (2,694)

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital outlay	\$ 4,547	
Less: depreciation	<u>(16,431)</u>	(11,884)

Notes payable provide current financial resources to governmental funds, while the repayment of the principal long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.

Principal payments	18,700
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Change in net position of governmental activities	<u><u>\$ 4,122</u></u>
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The accompanying notes to financial statements
are an integral part of this statement.

THE CHILES ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(1) **Summary of Significant Accounting Policies:**

The following is a summary of the more significant accounting policies of The Chiles Academy, Inc. (the School), which affect significant elements of the accompanying basic financial statements:

(a) **Reporting entity**—The Chiles Academy, Inc. (a Conversion Charter School), is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The mission of the School is to combine a community of support and guidance for pregnant and parenting students with the goal of attaining a high school diploma, which will empower them to become independent and responsible citizens. The governing body of the School is the 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, which is the Volusia County District School Board (the District). The current charter is effective until June 30, 2015, and may be renewed in increments of five years by mutual agreement between the School and the District. 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, in the event the School is dissolved or terminated, any unencumbered public 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 Chiles Academy, Inc. is considered a component unit of the Volusia County District School Board.

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

(b) **Government-wide and fund financial statements**—The government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements report information on all of the nonfiduciary activities of the School. All interfund activities are eliminated from these statements. Both statements report only governmental activities as the School does not engage in any business type activities.

Net position, the difference between assets and liabilities, as presented in the Statement of Net Position, are subdivided into three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, or laws or regulations of other governments, or enabling legislation.

THE CHILES ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(1) **Summary of Significant Accounting Policies:** (Continued)

The Statement of Activities presents a comparison between the direct expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net position for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

Separate fund financial statements report detailed information about the School's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. The School's General Fund, Early Head Start Grant Special Revenue Fund, Title I Special Revenue Fund, and Child Care Nutrition Special Revenue Fund are considered major funds. At June 30, 2014 the School had no nonmajor funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

(c) **Measurement focus, basis of accounting, and financial statement presentation**—The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred.

All governmental fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period, or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. The principal exceptions to this are: principal and interest and general long-term debt, which are recorded as expenditures only when payment is due.

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses.

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

THE CHILES ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(1) **Summary of Significant Accounting Policies:** (Continued)

The School uses the following major governmental funds:

General Fund—The general operating fund of the School is used to account for all financial resources not required to be accounted for in another fund.

Early Head Start Grant Special Revenue Fund—To account for the proceeds of the early head start program for child care services and track its legally restricted expenditures.

Title I Grant Special Revenue Fund—To account for the proceeds of the Title I Grant and track its legally restricted expenditures.

Child Care Nutrition Special Revenue Fund—To account for the proceeds of the child care food programs and track its legally restricted expenditures.

Amounts reported as program revenues include operating grants and contributions. Items not properly included among program revenues such as monies received from the District, are reported as general revenues.

(d) **Budgetary basis of accounting**—Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for the entire operations at the combined governmental level and may be amended by the Board of Directors (the Board). The budget presented for fiscal year ended June 30, 2014, has been amended according to Board procedures.

Budgets are presented on the modified accrual basis of accounting. The legal level of budgetary control is the fund level.

(e) **Cash and cash equivalents**—Cash and cash equivalents include amounts in demand deposits as well as investments that are readily convertible to known amounts of cash. Investments with original maturities of three months or less are considered to be cash equivalents.

(f) **Income taxes**—Under section 501(c)(3) of the Internal Revenue Code and Florida Statutes, the School is exempt from taxes on income other than unrelated business income. Since the School had no taxable unrelated business income during 2014, no provision for income taxes is provided in the financial statements.

Management of the Organization considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur, including changes to the Organization's status as a not-for-profit entity. Management believes the Organization met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax, therefore no provision for income taxes has been provided in these financial statements. The Organization's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

(g) **Interfund receivables and payables**—Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to or due from other funds." Interfund balances and transactions have been eliminated from the government-wide financial statements.

THE CHILES ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(1) **Summary of Significant Accounting Policies:** (Continued)

(h) **Use of estimates**—The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

(i) **Capital assets**—Capital assets are defined by the School as assets with an initial individual cost of more than \$750 and an estimated useful life of more than one year. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment of the School is depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	39
Leasehold Improvements	15
Furniture, fixtures and equipment	5 – 10
Computer hardware and software	5 – 7

(j) **Inventory and prepaids**—Inventory is valued at cost based on current purchase prices using the first-in/first-out (FIFO) method. Inventory consists primarily of food and expendable supplies related to the Child Care Nutrition Fund. The cost of governmental fund-type inventory is recorded as an expenditure when consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids in both government-wide and fund financial statements. Reported inventory and prepaids, if any, are equally offset by nonspendable fund balance, which indicates that they do not constitute “available expendable resources” even though they are a component of net current assets.

