



**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**FINANCIAL STATEMENTS AND AUDITORS' REPORTS
June 30, 2013**

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FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Lakeland Montessori Schoolhouse, Inc. (Lakeland Montessori) presents an overview and analysis of the financial activities of Lakeland Montessori for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the Lakeland Montessori financial statements that follow this section.

FINANCIAL HIGHLIGHTS

Net Position: The assets of Lakeland Montessori exceeded its liabilities by \$1,111,299 which is presented as net position. Of this amount, \$935,325 was reported as "unrestricted net position". Unrestricted net position represent the amount available to be used to meet Lakeland Montessori's ongoing school operations.

Changes in Net Position: Lakeland Montessori's total net position increased by \$120,820 during the fiscal ended year June 30, 2013. The increase is related to revenues exceeding operating expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this management's discussion and analysis report, the independent auditors' report and the basic financial statements of Lakeland Montessori as well as required supplementary information. The financial statements also include notes that explain in more detail some of the information found in the financial statements. The basic financial statements include two kinds of statements that present different views of the Lakeland Montessori:

The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Lakeland Montessori's overall financial status. These statements report information about the Lakeland Montessori as a whole and about its activities in a manner that helps answer the question, "Is the Lakeland Montessori better off or worse off as a result of the year's activities?" These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

The *statement of net position* presents all of the Lakeland Montessori's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the Lakeland Montessori is improving or deteriorating. The reader will need to consider other non-financial factors such as the property tax base, current tax laws, student enrollment growth or decline, and facility conditions in arriving at their conclusion regarding the overall health of the Lakeland Montessori.

The *statement of activities* presents information showing how the Lakeland Montessori's net position changed during the most recent fiscal year. 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 remaining statements are *fund financial statements* that focus on individual parts of the Lakeland Montessori's operation in more detail than the government-wide statements.

The *governmental funds* financial statements tell how general school services were financed in the short term, as well as what remains for future spending. The Lakeland Montessori's activities are reported in these statements. They focus on how money flows into and out of these funds and the balances left at the year-end, which will be available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Lakeland Montessori's general government operations

and the basic services it provides. Governmental fund information helps you to determine whether there are more or less financial resources available to spend in the near future to finance the Lakeland Montessori's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

This document also includes the independent auditors' report on compliance and internal control required by *Government Auditing Standards*, as well as the management letter required by the Rules of the Florida Auditor General, Chapter 10.850, *Charter School Audits*.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Lakeland Montessori, assets exceeded liabilities by \$1,111,299 at the close of the current fiscal year.

The majority of the Lakeland Montessori's net position are in current assets. Lakeland Montessori can use these assets to provide services; therefore, these assets are available for future spending.

An analysis of fiscal year 2013 comparing to 2012 is as follows:

Net Position

GOVERNMENTAL ACTIVITIES

	2013	2012
Current and Other Assets	\$ 1,081,317	\$ 979,927
Capital Assets	\$ 927,378	\$ 892,981
Total Assets	<u>\$ 2,008,695</u>	<u>\$ 1,872,908</u>
 Total Liabilities	 <u>\$ 897,396</u>	 <u>\$ 882,429</u>
 Net Position:		
Net Invested in Capital Assets	\$ 175,974	\$ 127,028
Unrestricted	<u>\$ 935,325</u>	<u>\$ 863,451</u>
 Total Net Position	 <u><u>\$ 1,111,299</u></u>	 <u><u>\$ 990,479</u></u>

Lakeland Montessori has positive balances in both areas of net position, both for the government as a whole, as well as for its separate governmental activities.

Change in Net Position

Lakeland Montessori's total revenues were \$856,048 for 2013 while the total costs of all programs and services were \$735,228. This resulted in a net increase in net position of \$120,820 versus a net increase of \$125,305 in the prior year.

