



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

**FINANCIAL STATEMENTS AND AUDITORS' REPORTS  
June 30, 2014**

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## **FINANCIAL SECTION**

**MONTESSORI MIDDLE SCHOOL, INC.**  
*A Charter School and Component Unit of the School District of Polk County, Florida*  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – (Unaudited)**  
**JUNE 30, 2014**

The management's discussion and analysis (MD&A) provides an overview of Montessori Middle School, Inc. ("School") activities for the year ended June 30, 2014 and should be read in conjunction with the financial statements and the notes thereto.

The MD&A, and the financial statements and notes thereto, are the responsibility of School management.

**FINANCIAL HIGHLIGHTS**

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$159,224 (net position).
- The School's total net position increased by \$80,340.
- As of the close of the current fiscal year, the School's general fund reported ending fund balance of \$136,272, an increase of \$86,738 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the governmental funds was \$101,233 which represents 28% of the total expenditures for the year ended June 30, 2014.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report includes the management's discussion and analysis, the independent auditor's report and the basic financial statements of the School 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 School:

The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the School's overall financial status. These statements report information about the School as a whole and about its activities in a manner that helps answer the question, "Is Montessori Middle School, Inc. better off or worse off as a result of the year's activities?" These statements include all assets, liabilities and deferred outflows and inflows of resources 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 School's assets, deferred inflows of resources, liabilities and deferred inflows of resources, with the residual measure 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 School is improving or deteriorating. The reader will need to consider other non-financial factors such as the current tax laws, student enrollment growth or decline, and facility conditions in arriving at their conclusion regarding the overall health of the School.

The *statement of activities* presents information showing how the School'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 the *fund financial statements* that focus on individual parts of the School's operation in more detail than the government-wide statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

**MONTESSORI MIDDLE SCHOOL, INC.**  
*A Charter School and Component Unit of the School District of Polk County, Florida*  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – (Unaudited)**  
**JUNE 30, 2014**

*Governmental funds* – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund statements provide a detailed short-term view that may be used to evaluate the School's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balance provide a reconciliation of governmental fund to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balance provide detailed information about the School's most significant funds. The School operates one fund, a general fund to account for its general operations and internal account activities. For reporting purposes the general fund is the only major fund of the School.

The School adopts an annual budget for its governmental funds. A budgetary comparison schedule, as required, has been provided for the general fund to demonstrate compliance with the budget.

*Notes to financial statements* – The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

**MONTESSORI MIDDLE SCHOOL, INC.**  
*A Charter School and Component Unit of the School District of Polk County, Florida*  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – (Unaudited)**  
**JUNE 30, 2014**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

	<b>Statement of Net Position</b>			
	<b>Governmental Activities</b>			
	<b>2014</b>	<b>2013</b>	<b>Change</b>	<b>%</b>
<b>Assets</b>				
Current assets	\$ 170,526	\$ 73,894	\$ 96,632	130.8%
Capital Assets, Net	23,732	37,418	(13,686)	-36.6%
<b>Total Assets</b>	<b>194,258</b>	<b>111,312</b>	<b>82,946</b>	<b>74.5%</b>
<b>Liabilities</b>				
Current Liabilities	34,254	24,360	9,894	40.6%
Non-current Liabilities	780	8,068	(7,288)	-90.3%
<b>Total Liabilities</b>	<b>35,034</b>	<b>32,428</b>	<b>2,606</b>	<b>8.0%</b>
<b>Net Position</b>				
Net Investment in				
Capital Assets	23,732	37,418	(13,686)	-36.6%
Unrestricted	135,492	41,466	94,026	226.8%
<b>Total Net Position</b>	<b>\$ 159,224</b>	<b>\$ 78,884</b>	<b>80,340</b>	<b>101.8%</b>

Of the two components of the School's net position, the largest portion is the unrestricted portion and the remaining portion of net position reflects the School's net investment in capital assets. The School uses these capital assets to provide services to students so these assets are not available for future spending. The School's net investment in capital assets totaled \$23,732 as of June 30, 2014.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The School's net position was \$159,224 at the close of the current fiscal year. Unrestricted net position is approximately 85% of the total net position and the School's investment in capital assets makes up the remaining 15%.