(k) **Revenue sources**—Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School’s charter and from federal awards. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, 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 revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted FTE students reported by the School during designated FTE student survey periods.

The School receives substantial federal awards for the operation of additional programs including the Early Head Start and Child Care Nutrition programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have eligibility requirements whereby the issuance of grant funds is withheld until such eligible expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred.

THE CHILES ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(1) **Summary of Significant Accounting Policies:** (Continued)

(1) **Fund equity**—Beginning with fiscal year 2011, the School implemented GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Nonspendable—Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted—Amounts that can be spent only for specific purposes because of the Bylaws, district or local charter, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed—Amounts that can be used only for specific purposes determined by a formal action by ordinance or resolution. This includes the budget reserve account.

Assigned—Amounts that are designated by the Board of Directors for a specific purpose but are not spendable until a budget ordinance is passed by the Board of Directors.

Unassigned—All amounts not included in other spendable classifications.

In the government-wide financial statements, when both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed. In governmental fund financial statements, restricted funds are used first as appropriate. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Directors has provided otherwise in its commitment or assignment actions.

(2) **Reconciliation of Government-Wide and Fund Financial Statements:**

(a) **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**—Following the governmental fund balance sheet is a reconciliation between *fund balances – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. A detailed reconciliation of these differences is provided in this reconciliation.

(b) **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**—Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between *net change in fund balances – total governmental funds* and *changes in net position of governmental activities*. A detailed reconciliation of these differences is provided in this reconciliation.

THE CHILES ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(3) **Capital Assets:**

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets, being depreciated:				
Leasehold improvements	\$ 63,365	\$ -	\$ -	\$ 63,365
Furniture, fixtures and equipment	67,381	-	-	67,381
Computer hardware and software	65,166	747	-	65,913
Buildings	71,597	3,800	-	75,397
Total capital assets, being depreciated	<u>267,509</u>	<u>4,547</u>	<u>-</u>	<u>272,056</u>
Less accumulated depreciation for:				
Leasehold Improvements	(7,005)	(4,224)	-	(11,229)
Furniture, fixtures and equipment	(34,828)	(7,173)	-	(42,001)
Computer hardware and software	(57,715)	(2,794)	-	(60,509)
Buildings	(1,191)	(2,240)	-	(3,431)
Total accumulated depreciation	<u>(100,739)</u>	<u>(16,431)</u>	<u>-</u>	<u>(117,170)</u>
Capital assets, net	<u>\$ 166,770</u>	<u>\$ (11,884)</u>	<u>\$ -</u>	<u>\$ 154,886</u>

Capital assets are used by multiple functions with the School and cannot be easily charged to a specific function. For the year ended June 30, 2014, unallocated depreciation expense was \$16,431.

(4) **Notes Payable:**

On April 21, 2011, the School executed a line of credit, with a financial institution, that allows borrowings up to \$25,000 with an interest rate equal to the Wall Street Journal Prime Rate. The interest rate at June 30, 2014 was 3.25%. There was one advance from this line of credit during the year ended June 30, 2014, and as of June 30, 2014, \$4,529 was outstanding. The line of credit will expire on April 20, 2015.

At June 30, 2014, long-term debt also consisted of a note payable to a financial institution. The note payable was issued on November 9, 2012, for the purpose of purchasing a mobile home. The total debt issued was \$53,440 at an interest rate of 5.25%. The note is collateralized by the mobile home.

THE CHILES ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(4) **Notes Payable:** (Continued)

A summary of long-term debt for the year ended June 30, 2014, is as follows:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
Governmental activities:					
Line of Credit	\$ 10,529	\$ -	\$ 6,000	\$ 4,529	\$ 4,529
Note Payable	46,330	-	12,700	33,630	13,418
Governmental activities - long-term liabilities	<u>\$ 56,859</u>	<u>\$ -</u>	<u>\$ 18,700</u>	<u>\$ 38,159</u>	<u>\$ 17,947</u>

The annual debt service requirements to maturity for the note payable governmental-type activity debt outstanding as of June 30, 2014 is as follows:

	<u>Notes Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 13,418	\$ 1,443	\$ 14,861
2016	14,140	722	14,862
2017	6,072	78	6,150
	<u>\$ 33,630</u>	<u>\$ 2,243</u>	<u>\$ 35,873</u>

(5) **Concentrations:**

(a) **Cash and cash equivalents**—At year-end, the carrying amount of the School’s deposits were \$111,005 and the bank balances were \$113,691. The School maintains cash deposits at a bank in Florida. The School has no deposit policy for custodial risk, which is the risk that in the event of a bank failure, the School’s deposit may not be returned. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to FDIC limits. Any balance in excess of FDIC insurance is covered by collateral held by the School’s custodial bank, which is pledged to a state trust fund that provides security in accordance with Florida Security for Public Deposits Act, Chapter 280, Florida Statutes.