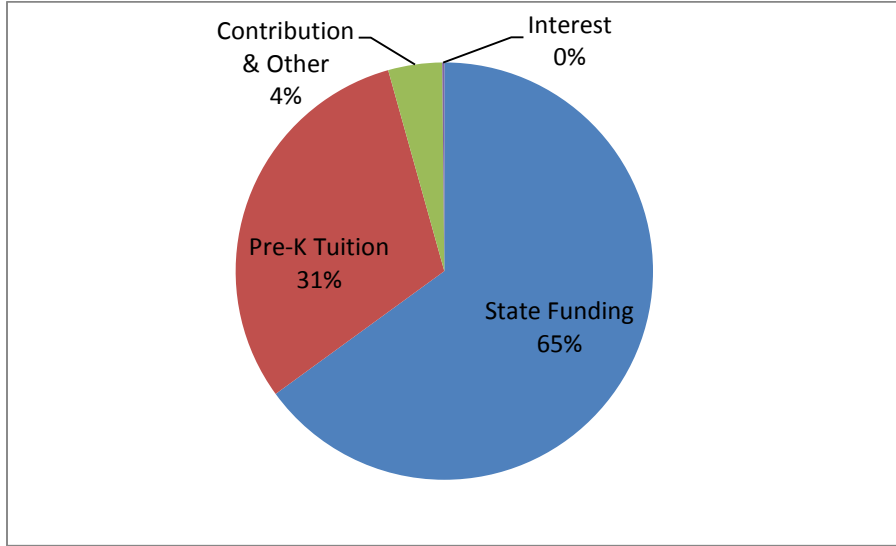
GOVERNMENTAL ACTIVITIES

	<u>2013</u>	<u>2012</u>
Revenue:		
State and local sources	\$ 556,304	\$ 559,898
Charges for services	\$ 262,591	\$ 243,996
Operating grants and contributions	\$ 24,770	\$ 34,068
Other	\$ 11,015	\$ -
Interest Revenue	\$ 1,368	\$ 2,421
Total Revenues	<u>\$ 856,048</u>	<u>\$ 840,383</u>
Expenses:		
Instruction	\$ 281,189	\$ 272,349
Instructional support services	\$ 3,212	\$ 9,945
Board	\$ 10,419	\$ 1,968
School Administration	\$ 130,023	\$ 134,607
Central Services	\$ 26,657	\$ 32,488
Pupil transportation services	\$ 3,887	\$ 4,119
Operation of plant	\$ 74,124	\$ 78,882
Debt Service	\$ 53,898	\$ 55,034
Pre-Kindergarten	\$ 151,819	\$ 125,686
Total Expenses	<u>\$ 735,228</u>	<u>\$ 715,078</u>
Change in Net Position	<u>\$ 120,820</u>	<u>\$ 125,305</u>

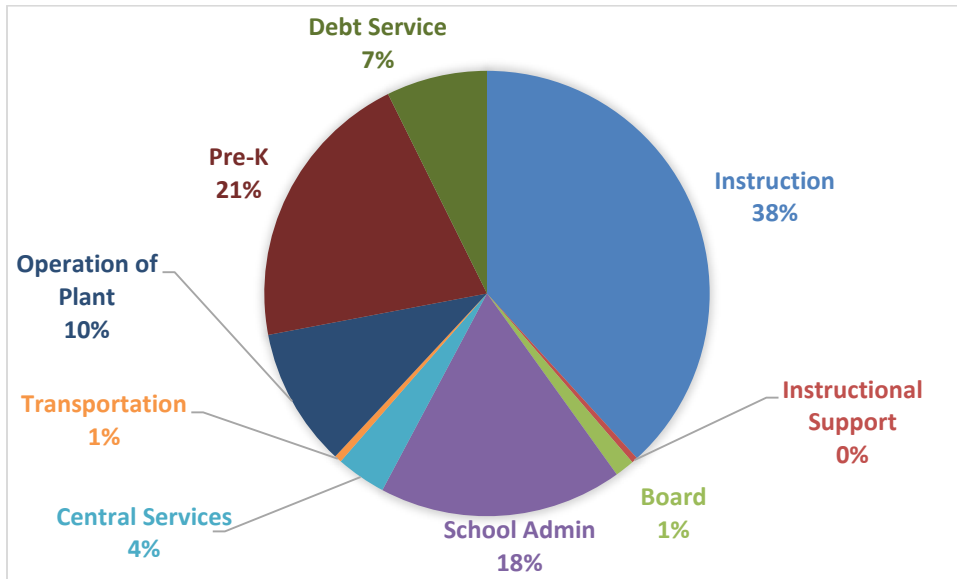
Financial Analysis of the School's Funds

Below are graph presentations that show revenue sources and expenditures for the current year.

