



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

**FINANCIAL STATEMENTS AND AUDITORS' REPORTS  
June 30, 2012**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

## 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, 2012. We encourage readers to consider this information in conjunction with the Lakeland Montessori financial statements that follow this section.

### FINANCIAL HIGHLIGHTS

*Net Assets:* The assets of Lakeland Montessori exceeded its liabilities by \$990,479 which is presented as "net assets". Of this amount, \$863,451 was reported as "unrestricted net assets". Unrestricted net assets represent the amount available to be used to meet Lakeland Montessori's ongoing school operations.

*Changes in Net Assets:* Lakeland Montessori's total net assets increased by \$125,305 during the fiscal ended year June 30, 2012. The increase is related to conservative budgeting and prudent fiscal oversight of expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this management's discussion and analysis report, the independent auditor's 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 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 assets* presents all of the Lakeland Montessori's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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. 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 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 Lakeland Montessori's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets 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 auditor's 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 assets 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 \$990,479 at the close of the current fiscal year.

The majority of the Lakeland Montessori's net assets 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 2012 comparing to 2011 is as follows:

**Net Assets**

**GOVERNMENTAL ACTIVITIES**

	<u>2012</u>	<u>2011</u>
<b>Current and Other Assets</b>	<b>\$ 979,927</b>	<b>\$ 1,034,104</b>
<b>Capital Assets</b>	<b>\$ 892,981</b>	<b>\$ 925,419</b>
<b>Total Assets</b>	<b>\$ 1,872,908</b>	<b>\$ 1,959,523</b>
<b>Total Liabilities</b>	<b>\$ 882,429</b>	<b>\$ 1,094,349</b>
<b>Net Assets:</b>		
<b>Invested in Capital Assets</b>	<b>\$ 127,028</b>	<b>\$ 146,052</b>
<b>Unrestricted</b>	<b>\$ 863,451</b>	<b>\$ 719,122</b>
<b>Total Net Assets</b>	<b>\$ 990,479</b>	<b>\$ 865,174</b>

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

## Change in Net Assets

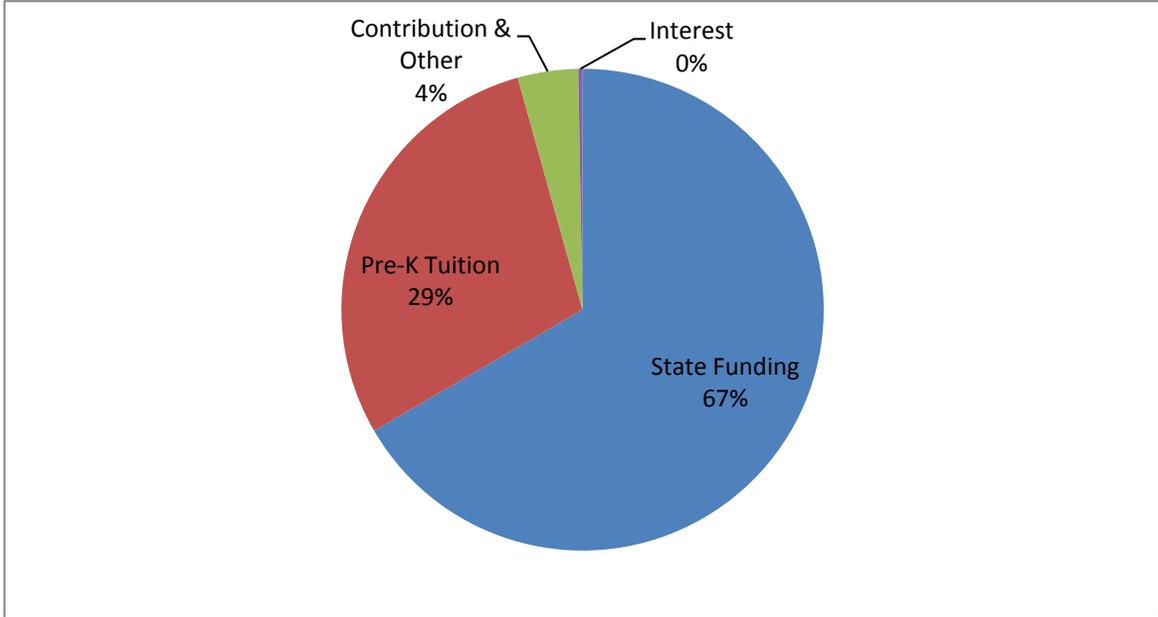
Lakeland Montessori's total revenues were \$840,383 for 2012 while the total costs of all programs and services were \$715,078. This resulted in a net increase in net assets of \$125,305 versus a net decrease of \$31,471 the prior year.