The Florida Security for Public Deposits Act established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified public depository must pledge at least 50 percent of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125 percent, may be required, if deemed necessary under the conditions set forth in the Act.

Obligations pledged to secure deposits must be delivered to the State Treasurer or, with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer. Under the Act, the pool may assess participating financial institutions on a pro rata basis to fund any shortfall in the event of the failure of a member institution.

THE CHILES ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(5) **Concentrations:** (Continued)

(b) **Local revenue sources**—As stated in Note 1, the School receives revenues for general operations primarily from the Volusia County District School Board. Substantial federal awards are also received for the operation of additional programs. The following is a schedule of local revenue sources and amounts.

Sources	Amounts
Volusia County District School Board	
Base student allocation	\$ 663,663
ESE guaranteed allocation	36,180
Supplemental academic instruction	42,953
Class size reduction funds	185,200
Other FEFP (WFTE share)	4,155
Discretionary local effort (WFTE share)	50,835
Discretionary lottery	1,538
Instructional materials allocation	12,298
Student transportation	47,280
Teacher's lead program	1,536
Total Volusia County District School Board	1,045,638
Federal grants	631,220
Other revenues	254,504
Total revenue	\$ 1,931,362

The amount received from the Volusia County District School Board was reduced by a \$49,843 administration fee. The administration fee withheld is recorded as expenditures in the financial statements.

(6) **Related Party Information:**

The Volusia County District School Board provides the School with various equipment and furniture. The District maintains title to said property and all property is to be returned to the District if the School ceases operations or no longer has use for the assets. These assets are not included in the financial statements of the School. The School also occupies a building owned and previously used by the District for educational purposes. In lieu of rental payments, the School is responsible for all upkeep and maintenance on the District's property. This agreement is in effect until June 30, 2015, and may be renewed contingent upon the extension of the School's charter.

THE CHILES ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(7) **Interfund Accounts and Transfers:**

The outstanding balances between funds result primarily from the time lag between the dates reimbursable expenditures occur, when transactions are recorded in the accounting system and when payments between funds are made. Amounts due from other funds consist of the following as of June 30, 2014:

	Due to Other Funds	Due from Other Funds
General Fund	\$ -	\$ 13,134
Child Care Nutrition Special Revenue Fund	13,134	-
	\$ 13,134	\$ 13,134

Transfers occurred to move monies from the General Fund to subsidize operations accounted for in other funds in accordance with budgetary authorizations. During the year ended June 30, 2014, the General Fund transferred \$73,799 and \$71,896 to the Early Head Start Grant Special Revenue Fund and Child Care Nutrition Special Revenue Fund, respectively.

(8) **Risk Management:**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

THE CHILES ACADEMY, INC.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Revenues				
Volusia County District School Board	\$ 1,061,134	\$ 1,071,642	\$ 1,045,638	\$ (26,004)
Federal grants	2,500	2,400	-	(2,400)
Other revenues:				
Donations	7,000	9,000	8,425	(575)
Child care service fees	203,600	223,600	236,405	12,805
Food service	6,000	6,000	5,183	(817)
Other income	2,515	3,065	4,491	1,426
Total revenues	<u>1,282,749</u>	<u>1,315,707</u>	<u>1,300,142</u>	<u>(15,565)</u>
Expenditures				
Current:				
Basic instruction	453,569	428,164	411,145	17,019
Exceptional instruction	32,911	32,911	31,358	1,553
Guidance services	49,963	49,963	46,887	3,076
Health services	34,752	34,852	27,043	7,809
Staff development	12,874	19,874	20,334	(460)
General administration	7,000	8,533	7,129	1,404
School administration	140,659	141,042	138,187	2,855
Fiscal services	65,419	68,652	70,425	(1,773)
Transportation	58,000	58,000	46,765	11,235
Operation of plant	130,294	133,509	135,898	(2,389)
Maintenance of plant	-	6,822	6,822	-
Other programs and services	189,618	193,618	193,617	1
Debt service:				
Principal	18,000	18,000	18,700	(700)
Interest charges	3,000	2,631	2,631	-
Total expenditures	<u>1,196,159</u>	<u>1,196,671</u>	<u>1,156,941</u>	<u>39,730</u>
Excess of revenues over expenditures	<u>86,590</u>	<u>119,036</u>	<u>143,201</u>	<u>24,165</u>
Other financing sources (uses)				
Transfers out	<u>(99,847)</u>	<u>(147,933)</u>	<u>(145,695)</u>	<u>2,238</u>
Total other financing sources (uses)	<u>(99,847)</u>	<u>(147,933)</u>	<u>(145,695)</u>	<u>2,238</u>
Net change in fund balance	<u>(13,257)</u>	<u>(28,897)</u>	<u>(2,494)</u>	<u>26,403</u>
Fund balance, beginning of year	160,943	160,943	160,943	-
Fund balance, end of year	<u>\$ 147,686</u>	<u>\$ 132,046</u>	<u>\$ 158,449</u>	<u>\$ 26,403</u>