REVENUES



EXPENDITURES



As of the end of the year, Lakeland Montessori's governmental funds reported a fund balance of \$952,788, which is a \$68,624 increase in from prior year ending fund balance of \$884,164.

Capital Assets

Lakeland Montessori has \$927,378 invested in capital assets, net of depreciation. Detailed information regarding capital asset activity and associated debt are included in the notes to the basic financial statements (Note 4 & 5).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The budget is initially adopted in June of the prior year based on a conservative estimate of enrollment. This enrollment is based on the number of expected returning students and the number of students on the waiting list for availability. The Charter School maintains a waiting list for all grade levels.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of Lakeland Montessori's finances and to demonstrate Lakeland Montessori's accountability for the money it receives. Should additional information be required, please contact Lakeland Montessori's administrative offices at 1124 North Lake Parker Avenue, Lakeland, FL 33805.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lakeland Montessori Schoolhouse, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Lakeland Montessori Schoolhouse, Inc., (the "School") a charter school and component unit of the School District of Polk County, Florida, as of and for the year ended June 30, 2013, 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.

Auditor's 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Lakeland Montessori Schoolhouse, Inc. as of June 30, 2013, 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.

INDEPENDENT AUDITOR'S REPORT
(cont...)

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 on pages M-1 to M-5 and page 19 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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2013, on our consideration of Lakeland Montessori Schoolhouse, Inc.'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 Lakeland Montessori Schoolhouse, Inc.'s internal control over financial reporting and compliance.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Lakeland, Florida
September 24, 2013

LAKELAND MONTESSORI SCHOOLHOUSE
STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,065,871
Receivables, net	
Intergovernmental	2,440
Employee	11,100
Prepaid expenses	393
Security deposits	1,513
Capital assets, net	
Non-depreciable	306,000
Depreciable	621,378
TOTAL ASSETS	2,008,695
LIABILITIES	
Accounts payable and accrued wages	77,399
Unearned revenue	51,130
Long-term liabilities:	
Due within one year	16,603
Due in more than one year	752,264
TOTAL LIABILITIES	897,396
NET POSITION	
Net investment in capital assets	175,974
Unrestricted	935,325
TOTAL NET POSITION	1,111,299
TOTAL LIABILITIES AND NET POSITION	\$ 2,008,695

See Accompanying Notes to Financial Statements

LAKELAND MONTESSORI SCHOOLHOUSE
STATEMENT OF ACTIVITIES
for the year ended June 30, 2013

FUNCTIONS / PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 281,189	\$ -	\$ 23,131	\$ -	\$ (258,058)
Instructional support services	3,212	-	-	-	(3,212)
Board	10,419	-	-	-	(10,419)
School administration	130,023	-	-	-	(130,023)
Central services	26,657	-	-	-	(26,657)
Pupil transportation services	3,887	-	-	-	(3,887)
Operation of plant	36,133	-	-	-	(36,133)
Maintenance of plant	37,991	-	-	-	(37,991)
Pre-kindergarten	151,819	262,591	1,639	-	112,411
Interest on long term debt	53,898	-	-	-	(53,898)
Total governmental activities	\$ 735,228	\$ 262,591	\$ 24,770	\$ -	(447,867)
GENERAL REVENUES:					
					556,304
State passed through local school district					1,368
Interest income					11,015
Other					
Total general revenues, special items, and transfers					568,687
CHANGE IN NET POSITION					120,820
NET POSITION - beginning of year					990,479
NET POSITION - end of year					\$ 1,111,299