### GOVERNMENTAL ACTIVITIES

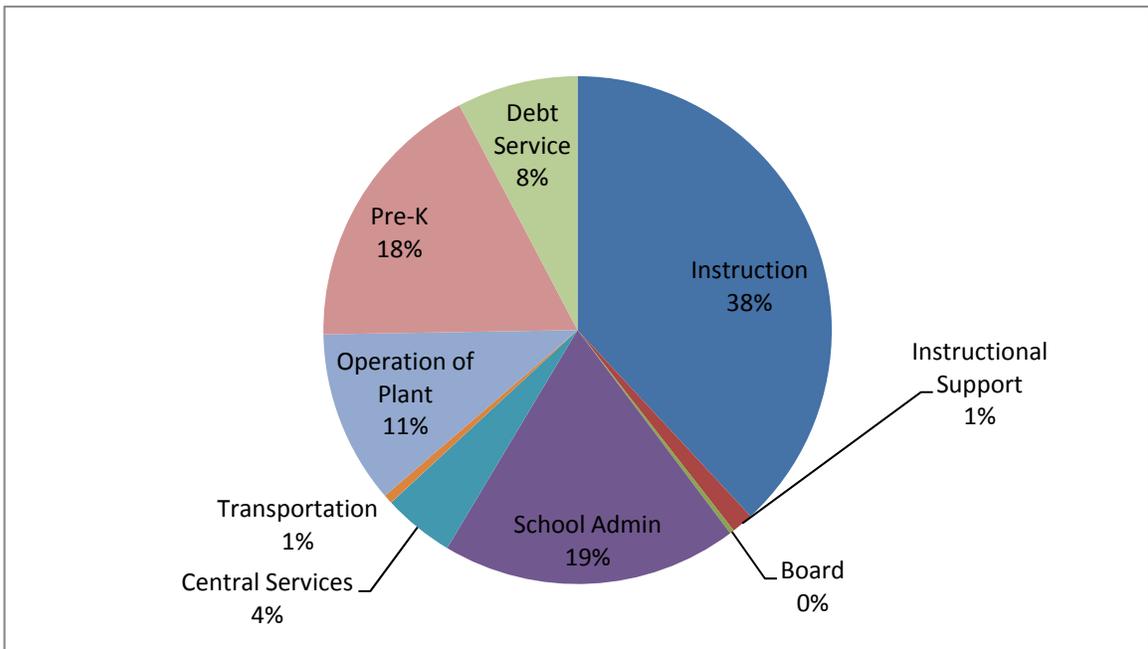
	<u>2012</u>	<u>2011</u>
Revenue:		
State and local sources	\$ 559,898	\$ 587,202
Federal Revenue	\$ -	\$ 19,687
Charges for services	\$ 243,996	\$ 212,045
Operating grants and contributions	\$ 34,068	\$ 10,804
Other	\$ -	\$ 22,626
Interest Revenue	\$ 2,421	\$ 3,534
Total Revenues	<u>\$ 840,383</u>	<u>\$ 855,898</u>
Expenses:		
Instruction	\$ 272,349	\$ 337,581
Instructional support services	\$ 9,945	\$ 7,948
Board	\$ 1,968	\$ 2,068
School Administration	\$ 134,607	\$ 177,613
Central Services	\$ 32,488	\$ 37,680
Pupil transportation services	\$ 4,119	\$ 3,750
Operation of plant	\$ 78,882	\$ 78,396
Debt Service	\$ 55,034	\$ 58,136
Pre-Kindergarten	\$ 125,686	\$ 184,197
Total Expenses	<u>\$ 715,078</u>	<u>\$ 887,369</u>
Change in Net Assets	<u>\$ 125,305</u>	<u>\$ (31,471)</u>

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

## REVENUES



## EXPENSES



Revenues exceeded expenditures \$125,305 for the year. This resulted in an increase in the fund balance available for carry forward.

## **Financial Analysis of the School's Funds**

As of the end of the 2012 year, the Lakeland Montessori's governmental funds reported a fund balance of \$884,164, which is an increase of \$140,603 from the prior year.