**MONTESSORI MIDDLE SCHOOL, INC.**  
*A Charter School and Component Unit of the School District of Polk County, Florida*  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – (Unaudited)**  
**JUNE 30, 2014**

The key elements of the changes in the School's net position for the fiscal year ended June 30, 2014 are as follows.

<b>Statement of Activities</b>				
<i>Governmental Activities</i>				
	2014	2013	Change	%
<b>Revenues:</b>				
Program revenues				
Operating grants	\$ 70,657	\$ 109,042	\$ (38,385)	-35.2%
General Revenue	372,171	296,577	75,594	25.5%
Total revenues	<u>442,828</u>	<u>405,619</u>	<u>37,209</u>	<u>9.2%</u>
<b>Expenses:</b>				
Instruction	195,454	220,343	(24,889)	-11.3%
Instructional support	6,832	1,992	4,840	243.0%
Board	1,610	17,895	(16,285)	-91.0%
School administration	64,516	47,072	17,444	37.1%
Central services	18,190	14,715	3,475	23.6%
Pupil transportation	10,229	8,128	2,101	25.8%
Operation of plant	60,307	59,175	1,132	1.9%
Fiscal services	5,350	5,925	(575)	-9.7%
Total expenses	<u>362,488</u>	<u>375,245</u>	<u>(12,757)</u>	<u>-3.4%</u>
<b>Increase (decrease) in Net Position</b>	<u><u>\$ 80,340</u></u>	<u><u>\$ 30,374</u></u>	<u><u>49,966</u></u>	<u><u>164.5%</u></u>

The School's total revenues were \$442,828 for 2014 while the total expenses of all programs and services were \$362,488. This resulted in a net increase in net position of \$80,340 compared to an increase in net position of \$30,374 in the previous year. The change in net position increased by \$49,966 mainly due to a \$37,209 increase in revenue coupled with a \$12,757 decrease in expenses. The increase in revenue was caused by an 11% increase in enrollment and the receipt of capital outlay funding in 2013-2014. The 2013-2014 school year was the first year that the School was eligible for capital outlay funding.

The largest revenue source for the School is the State of Florida (91%). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data to determine the funds available for the School.



**MONTESSORI MIDDLE SCHOOL, INC.**  
*A Charter School and Component Unit of the School District of Polk County, Florida*  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – (Unaudited)**  
**JUNE 30, 2014**

**FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

*Governmental Funds* - As of June 30, 2014, the School's general fund report a positive fund balance of \$136,272. The unassigned component of fund balance totaled \$101,233 or 28% of 2013-2014 general fund expenditures.

During the current fiscal year, the fund balance of the School's general fund increased by \$86,738 compared to a smaller increase of \$17,516 in the previous year. The main cause of the increase in fund balance when compared to the previous year was due to the following:

- General fund revenue increased \$108,919 or 33% due to an 11% increase in enrollment and the receipt of capital outlay funding in 2013-2014. The 2013-2014 school year was the first year that the School was eligible for capital outlay funding.
- General fund expenses increased by \$39,697 or 13%.

**BUDGETARY HIGHLIGHTS**

The general fund budget for the fiscal year ended June 30, 2014, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. For the year ended June 30, 2014, actual revenues were \$3,178 greater than the final budgeted amount and actual expenditures were less than budgeted appropriations by \$19,762 resulting in an overall positive budget variance of \$22,940.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets:** At June 30, 2014, the School had \$89,254 in capital assets, less accumulated depreciation of \$65,522, for net capital assets of \$23,732. Depreciation charges for the current fiscal year totaled \$13,686. More information about the School's capital assets is presented in the notes to financial statements.