See Accompanying Notes to Financial Statements

LAKELAND MONTESSORI SCHOOLHOUSE
BALANCE SHEET - GOVERNMENTAL FUNDS
 June 30, 2013

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,065,871
Receivables, net	
Intergovernmental	2,440
Employee	11,100
Prepaid expenditures	393
Security deposits	<u>1,513</u>
TOTAL ASSETS	<u><u>\$ 1,081,317</u></u>
LIABILITIES AND FUND BALANCE	
Accounts payable and accrued wages	\$ 77,399
Unearned revenue	<u>51,130</u>
TOTAL LIABILITIES	<u>128,529</u>
FUND BALANCE:	
Nonspendable:	
Prepaid expenditures	393
Security deposits	1,513
Assigned for:	
Permaculture project	45,000
Teacher certification	12,200
Equipment	39,850
Supplies	100,000
Website	5,000
Professional development	1,900
Unassigned	<u>746,932</u>
TOTAL FUND BALANCE	<u>952,788</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 1,081,317</u></u>

See Accompanying Notes to Financial Statements

LAKELAND MONTESSORI SCHOOLHOUSE
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
June 30, 2013

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ 952,788**

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds. 927,378

Long-term liabilities (including certain accounts payable and compensated absences) are not payable from current resources and therefore they are not reported in the governmental funds. (768,867)

NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 1,111,299**

See Accompanying Notes to Financial Statements

LAKELAND MONTESSORI SCHOOLHOUSE
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS
for the year ended June 30, 2013

	<u>General Fund</u>
REVENUES:	
Federal passed through local school district	\$ 1,553
State passed through local school district	556,304
Pre kindergarten tuition	264,030
Contributions and other local sources	32,793
Interest revenue	1,368
Total revenues	<u>856,048</u>
EXPENDITURES:	
Instruction	283,086
Instructional support services	3,212
Board	10,419
School administration	133,273
Central services	26,657
Pupil transportation services	3,887
Operation of plant	36,133
Maintenance of plant	5,055
Pre-kindergarten	156,255
Land acquisition	61,000
Debt service	
Interest	53,898
Principal	14,549
Total expenditures	<u>787,424</u>
NET CHANGE IN FUND BALANCE	68,624
FUND BALANCE, beginning of year	<u>884,164</u>
FUND BALANCE, end of year	<u>\$ 952,788</u>

See Accompanying Notes to Financial Statements

LAKELAND MONTESSORI SCHOOLHOUSE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
for the year ended June 30, 2013

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 68,624
 Amounts reported for governmental activities in the statement of activities are different because:	
 Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense:	
This is the amount of capital assets recorded in the current period.	67,333
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds.	(32,936)
Long-term compensated absences are reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. This is the net change in the liability during the year.	3,250
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the government-wide statement of net position. Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the government-wide statement of net position.	
This is the amount of long term debt repayments	<u>14,549</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 120,820</u></u>

See Accompanying Notes to Financial Statements

LAKELAND MONTESSORI SCHOOLHOUSE
A Component Unit of the District School Board of Polk County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Lakeland Montessori Schoolhouse (the "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 on April 9, 2001. The governing body of the School is a Board of Directors comprised of not less than 3 or more than 7 members elected by the existing Board 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 District School Board of Polk County, Florida (the "District") and is considered a component unit of the District; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units. The original charter became effective on July 1, 2004 for a three-year term ending June 30, 2007 and has been renewed for a period of seven years through June 30, 2014. During the term of the charter, the District may terminate the charter if good cause is shown.

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 *GASB Codification of Governmental Accounting and Financial Reporting Standards*. The application of these criteria provides 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

BASIS OF PRESENTATION

The School's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the GASB. Accordingly, the basic financial statements consist of the government-wide financial statements and fund financial statements.

Government-wide Financial Statements - The government-wide financial statements, including the statement of net position and the statement of activities, present information about the School as a whole using accounting methods similar to those used by private-sector companies. These statements include the nonfiduciary financial activity of the School. Both statements report only governmental activities as the School does not engage in any business type activities.

Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

LAKELAND MONTESSORI SCHOOLHOUSE
A Component Unit of the District School Board of Polk County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

BASIS OF PRESENTATION (cont...)