See notes to required supplementary information.

THE CHILES ACADEMY, INC.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL - EARLY HEAD START GRANT SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Revenues				
Federal grants	\$ 489,635	\$ 497,182	\$ 454,521	\$ (42,661)
Expenditures				
Current:				
Basic instruction	337,109	331,242	326,059	5,183
Guidance services	4,941	5,897	6,249	(352)
Health services	9,909	8,402	8,183	219
Curriculum development	-	-	-	-
Staff development	9,850	11,440	6,581	4,859
School administration	62,631	65,138	61,150	3,988
Fiscal services	35,457	38,729	34,657	4,072
Food services	17,397	17,205	16,080	1,125
Operation of plant	26,869	27,016	27,612	(596)
Parenting	43,164	40,784	41,749	(965)
Total expenditures	<u>547,327</u>	<u>545,853</u>	<u>528,320</u>	<u>17,533</u>
Deficiency of revenues over expenditures	<u>(57,692)</u>	<u>(48,671)</u>	<u>(73,799)</u>	<u>(25,128)</u>
Other financing sources				
Transfers in	<u>57,692</u>	<u>73,794</u>	<u>73,799</u>	<u>5</u>
Total other financing sources	<u>57,692</u>	<u>73,794</u>	<u>73,799</u>	<u>5</u>
Net change in fund balance	<u>-</u>	<u>25,123</u>	<u>-</u>	<u>(25,123)</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ 25,123</u>	<u>\$ -</u>	<u>\$ (25,123)</u>

See notes to required supplementary information.

THE CHILES ACADEMY, INC.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL - TITLE I GRANT SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Revenues				
Federal grants	\$ 19,200	\$ 21,620	\$ 19,508	\$ (2,112)
Expenditures				
Current:				
Basic instruction	17,280	21,620	19,508	2,112
Staff development	1,920	-	-	-
Total expenditures	<u>19,200</u>	<u>21,620</u>	<u>19,508</u>	<u>2,112</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources				
Transfers out	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to required supplementary information.

THE CHILES ACADEMY, INC.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL - CHILD CARE NUTRITION SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Revenues				
Federal grants	\$ 165,000	\$ 165,000	\$ 157,191	\$ (7,809)
Total revenues	<u>165,000</u>	<u>165,000</u>	<u>157,191</u>	<u>(7,809)</u>
Expenditures				
Current:				
School administration	5,650	5,650	5,188	462
Food services	196,995	220,285	214,760	5,525
Operation of plant	4,045	8,600	9,139	(539)
Total expenditures	<u>206,690</u>	<u>234,535</u>	<u>229,087</u>	<u>5,448</u>
Deficiency of revenues over expenditures	<u>(41,690)</u>	<u>(69,535)</u>	<u>(71,896)</u>	<u>(2,361)</u>
Other financing sources				
Transfers in	42,155	74,139	71,896	(2,243)
Total other financing sources	<u>42,155</u>	<u>74,139</u>	<u>71,896</u>	<u>(2,243)</u>
Net change in fund balance	<u>465</u>	<u>4,604</u>	<u>-</u>	<u>(4,604)</u>
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ 465</u>	<u>\$ 4,604</u>	<u>\$ -</u>	<u>\$ (4,604)</u>

See notes to required supplementary information.

THE CHILES ACADEMY, INC.
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

(1) **Summary of Significant Accounting Policies:**

The Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual (the Schedules) are presented using the School’s budget format for all governmental funds.

(2) **Budgetary Basis of Accounting:**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for the entire operations at the combined governmental level and may be amended by the Board of Directors (the Board). The budget presented for fiscal year ended June 30, 2014, has been amended according to Board procedures.

Budgets are presented on the modified accrual basis of accounting. The legal level of budgetary control is the fund level.