## **Capital Assets**

Lakeland Montessori has \$892,981 invested in capital assets, net of depreciation. Lakeland Montessori purchased a building during the 2008-2009 fiscal year. The construction note converted from a construction loan to a permanent loan during the 2009-2010 fiscal year. Lakeland Montessori had to replace the roof during the 2010-2011 fiscal year and has capitalized this leasehold improvement. Detailed information regarding capital asset activity and the note associated with this building/renovation purchase 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 for the 2011/2012 and future school years. It anticipates its fund balance to slightly decrease due to Florida's continued economic recovery.

## **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.

## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
**Lakeland Montessori Schoolhouse, Inc.**

We have audited the accompanying 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, 2012, which collectively comprise the Lakeland Montessori Schoolhouse's basic financial statements as listed in the table of contents. These financial statements are the responsibility of **Lakeland Montessori Schoolhouse, Inc.**'s management. Our responsibility is to express an opinion 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 **Lakeland Montessori Schoolhouse, Inc.** as of June 30, 2012, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2012 on our consideration of **Lakeland Montessori Schoolhouse, Inc.**'s internal control structure over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

## INDEPENDENT AUDITOR'S REPORT

(cont...)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages M1-M5 and the budgetary comparison schedule on page 20 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 response 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

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.  
Lakeland, Florida  
September 20, 2012

**LAKELAND MONTESSORI SCHOOLHOUSE**  
**STATEMENT OF NET ASSETS**  
June 30, 2012

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 969,388
Receivables, net	
Intergovernmental	3,616
Prepaid expenses	410
Security deposits	6,513
Capital assets, net	
Non-depreciable	245,000
Depreciable	647,981
<b>TOTAL ASSETS</b>	<b>1,872,908</b>
<b>LIABILITIES</b>	
Accounts payable and accrued wages	55,764
Deferred revenue	39,999
Long-term liabilities:	
Due within one year	15,484
Due in more than one year	771,182
<b>TOTAL LIABILITIES</b>	<b>882,429</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	127,028
Unrestricted	863,451
<b>TOTAL NET ASSETS</b>	<b>990,479</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,872,908</b>

See Accompanying Notes to Financial Statements

**LAKELAND MONTESSORI SCHOOLHOUSE**  
**STATEMENT OF ACTIVITIES**  
for the year ended June 30, 2012

FUNCTIONS / PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction	\$ 272,349	\$ -	\$ 25,486	\$ -	\$ (246,863)
Instructional support services	9,945	-	-	-	(9,945)
Board	1,968	-	-	-	(1,968)
School administration	134,607	-	-	-	(134,607)
Central services	32,488	-	-	-	(32,488)
Pupil transportation services	4,119	-	-	-	(4,119)
Operation of plant	78,882	-	-	-	(78,882)
Pre-kindergarten	125,686	243,996	8,582	-	126,892
Interest on long term debt	55,034	-	-	-	(55,034)
<b>Total governmental activities</b>	<b>\$ 715,078</b>	<b>\$ 243,996</b>	<b>\$ 34,068</b>	<b>\$ -</b>	<b>(437,014)</b>
<b>GENERAL REVENUES:</b>					
					559,898
State passed through local school district					2,421
Interest income					<u>562,319</u>
<b>Total general revenues, special items, and transfers</b>					562,319
<b>CHANGE IN NET ASSETS</b>					125,305
<b>NET ASSETS - beginning of year</b>					<u>865,174</u>
<b>NET ASSETS - end of year</b>					<u>\$ 990,479</u>

See Accompanying Notes to Financial Statements

**LAKELAND MONTESSORI SCHOOLHOUSE**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
 June 30, 2012

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 969,388
Receivables, net	
Intergovernmental	3,616
Prepaid expenditures	410
Security deposits	<u>6,513</u>
<b>TOTAL ASSETS</b>	<u>\$ 979,927</u>
<b>LIABILITIES AND FUND BALANCE</b>	
Accounts payable and accrued wages	\$ 55,764
Deferred revenue	<u>39,999</u>
<b>TOTAL LIABILITIES</b>	<u>95,763</u>
<b>FUND BALANCE:</b>	
Nonspendable:	
Prepaid expenditures	410
Security deposits	6,513
Assigned for:	
Fence improvements	5,000
Teacher certification	7,500
Driveway improvements	5,000
Supplies	3,500
Building improvements	10,000
Unassigned	<u>846,241</u>
<b>TOTAL FUND BALANCE</b>	<u>884,164</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 979,927</u>

See Accompanying Notes to Financial Statements

**LAKELAND MONTESSORI SCHOOLHOUSE**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF NET ASSETS**  
June 30, 2012

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**FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** **\$ 884,164**

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds. 892,981

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. (786,666)

**NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ 990,479**

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, 2012

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	<u>General Fund</u>
<b>REVENUES:</b>	
Federal passed through local school district	\$ 2,298
State passed through local school district	559,898
Pre kindergarten tuition	243,996
Contributions and other local sources	31,770
Interest revenue	2,421
Total revenues	<u>840,383</u>
<b>EXPENDITURES:</b>	
Instruction	271,774
Instructional support services	9,945
Board	1,968
School administration	138,984
Central services	32,488
Pupil transportation services	4,119
Operation of plant	46,444
Pre-kindergarten	125,611
Debt service	68,447
Total expenditures	<u>699,780</u>
<b>NET CHANGE IN FUND BALANCE</b>	140,603
<b>FUND BALANCE, beginning of year</b>	<u>743,561</u>
<b>FUND BALANCE, end of year</b>	<u><u>\$ 884,164</u></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, 2012

<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 140,603</b>
 <b>Amounts reported for governmental activities in the statement of activities are different because:</b>	
 Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, 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.	1,116
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds.	(33,554)
Long-term compensated absences are reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. This is the net change in the liability during the year.	3,727
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the government-wide statement of net assets. Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the government-wide statement of net assets.	
This is the amount of long term debt repayments	<u>13,413</u>
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 125,305</u></b>

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, 2012

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. 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 which should be reported within the School's basic financial statements are identified and described in Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. 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 upon these criteria, no component units are included within the reporting entity of the School.

The School's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the school are discussed below.

**LAKELAND MONTESSORI SCHOOLHOUSE**  
**A Component Unit of the District School Board of Polk County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

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

**B. BASIC FINANCIAL STATEMENTS**

The basic financial statements consist of the government-wide financial statements and fund financial statements.

**Government-wide Financial Statements** - The government-wide financial statements report information about the school as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all the School's assets and liabilities. All of the current year's revenues and expense are accounted for in the statement of activities regardless of when cash is received or paid.

**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. The focus of the general fund's measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income.

**C. MEASUREMENT FOCUS, AND BASIS OF ACCOUNTING**

The government-wide financial statements, are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within 60 days of the end of the current fiscal period. 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 recorded only when payment is due.

**LAKELAND MONTESSORI SCHOOLHOUSE**  
**A Component Unit of the District School Board of Polk County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

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

**C. MEASUREMENT FOCUS, AND BASIS OF ACCOUNTING** (cont...)

Grant revenues are considered earned and are accrued simultaneously with the grant expenditure. In applying the susceptibility-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the School; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and substantially irrevocable; i.e. revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criteria. All other revenue items are considered to be measurable and available only when cash is received by the School.

**D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY**

**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 as required by Chapter 280, Florida Statutes.

**RECEIVABLES** - Consist primarily of amounts due from other governments. 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 assets and not reported in the fund level balance sheet because the liability is generally not payable from expendable available financial resources.

**LAKELAND MONTESSORI SCHOOLHOUSE**  
**A Component Unit of the District School Board of Polk County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

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

**D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY** (cont...)

**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.

**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(18), 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 changes in fund balance.

**LAKELAND MONTESSORI SCHOOLHOUSE**  
**A Component Unit of the District School Board of Polk County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

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

**D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY** (cont...)

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

**EQUITY CLASSIFICATIONS -**

**Government-wide Statements** - Equity is classified as net assets and displayed in three components:

- a) Invested in capital assets, net of related debt - 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 assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**Fund Statements** - Governmental fund equity is classified as fund balance. The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Descriptions* (GASB 54) effective for reporting periods beginning after June 15, 2010. The statement establishes fund balance classifications, provides for a hierarchy of spending constraints for spendable resources and requires disclosure of non-spendable and spendable resources. Spendable resources are to be shown as restricted, committed, assigned and unassigned as considered appropriate in the School's circumstances.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance are available, the School considers restricted funds to have been spent first. When expenditures are 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.

**LAKELAND MONTESSORI SCHOOLHOUSE**  
**A Component Unit of the District School Board of Polk County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

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**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 - DEPOSITS**

**DEPOSITS IN FINANCIAL INSTITUTIONS** - Charter schools in Florida are required by State Statute Chapter 280 - "Security for Public Deposits Act", to deposit operating funds only with financial institutions who are members of the State of Florida collateral pool ("qualified public depositories"). The State of Florida collateral pool is a multiple financial institution collateral pool with the ability to make additional assessments to satisfy the claims of governmental entities if any member financial institution fails. This ability provides protection which is similar to depository insurance. There were no investment securities maintained during the year. The captions on the government-wide statement of net assets for "cash and cash equivalents" are summarized below.