**Debt:** At June 30, 2014, the School had \$780 of long-term liabilities. More information about the School's long-term liabilities is presented in the notes to financial statements.

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

A majority of the School's funding is determined by the number of enrolled students. The School is forecasting enrollment for the 2014 – 2015 School year to remain constant at approximately 60 full-time equivalent students.

Due to the fact that the School has met the criteria of a high-performing charter school pursuant to section 1002.331, Florida Statutes, the School is expected to realize a cost savings of approximately \$10,000 due to the reduction in the District administrative fee from 5% to 2% in 2014-2015.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Montessori Middle School's administrative offices at 1124 North Lake Parker Avenue, Lakeland, Florida 33805.



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
**Montessori Middle School, Inc.**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Montessori Middle School, 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, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***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 Montessori Middle School, Inc., as of June 30, 2014, 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.

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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 M1–M5 and page 18 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2014, on our consideration of Montessori Middle School 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 Montessori Middle School, Inc.'s internal control over financial reporting and compliance.

*Brynjulfson CPA, P.A.*

Brynjulfson CPA, P.A.  
Auburndale, Florida  
September 22, 2014

**MONTESSORI MIDDLE SCHOOL, INC.**  
**STATEMENT OF NET POSITION**  
June 30, 2014

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 168,091
Receivables, net	
Intergovernmental	2,435
Capital assets, net	
Depreciable	<u>23,732</u>
<b>TOTAL ASSETS</b>	<u>194,258</u>
<b>LIABILITIES</b>	
Accounts payable and accrued wages	23,152
Due to other governments	4,312
Unearned revenue	6,790
Long-term liabilities:	
Due within one year	-
Due in more than one year	<u>780</u>
<b>TOTAL LIABILITIES</b>	<u>35,034</u>
<b>NET POSITION</b>	
Net investment in capital assets	23,732
Unrestricted	<u>135,492</u>
<b>TOTAL NET POSITION</b>	<u>159,224</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 194,258</u></u>

See Accompanying Notes to Financial Statements

**MONTESSORI MIDDLE SCHOOL, INC.**  
**STATEMENT OF ACTIVITIES**  
For the year ended June 30, 2014

FUNCTIONS / PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction	\$ 195,454	\$ -	\$ 40,021	\$ -	\$ (155,433)
Instructional support services	6,832	-	2,738	-	(4,094)
Board	1,610	-	-	-	(1,610)
School administration	64,516	-	-	-	(64,516)
Central services	18,190	-	-	-	(18,190)
Pupil transportation services	10,229	-	-	-	(10,229)
Operation of plant	60,307	-	27,898	-	(32,409)
Fiscal services	5,350	-	-	-	(5,350)
<b>Total governmental activities</b>	<b>\$ 362,488</b>	<b>\$ -</b>	<b>\$ 70,657</b>	<b>\$ -</b>	<b>(291,831)</b>
<b>GENERAL REVENUES:</b>					
State passed through local school district					369,712
Other revenues					2,459
<b>Total general revenues, special items, and transfers</b>					<u>372,171</u>
<b>CHANGE IN NET POSITION</b>					80,340
<b>NET POSITION - beginning of year</b>					<u>78,884</u>
<b>NET POSITION - end of year</b>					<u>\$ 159,224</u>

See Accompanying Notes to Financial Statements

**MONTESSORI MIDDLE SCHOOL, INC.**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2014

	<b>General Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 168,091
Receivables, net	
Intergovernmental	2,435
<b>TOTAL ASSETS</b>	<b>\$ 170,526</b>
<b>LIABILITIES AND FUND BALANCE</b>	
Accounts payable and accrued wages	\$ 23,152
Due to other governments	4,312
Unearned revenue	6,790
<b>TOTAL LIABILITIES</b>	<b>34,254</b>
<b>FUND BALANCE:</b>	
Spendable:	
Assigned for:	
Equipment	9,839
Curriculum	6,900
Professional development	18,300
Unassigned	101,233
<b>TOTAL FUND BALANCE</b>	<b>136,272</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 170,526</b>