Fund Financial Statements - The fund financial statements provide detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund balance, revenues, expenditures, and other financing sources and uses. Resources are allocated to, and accounted for in, individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The financial transactions of the School are recorded in a single governmental "general" fund. Because the focus of governmental fund financial statements differs from the focus of the government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

BASIS OF ACCOUNTING AND MEASUREMENT FOCUS

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting related to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements, are prepared using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses 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, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be *available* when they are collectible within 60 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 or other grant resources, revenue is recognized at the time the expenditure is made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recognized only when payment is due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

LAKELAND MONTESSORI SCHOOLHOUSE
A Component Unit of the District School Board of Polk County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

CASH AND CASH EQUIVALENTS - The financial statement caption "cash and cash equivalents" includes all deposits with banks and financial institutions including certificates of deposit and all highly-liquid investments (with original maturities of three months or less). All deposits are insured by federal depository insurance and, are collateralized with securities held in Florida's multiple financial institution collateral pool under Chapter 280, Florida Statutes.

RECEIVABLES - Consist primarily of amounts due from employees and other governments. The employee receivables arise from training costs paid for by the School and repaid over a two year period by the employees. All receivables are deemed collectible, and no allowance for uncollectible accounts is considered necessary.

INVENTORIES - Supplies inventory is immaterial and such items are charged to expense when purchased.

COMPENSATED ABSENCES - Employees are allowed 10 paid days of leave per contract year which commences on July 1 and ends on June 30. The employees are given 3 days on the first day of the contract year and accumulate 1 day of leave for each month of employment thereafter, not to exceed 10 days in a contract year. The School will provide pay for accumulated leave time upon termination based upon the set rate in the individual employee contracts. The liability for these compensated absences is recorded as long-term in the government-wide statement of net position and not reported in the fund level balance sheet because the liability is generally not payable from expendable available financial resources.

CAPITAL ASSETS - Expenditures for capital assets acquired for School purposes are reported in the general fund. Property and equipment having an original cost of \$750 or more and that is either titled in the School's name or for which the School has the continuing responsibility for maintenance, is reported at cost, net of accumulated depreciation, in the government wide financial statements. Donated assets are recorded at fair market value as of the date received. Other costs incurred for repairs and maintenance are expensed as incurred. Contributions of funds from federal, state, or local sources for the purpose of purchasing or constructing capital assets are recorded as capital contributions.

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives as follows:

	<u>Years</u>
Furniture and equipment	3-10
Buildings	25

USE OF ESTIMATES -The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and affect revenues and expenses/expenditures for the period presented. Actual results could differ significantly from those estimates.

LAKELAND MONTESSORI SCHOOLHOUSE
A Component Unit of the District School Board of Polk County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

INCOME TAXES - The School is generally exempt from income taxes under section 501 (c)(3) of the Internal Revenue Code and applicable state law. Therefore, no provisions for income taxes have been made in the accompanying financial statements.

The School recognizes the financial statement effects from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the School and various positions related to the potential sources of unrelated business taxable income. The assessment of the technical merits of a tax position is a matter of judgment. The School believes that all its tax positions are more likely than not to be sustained upon examination. The School files Form 990 in the U.S. Federal jurisdiction. The School is generally no longer subject to examination by the Internal Revenue Service for years ending before June 30, 2010.

REVENUE SOURCES - Revenues for current operations are received primarily from the District School Board of Polk County, Florida pursuant to the funding provisions included in the School's charter. 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 full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The District receives a 5% administrative fee from the School, which is reflected as a central services expenditure in the accompanying statement of activities and statement of revenues, expenditures and change in fund balance.

The School is also eligible for charter school capital outlay funding. The amounts received under this program are based on the School's actual and projected student enrollments during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures and, as such, the unspent portion is reflected as restricted net position and fund balance in the accompanying statements of net position and balance sheet - governmental fund., respectively. As of June 30, 2013, the School had no unspent capital outlay funds.