Cash and cash equivalents:	
Fully collateralized deposits in financial institutions	\$ 969,388
	<hr/>
Total cash and cash equivalents	<u><u>\$ 969,388</u></u>

**LAKELAND MONTESSORI SCHOOLHOUSE**  
**A Component Unit of the District School Board of Polk County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

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**NOTE 4 - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b><u>Governmental Activities:</u></b>				
<b>Capital assets being depreciated:</b>				
Land	\$ 245,000	\$ -	\$ -	\$ 245,000
Total	<u>\$ 245,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 245,000</u>
<b>Capital assets being depreciated:</b>				
Building	\$ 707,969	\$ -	\$ -	\$ 707,969
Furniture and equipment	31,905	1,116	-	33,021
Total	<u>739,874</u>	<u>1,116</u>	<u>-</u>	<u>740,990</u>
Less accumulated depreciation for:				
Building	(40,638)	(28,319)	-	(68,957)
Furniture and equipment	(18,817)	(5,235)	-	(24,052)
Total accumulated depreciation	<u>(59,455)</u>	<u>(33,554)</u>	<u>-</u>	<u>(93,009)</u>
Depreciable capital assets, net	<u>\$ 680,419</u>	<u>\$ (32,438)</u>	<u>\$ -</u>	<u>\$ 647,981</u>

Depreciation expense was charged to the following programs and functions:

**Governmental Activities:**

Operation of plant	<u>\$ 33,554</u>
Total depreciation expense - governmental activities	<u>\$ 33,554</u>

**LAKELAND MONTESSORI SCHOOLHOUSE**  
**A Component Unit of the District School Board of Polk County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

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**NOTE 5 - LONG-TERM OBLIGATIONS**

The following is a summary of changes in long-term obligations for the year ended June 30, 2012.

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due within One Year
<b><u>Governmental Activities</u></b>					
<b>Long-term debt:</b>					
Installment note A	\$ 739,385	\$ -	\$ (671)	\$ 738,714	\$ 14,710
Installment note B	39,982	-	(12,742)	27,240	774
Total long-term debt	<u>779,367</u>	-	<u>(13,413)</u>	<u>765,954</u>	<u>15,484</u>
<b>Other liabilities:</b>					
Compensated absences	24,439	-	(3,727)	20,712	-
Total other liabilities	<u>24,439</u>	-	<u>(3,727)</u>	<u>20,712</u>	<u>-</u>
Total long-term liabilities	<u>\$ 803,806</u>	<u>\$ -</u>	<u>\$ (17,140)</u>	786,666	<u>\$ 15,484</u>
Less amount due in one year				<u>(15,484)</u>	
Net long-term liabilities due after one year				<u>\$ 771,182</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.

**LAKELAND MONTESSORI SCHOOLHOUSE**  
**A Component Unit of the District School Board of Polk County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

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**NOTE 5 - LONG-TERM OBLIGATIONS** (cont.,,)

**Notes to Long-Term Obligations Table** (cont...)

**Maturities**

Annual requirements to repay all long-term notes payable as of June 30, 2012, were as follows:

<u>Fiscal Year Ending</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	15,484	52,963
2014	16,605	51,844
2015	17,804	50,643
2016	19,091	49,356
2017	20,471	47,976
2018 - 2022	126,812	215,425
2023 - 2027	179,772	162,465
2028 - 2032	254,850	87,387
2033 - 2037	115,065	7,394
Total	<u>\$ 765,954</u>	<u>\$ 725,453</u>

**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, 2012. All employees are leased from a third party provider and workers' compensation is provided for by the leasing company at statutory amounts.

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, 2012, management was unaware of any legal actions or proceedings pending against the school.

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.

**LAKELAND MONTESSORI SCHOOLHOUSE**  
**A Component Unit of the District School Board of Polk County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

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**NOTE 6 - RISK MANAGEMENT** (cont...)

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.

**NOTE 7 - 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 4.91% and totaled \$18,696 which is accrued as a liability as of June 30, 2012.

**NOTE 8 - SUBSEQUENT EVENT**

On August 8, 2012, the School purchased land adjacent to the existing School property for \$61,000 in cash.

Management has evaluated events and transactions for potential recognition or disclosure in the financial statements through September 20, 2012, the date which the financial statements were available to be issued.