See Accompanying Notes to Financial Statements

**MONTESSORI MIDDLE SCHOOL, INC.**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION**

June 30, 2014

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<b>FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$</b>	<b>136,272</b>
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**Amounts reported for governmental activities in the statement of net position are  
different because:**

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.		23,732
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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.		<u>(780)</u>
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<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>159,224</u></b>
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See Accompanying Notes to Financial Statements



**MONTESORI MIDDLE SCHOOL, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS**  
For the year ended June 30, 2014

	<b>General Fund</b>
<b>REVENUES:</b>	
Federal passed through local school district	\$ 4,406
State passed through local school district	397,610
Contributions and other local sources	40,812
Total revenues	<u>442,828</u>
<b>EXPENDITURES:</b>	
Instruction	183,158
Instructional support services	6,832
Board	1,610
School administration	70,414
Central services	18,190
Pupil transportation services	10,229
Operation of plant	60,307
Fiscal services	5,350
Total expenditures	<u>356,090</u>
<b>NET CHANGE IN FUND BALANCE</b>	86,738
<b>FUND BALANCE, beginning of year</b>	<u>49,534</u>
<b>FUND BALANCE, end of year</b>	<u><u>\$ 136,272</u></u>

See Accompanying Notes to Financial Statements

**MONTESSORI MIDDLE SCHOOL, INC.****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, 2014

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<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$</b>	<b>86,738</b>
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**Amounts reported for governmental activities in the statement of activities are  
different because:**

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.	(13,686)
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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.	7,288
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<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b>80,340</b>
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See Accompanying Notes to Financial Statements

**MONTESSORI MIDDLE SCHOOL, INC.**  
**A Component Unit of the School District of Polk County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

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

**REPORTING ENTITY**

**Montessori Middle School, Inc.** (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 June 26, 2009. The governing body of the School is a Board of Directors comprised of not less than three or more than seven 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 School District 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, 2010 for a four-year term and was extended on March 11, 2014 for eleven years through the school year ending June 30, 2025. During the term of the charter, the District may terminate the charter if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds revert back to the District.

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.

**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 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.

**MONTESSORI MIDDLE SCHOOL, INC.**  
**A Component Unit of the School District of Polk County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

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**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. There are no other governmental funds. 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 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 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.

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.

**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.

**MONTESSORI MIDDLE SCHOOL, INC.**  
**A Component Unit of the School District of Polk County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

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

**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 4 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.

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

	<u>Years</u>
Furniture and equipment	3-5

**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.

**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 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 endings before June 30, 2011.

**MONTESSORI MIDDLE SCHOOL, INC.**  
**A Component Unit of the School District of Polk County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

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

**REVENUE SOURCES** - Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and 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 3% 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.

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, 2014, the School had no unspent capital outlay funds.

**EQUITY CLASSIFICATIONS -**

**Government-wide Statements** - Net position is classified into the following three categories:

- a) Net investment 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 net position with constraints placed on its 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 position - Consists of the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources 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 are available for use, it is the School's policy to use restricted net position first, then unrestricted net position as they are needed..

**MONTESSORI MIDDLE SCHOOL, INC.**  
**A Component Unit of the School District of Polk County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

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

**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 Board of Directors or by an official or body which the Board of Directors have delegated the authority.
- e) Unassigned - includes residual positive fund balance which has not been classified within the other above mentioned categories.

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

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

**MONTESSORI MIDDLE SCHOOL, INC.**  
**A Component Unit of the School District of Polk County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**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 for the general fund differs from the basis used for financial reporting purposes in that it does not include field trip and miscellaneous fundraising revenue and the related expenditures.