EQUITY CLASSIFICATIONS -

Government-wide Statements - The School implemented the provisions of GASB Statement No. 62, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement amends the existing net asset reporting requirements by incorporating deferred outflows and inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets as previously reported. Accordingly, equity is classified as net position and displayed in three components:

LAKELAND MONTESSORI SCHOOLHOUSE
A Component Unit of the District School Board of Polk County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

EQUITY CLASSIFICATIONS (cont...)

- a) Net invested in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets
- b) Restricted net position - Consists of restricted assets reduced by liabilities related to those assets.
- c) Unrestricted net position - Consists of the net amount of assets and liabilities that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

Fund Statements - The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor the constraints on the specific purposes for which amounts in those funds can be spent. The following classifications describe the relative strength of the spending constraints:

- a) Nonspendable - amounts that are not in spendable form (such as prepaid items and deposits) or are legally required to be maintained intact.
- b) Restricted - amounts constrained to specific purposes by external purposes by external providers or imposed by law through constitutional provisions or by enabling legislation.
- c) Committed - amounts constrained to specific purposes by formal action of the School itself, using its highest level of decision making authority (the School's Board of Directors) through resolution. To be reported as committed, amounts cannot be used for any other purpose unless the School's Board of Directors takes the same highest level action (a resolution) to remove or change the constraint.
- d) Assigned - amounts the School intends to use for a specific purpose but are neither restricted nor committed. Assignments can be made by the principal or by an official or body which the Board of Directors have delegated the authority.
- e) Unassigned - this classification is for all other spendable amounts.

The details of the fund balances are included in the governmental fund balance sheet on page 5.

LAKELAND MONTESSORI SCHOOLHOUSE
A Component Unit of the District School Board of Polk County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

EQUITY CLASSIFICATIONS (cont...)

When expenditures are incurred, the School uses restricted fund balances first, followed by committed fund balance, and then assigned fund balance, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

NOTE 2 - BUDGETARY LAW AND PRACTICE

The budget is adopted by the School's Board of Directors on or before July 1 of each year by motion in the minutes. All budget amounts presented in the accompanying supplementary information have been adjusted for legally authorized amendments. The budgetary basis differs from the basis used for financial reporting purposes in that it includes an allowance for depreciation and excludes changes in long term obligations including principal payments on long term debt and changes in compensated absences.

NOTE 3 - CASH

The School's deposits are insured by the FDIC up to \$250,000 per financial institution. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the School pursuant to Section 280.08. Florida Statutes.

There were no investment securities maintained during the year. The captions on the government-wide statement of net position for "cash and cash equivalents" are summarized below.

Cash and cash equivalents:	
Fully collateralized deposits in financial institutions	\$ 1,065,871
	<hr/>
Total cash and cash equivalents	<u>\$ 1,065,871</u>

LAKELAND MONTESSORI SCHOOLHOUSE
A Component Unit of the District School Board of Polk County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 245,000	\$ 61,000	\$ -	\$ 306,000
Non-depreciable capital assets	<u>\$ 245,000</u>	<u>\$ 61,000</u>	<u>\$ -</u>	<u>\$ 306,000</u>
Capital assets being depreciated:				
Building	\$ 707,969	\$ -	\$ -	\$ 707,969
Furniture and equipment	33,021	6,333	-	39,354
Total	<u>740,990</u>	<u>6,333</u>	<u>-</u>	<u>747,323</u>
Less accumulated depreciation for:				
Building	(68,957)	(28,319)	-	(97,276)
Furniture and equipment	(24,052)	(4,617)	-	(28,669)
Total accumulated depreciation	<u>(93,009)</u>	<u>(32,936)</u>	<u>-</u>	<u>(125,945)</u>
Depreciable capital assets, net	<u>\$ 647,981</u>	<u>\$ 34,397</u>	<u>\$ -</u>	<u>\$ 621,378</u>

Depreciation expense was charged to the following programs and functions:

Governmental Activities:

Operation of plant	<u>\$ 32,936</u>
Total depreciation expense - governmental activities	<u>\$ 32,936</u>

LAKELAND MONTESSORI SCHOOLHOUSE
A Component Unit of the District School Board of Polk County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 5 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended June 30, 2013.