**LAKELAND MONTESSORI SCHOOLHOUSE**  
**A Component Unit of the District School Board of Polk County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

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**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 67% of total revenue for the year ended June 30, 2012. The following is a schedule of revenue sources and amounts for the year ended June 30, 2012.

<u>Sources</u>	<u>Amount</u>
School District of Polk County, Florida	
Base funding	\$ 368,594
Discretionary millage	18,066
Discretionary tax equalization allocation	15,721
Discretionary lottery	288
Instructional materials allocation	6,768
Student transportation	4,336
Class size reduction	116,960
Capital outlay	29,164
Education Job funds	248
Teacher lead program	1,253
Federal IDEA revenue	<u>2,050</u>
Total revenue through the School District of Polk County, Florida	563,448
Other revenue:	
Pre-kindergarten tuition paid by users	208,107
Pre-kindergarten tuition assistance from the State	35,890
Parental support	10,825
Interest income	2,421
Miscellaneous	<u>19,692</u>
Total revenue	<u>\$ 840,383</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**LAKELAND MONTESSORI SCHOOLHOUSE**  
**BUDGETARY COMPARISON SCHEDULE (Unaudited)**  
for the year ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>RESOURCES (inflows):</b>				
Federal passed through local school district	\$ -	\$ 2,240	\$ 2,298	\$ 58
State passed through local school district	531,945	559,000	559,898	898
Interest revenue	3,000	2,350	2,421	71
Pre kindergarten tuition	240,865	242,000	243,996	1,996
Other	10,000	30,750	31,770	1,020
Total revenues	<u>785,810</u>	<u>836,340</u>	<u>840,383</u>	<u>4,043</u>
<b>CHARGES TO APPROPRIATIONS (outflows):</b>				
Instruction	332,450	273,450	271,774	1,676
Instructional support services	7,250	10,050	9,945	105
Board	2,100	2,050	1,968	82
School administration	188,501	135,425	134,607	818
Central services	32,879	33,300	32,488	812
Pupil transportation services	-	4,200	4,119	81
Operation of plant	56,000	79,200	78,928	272
Pre-kindergarten services	61,798	127,850	125,611	2,239
Debt service	70,000	55,100	55,034	66
Total charges to appropriations	<u>750,978</u>	<u>720,625</u>	<u>714,474</u>	<u>6,151</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>34,832</u>	<u>115,715</u>	<u>\$ 125,909</u>	<u>\$ 10,194</u>
Prior year fund balance reappropriation	-	-		
<b>NET CHANGE IN FUND BALANCE:</b>				
	<u>\$ 34,832</u>	<u>\$ 115,715</u>		
<b>Uses/outflows of resources</b>				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule			\$ 714,474	
Differences - budget to GAAP:				
Capital outlay budgeted as additions to capital assets			1,116	
To adjust outflows for budgeted allowance for depreciation			(33,600)	
Compensated absences paid in current year not budgeted			4,377	
Debt service budgeted as a reduction in long term liabilities			13,413	
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance			<u>\$ 699,780</u>	

See Auditors' Report

# **COMPLIANCE**

## **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**

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To the Board of Directors of  
**Lakeland Montessori Schoolhouse, Inc.**

We have audited the financial statements 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, 2012, and have issued our report thereon dated September 20, 2012. 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.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Lakeland Montessori Schoolhouse, Inc.**'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*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered **Lakeland Montessori Schoolhouse Inc.**'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Lakeland Montessori Schoolhouse Inc.**'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **Lakeland Montessori Schoolhouse Inc.**'s internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects **Lakeland Montessori Schoolhouse, Inc.**'s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of **Lakeland Montessori Schoolhouse Inc.**'s financial statements that is more than inconsequential will not be prevented or detected by **Lakeland Montessori Schoolhouse Inc.**'s internal control.

**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**

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(cont...)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by **Lakeland Montessori Schoolhouse, Inc.**'s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain matters that we reported to management of **Lakeland Montessori Schoolhouse, Inc.** in the accompanying management letter dated September 20, 2012.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization, and the Auditor General of the State of Florida 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 20, 2012

# **MANAGEMENT LETTER**

## MANAGEMENT LETTER

To the Board of Directors of  
**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, 2012, and have issued our report thereon dated September 20, 2012.

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 20, 2012, 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)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 violations of 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 more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.854(1)(e)6, 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.**

## MANAGEMENT LETTER

(cont...)

- Pursuant to Sections 10.854(1)(e)7.a. and 10.855(11), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the **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.
- Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) Deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings
- 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.

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, and the Florida Auditor General, 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 20, 2012