**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	\$ 168,091
Total cash and cash equivalents	<u>\$ 168,091</u>

**NOTE 4 - CAPITAL ASSETS**

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

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<b><u>Governmental Activities:</u></b>				
<b>Capital assets being depreciated:</b>				
Furniture and equipment	\$ 89,254	\$ -	\$ -	\$ 89,254
Total	<u>89,254</u>	<u>-</u>	<u>-</u>	<u>89,254</u>
Less accumulated depreciation for:				
Furniture and equipment	(51,836)	(13,686)	-	(65,522)
Total accumulated depreciation	<u>(51,836)</u>	<u>(13,686)</u>	<u>-</u>	<u>(65,522)</u>
Depreciable capital assets, net	<u>\$ 37,418</u>	<u>\$ (13,686)</u>	<u>\$ -</u>	<u>\$ 23,732</u>



**MONTESSORI MIDDLE SCHOOL, INC.**  
**A Component Unit of the School District of Polk County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE 4 - CAPITAL ASSETS** (cont...)

Depreciation expense was charged to the following programs and functions:

Governmental Activities:

Instruction	\$ 13,686
Total depreciation expense - governmental activities	<u>\$ 13,686</u>

**NOTE 5 - LONG-TERM OBLIGATIONS**

The following is a summary of changes in long-term obligations for the year ended June 30, 2014:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Amounts Due within One Year
<u>Governmental Activities</u>					
<b>Other liabilities:</b>					
Compensated absences	8,068	-	(7,288)	780	-
Total other liabilities	8,068	-	(7,288)	780	-
Total long-term liabilities	<u>\$ 8,068</u>	<u>\$ -</u>	<u>\$ (7,288)</u>	<u>780</u>	<u>\$ -</u>
Less amount due in one year				-	
Net long-term liabilities due after one year				<u>\$ 780</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, 2014 nor during the previous two fiscal years. 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, 2014, management was not aware of any legal actions or proceedings pending against the school.

**MONTESSORI MIDDLE SCHOOL, INC.**  
**A Component Unit of the School District of Polk County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

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**NOTE 7 - RELATED PARTY**

The School is related to Lakeland Montessori Schoolhouse, Inc. ("LMS"), a charter school and component unit of the District, through common board members. During the 2013-2014 school year, the School paid LMS \$19,915 pursuant to a cost sharing arrangement for administrative services provided by the LMS's Director of Finance and Strategic Planning.

As of June 30, 2014, the School owed LMS \$4,084 representing the School's share of joint training costs that were paid by LMS. This amount is reported as a component of amounts due to other governments on the statement of net position and balance sheet on pages 3 and 5 respectively.

**NOTE 8 - 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, to 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 of the District upon the non-renewal or termination of the charter agreement.

The School recorded a provision for future retirement contributions totaling \$10,002 that were earned during the fiscal year ended June 30, 2014. This provision equals 6.95% of the compensation of all non-substitute staff members who are over 21 years of age and who have completed one year service. A staff member is deemed to have completed one year of service after they have worked one thousand hours. Effective July 1, 2014, all of the School's staff became leased employees of LMS who has adopted an Internal Revenue Code Section 403(b) defined contribution pension plan (the "Plan"). This provision for future retirement contributions will be paid to the Plan upon each staff member completing three years of service with LMS. All costs associated with School staff will be reimbursed to LMS under a cost sharing arrangement.

**NOTE 9 - FACILITY LEASE**

Effective February 27, 2013, the School entered into an annual operating lease for administrative and classroom space. Facility rental expense related to the facility lease for the fiscal year ended June 30, 2014 totaled \$55,108. As of April 2014, the agreement was extended for an additional year through June 30, 2015. Based upon the extended agreement, the annual fee for the 2014-2015 school year is \$56,760. The agreement may be terminated by either party in the event of a breach of the agreement that cannot be reasonably cured within fifteen days after written notice of said breach.