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due within One Year
<u>Governmental Activities</u>					
Long-term debt:					
Installment note A	\$ 727,656	\$ -	\$ (13,822)	\$ 713,834	\$ 15,773
Installment note B	38,298	-	(727)	37,571	830
Total long-term debt	<u>765,954</u>	<u>-</u>	<u>(14,549)</u>	<u>751,405</u>	<u>16,603</u>
Other liabilities:					
Compensated absences	20,712	-	(3,250)	17,462	-
Total other liabilities	<u>20,712</u>	<u>-</u>	<u>(3,250)</u>	<u>17,462</u>	<u>-</u>
Total long-term liabilities	<u>\$ 786,666</u>	<u>\$ -</u>	<u>\$ (17,799)</u>	768,867	<u>\$ 16,603</u>
Less amount due in one year				<u>(16,603)</u>	
Net long-term liabilities due after one year				<u>\$ 752,264</u>	

Notes to Long-Term Obligations Table

Installment Note A and B - The installment notes bear interest at 7.0% with combined monthly principal and interest payments of \$5,704 continuing to maturity on November 1, 2034. The notes were used to finance the purchase and renovation of the school facilities and are secured by a lien on the land and the building.

Maturities

Annual requirements to repay all long-term notes payable as of June 30, 2013, were as follows:

<u>Fiscal Year Ending</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	16,605	51,844
2015	17,804	50,643
2016	19,091	49,356
2017	20,471	47,976
2018	21,951	46,496
2019 - 2023	135,980	206,257
2024 - 2028	192,768	149,469
2029 - 2033	273,273	68,964
2034 - 2038	<u>53,462</u>	<u>1,483</u>
Total	<u>\$ 751,405</u>	<u>\$ 672,488</u>

LAKELAND MONTESSORI SCHOOLHOUSE
A Component Unit of the District School Board of Polk County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 6 - RISK MANAGEMENT

Commercial insurance protection with normal deductibles is in place to limit the School's exposure from losses arising from liability, and property and equipment damages for which there has been no significant reduction in coverages, nor have settlement amounts exceeded the School's coverages during the year ended June 30, 2013 nor during the previous two fiscal years.

In the normal course of conducting operations, the School may become party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on financial operations. As of June 30, 2013, management knows of no legal actions or proceedings pending against the school.

NOTE 7 - COMMITMENTS AND CONTINGENT LIABILITIES

The School may from time to time participate in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

In accordance with Florida Statutes, all property and improvements, furnishings and equipment purchased with public funds provided to the School through the District will automatically revert to full ownership by the District upon the non-renewal or termination of the charter agreement.

NOTE 8 - DEFINED CONTRIBUTION PLAN

The School uses a leasing company for employment of its staff. As part of the agreement with the staff, the School has adopted an Internal Revenue Code Section 403(b) defined contribution pension plan covering all non-substitute employees who are over 21 years of age and who have completed one year service. An employee is deemed to have completed one year of service after they have worked one thousand hours. The plan trust is administered by Hartford Life Insurance Company and the assets of the plan are not considered part of the School's reporting entity. Benefits are 100% vested after completion of the third year of service. Participation is mandatory and the employee may elect to contribute up to the maximum allowable under the Internal Revenue Code. School contributions are discretionary and are set annually by the School's board of directors. For the current fiscal year, the contribution rate was 5.18% and totaled \$19,054 which is accrued as a liability as of June 30, 2013.

LAKELAND MONTESSORI SCHOOLHOUSE
A Component Unit of the District School Board of Polk County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 9 - CONCENTRATION OF REVENUE SOURCES

The School's principal source of revenues is from the State of Florida passed through the District, which provided approximately 65% of total revenue for the year ended June 30, 2013. The following is a schedule of revenue sources and amounts for the year ended June 30, 2013.