**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,
The Chiles Academy, Inc.:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of The Chiles Academy, Inc. (the School), a component unit of Volusia County District School board, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 16, 2014.

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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 a 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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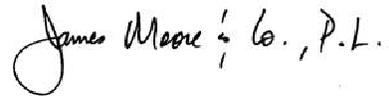
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Compliance and Other Matters

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Daytona Beach, Florida
September 16, 2014

THE CHILES ACADEMY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Agency, Pass-Through Entity	CFDA Number	Contract/ Grant Number	Program Award Amount	Program Expenditures
U.S. Department of Health and Human Services				
Head Start	93.600	04CH4624/05	\$ 468,920	\$ 406,503
Head Start	93.600	04CH4624/06	468,920	48,018
Total Head Start Cluster and U.S. Department of Health and Human Services				<u>454,521</u>
U.S. Department of Agriculture				
Passed through State of Florida, Department of Health				
Child Care Food Program	10.558	I-3164	101,957	<u>101,957</u>
Passed through State of Florida, Department of Education				
National School Lunch Program, including Afterschool Snack Program	10.555	01-0518	37,606	37,606
School Breakfast Program	10.553	01-0518	17,628	<u>17,628</u>
Total Child Care Nutrition Cluster				<u>55,234</u>
Total U.S. Department of Agriculture				<u>157,191</u>
U.S. Department of Education				
Passed through District School Board of Volusia County, Florida				
Title I Grants to Local Educational Agencies	84.010		21,551	<u>21,551</u>
Total Title I, Part A Cluster and U.S. Department of Education				<u>21,551</u>
Total Expenditures of Federal Awards				<u><u>\$ 633,263</u></u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

THE CHILES ACADEMY, INC.
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Note (1): Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes federal awards activity of The Chiles Academy, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

THE CHILES ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2014

I. Summary of Auditors' Results:

Financial Statements:

- Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- No significant deficiencies or material weaknesses were identified related to internal control over financial reporting.
- No instances of noncompliance material to the financial statements were noted.

Federal Awards:

Internal control over major Federal programs:

- No significant deficiencies or material weaknesses were reported related to internal control over financial reporting.
- Type of auditors' report issued on compliance for major programs: *Unmodified*
- The audit did not disclose any audit findings, which are required to be reported in accordance with Section 510(a) of Circular A-133.
- Identification of Major programs:
 - Head Start Cluster, CFDA No. 93.600
- Dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- The Chiles Academy, Inc. did qualify as a low-risk auditee.

II. Financial Statement Findings: None

III. Findings and Questioned Costs for Major Federal Programs: None

IV. Prior Year Audit Findings:

2013-001 – Reconciliation of Grant Funds: Corrective action taken.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Directors,
The Chiles Academy, Inc.:

Report on Compliance for Each Major Federal Program

We have audited The Chiles Academy, Inc.'s (the School's) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2014. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

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Opinion on Each Major Federal Program

In our opinion, The Chiles Academy, Inc., complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

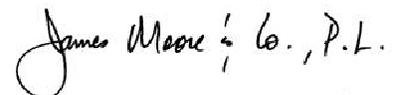
Report on Internal Control over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A- 133. Accordingly, this report is not suitable for any other purpose.



Daytona Beach, Florida
September 16, 2014

**MANAGEMENT LETTER OF INDEPENDENT AUDITORS
REQUIRED BY CHAPTER 10.850, RULES OF THE AUDITOR GENERAL**

To the Board of Directors,
The Chiles Academy, Inc.

Report on the Financial Statements

We have audited the financial statements of The Chiles Academy, Inc. (the School), a component unit of Volusia County District School Board, as of and for the fiscal year ended June 30, 2014, and have issued our report thereon dated September 16, 2014.

Auditors' Report

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Other Reporting Required by *Government Auditing Standards*

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on and Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated September 16, 2014, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective action has been taken to address all findings and recommendations made in the preceding annual financial audit reports.

Financial Condition

Section 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, requires that we apply appropriate procedures to determine whether or not the School has met one of more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions 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.

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Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, require that we apply 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

Pursuant to Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we apply appropriate procedures to determine whether the School maintains on its Website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Website the information specified in Section 1002.33(9)(p), Florida Statutes.

Other Matters

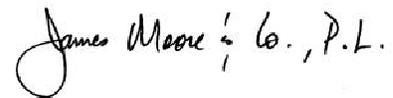
Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

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 any such findings.

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the School be disclosed in the management letter. The official title of the School is The Chiles Academy, Inc..

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, Volusia County District School Board, 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.



Daytona Beach, Florida
September 16, 2014