**MONTESSORI MIDDLE SCHOOL, INC.**  
**A Component Unit of the School District of Polk County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

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**NOTE 10 - CONCENTRATION OF REVENUE SOURCES**

The School's principal source of revenues is from the State of Florida passed through the District, which provided approximately 91% of total revenue for the year ended June 30, 2014. The following is a schedule of revenue sources and amounts for the year ended June 30, 2014.

<u>Sources</u>	<u>Amount</u>
School District of Polk County, Florida	
Base funding	\$ 259,678
Discretionary millage	11,535
Discretionary tax equalization allocation	11,031
Teacher salary increase allocation	10,088
Instructional materials allocation	4,655
Student transportation	11,190
Class size reduction	55,615
Capital outlay funding	27,898
School recognition	5,400
Teacher lead program	520
Federal grant revenue	<u>4,406</u>
Total revenue through the School District of Polk County, Florida	402,016
Other revenue:	
Contributions and other local sources	<u>40,812</u>
Total revenue	<u><u>\$ 442,828</u></u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**MONTESSORI MIDDLE SCHOOL, INC.**  
**BUDGETARY COMPARISON SCHEDULE (Unaudited)**  
for the year ended June 30, 2014

	<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>				
State passed through local school district	\$ 357,119	\$ 395,500	\$ 397,610	\$ 2,110
Federal passed through local school district	-	4,100	4,406	306
Other	3,990	40,050	40,812	762
Total revenues	<u>361,109</u>	<u>439,650</u>	<u>442,828</u>	<u>3,178</u>
<b>CHARGES TO APPROPRIATIONS (outflows):</b>				
Instruction	174,246	203,650	195,454	8,196
Instructional support services	21,310	7,700	6,832	868
Board	2,519	1,750	1,610	140
School administration	68,810	71,650	64,516	7,134
Central services	26,170	19,000	18,190	810
Pupil transportation services	-	11,000	10,229	771
Fiscal services	5,350	6,000	5,350	650
Operation of plant	60,610	61,500	60,307	1,193
Total expenditures	<u>359,015</u>	<u>382,250</u>	<u>362,488</u>	<u>19,762</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>2,094</u>	<u>57,400</u>	<u>\$ 80,340</u>	<u>\$ 22,940</u>
Budgeted excess inflows	<u>(2,094)</u>	<u>(57,400)</u>		
<b>NET CHANGE IN FUND BALANCE:</b>	<u>\$ -</u>	<u>\$ -</u>		

**Explanation of Differences between Budgetary Inflows and Outflows and GAAP  
Revenues and Expenditures:**

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 362,488
Differences - budget to GAAP:	
To adjust outflows for budgeted allowance for depreciation	(13,686)
Unbudgeted change in compensated absences liability	<u>7,288</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance	<u>\$ 356,090</u>

See Auditor's Report

## **OTHER REPORTS**

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

To the Board of Directors  
Montessori Middle School, 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 Montessori Middle School, 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, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 22, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 the School'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. 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*.

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

**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.  
Auburndale, Florida  
September 22, 2014



## MANAGEMENT LETTER

To the Board of Directors  
Montessori Middle School, Inc.

### Report on the Financial Statements

We have audited the financial statements of Montessori Middle School, Inc., (the "School"), a charter school and component unit of the School District of Polk County, Florida, as of and for the fiscal year ended June 30, 2014, and have issued our report thereon dated September 22, 2014.

### Auditor's Responsibility

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

### Other Reporting Required by Government Auditing Standards

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standard*. Disclosures in this report, which is dated September 22, 2014, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There are no prior audit findings.

### Financial Condition

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require that we apply appropriate procedures to determine whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, require that we apply financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

### Transparency

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

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MANAGEMENT LETTER

(cont...)

**Other Matters**

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

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

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is Montessori Middle School, Inc.

**Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, the School District of Polk County, Florida and applicable management 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.  
Auburndale, Florida  
September 22, 2014