<u>Sources</u>	<u>Amount</u>
School District of Polk County, Florida	
Base funding	\$ 375,733
Discretionary millage	17,098
Discretionary tax equalization allocation	16,111
Instructional materials allocation	6,830
Student transportation	3,887
Class size reduction	113,486
Capital outlay	23,159
Federal IDEA revenue	1,553
Total revenue through the School District of Polk County, Florida	557,857
Other revenue:	
Pre-kindergarten tuition paid by users	229,784
Pre-kindergarten tuition assistance from the State	34,246
Parental support	7,462
Interest income	1,368
Miscellaneous	25,331
Total revenue	\$ 856,048

REQUIRED SUPPLEMENTARY INFORMATION

LAKELAND MONTESSORI SCHOOLHOUSE
BUDGETARY COMPARISON SCHEDULE (Unaudited)
for the year ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
RESOURCES (inflows):				
Federal passed through local school district	\$ -	\$ 1,552	\$ 1,553	\$ 1
State passed through local school district	545,711	556,304	556,304	-
Interest revenue	1,680	1,367	1,368	1
Pre kindergarten tuition	244,955	259,319	264,030	4,711
Other	11,000	32,790	32,793	3
Total revenues	<u>803,346</u>	<u>851,332</u>	<u>856,048</u>	<u>4,716</u>
CHARGES TO APPROPRIATIONS (outflows):				
Instruction	373,903	279,842	279,836	6
Instructional support services	11,850	3,214	3,212	2
Board	11,000	10,421	10,419	2
School administration	185,880	133,276	133,273	3
Central services	25,881	26,658	26,657	1
Pupil transportation services	-	3,888	3,887	1
Operation of plant	44,400	36,134	36,133	1
Maintenance of plant	15,500	37,991	37,991	-
Land aquisition	-	-	-	-
Pre-kindergarten services	47,107	156,261	156,255	6
Debt service	68,448	53,898	53,898	-
Total charges to appropriations	<u>783,969</u>	<u>741,583</u>	<u>741,561</u>	<u>22</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>19,377</u>	<u>109,749</u>	<u>\$ 114,487</u>	<u>\$ 4,738</u>
Prior year fund balance reappropriation	-	-		
NET CHANGE IN FUND BALANCE:	<u>\$ 19,377</u>	<u>\$ 109,749</u>		

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 741,561
Differences - budget to GAAP:	
Capital outlay budgeted as additions to capital assets	61,000
To adjust outflows for budgeted allowance for depreciation	(32,936)
Compensated absences paid in current year not budgeted	3,250
Debt service budgeted as a reduction in long term liabilities	14,549
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance	<u>\$ 787,424</u>

See Auditors' Report

OTHER REPORTS

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

To the Board of Directors
Lakeland Montessori Schoolhouse, Inc.

We have audited, in accordance with the 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 Lakeland Montessori Schoolhouse, Inc., a charter school and component unit of the School District of Polk County, Florida, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Lakeland Montessori Schoolhouse, Inc.'s basic financial statements, and have issued our report thereon dated September 24, 2013.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lakeland Montessori Schoolhouse, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

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

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Lakeland, Florida
September 24, 2013

MANAGEMENT LETTER

To the Board of Directors
Lakeland Montessori Schoolhouse, Inc.

We have audited the financial statements of the Lakeland Montessori Schoolhouse, Inc., as of and for the fiscal year ended June 30, 2013, and have issued our report thereon dated September 24, 2013.

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. We have issued our Report on Compliance and Other Matters and on Internal Control over Financial Reporting. Disclosures in those reports, which are dated September 24, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which governs the conduct of charter school and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

- 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. There were no findings and recommendations made in the preceding annual financial audit report.
- Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included 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 Lakeland Montessori Schoolhouse, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- 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. The official title of the school is Lakeland Montessori Schoolhouse, Inc.
- Pursuant to Sections 10.854(1)(e)6.a. and 10.855(11), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor Lakeland Montessori Schoolhouse, Inc.'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.

MANAGEMENT LETTER
(cont...)

We would like to take this opportunity to thank the Board of Directors for allowing us the privilege to be of service, and the School's staff and management for the courtesies and cooperation extended to us during our audit

Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Board of Directors, management, the District School Board of Polk County, Florida, the Florida Department of Education, the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General and Federal and other granting agencies and is not intended to be and should not be used by anyone other than these specified parties.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Lakeland, Florida
September 24, 2013