

**CYPRESS JUNCTION MONTESSORI, INC.**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2018**

**CYPRESS JUNCTION MONTESSORI, INC.  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Cypress Junction Montessori, Inc.  
Winter Haven, Florida

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Cypress Junction Montessori, Inc. (the School), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, each major fund and the aggregate remaining fund information of the School as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2018 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

**CliftonLarsonAllen LLP**



Tampa, Florida  
September 13, 2018

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CYPRESS JUNCTION MONTESSORI, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

The following Management's Discussion and Analysis (MD&A) of Cypress Junction Montessori, Inc. (the School) presents a narrative overview and an analysis of the financial activities of the School as of and for the year ended June 30, 2018.

**Financial Highlights**

- The assets of the School exceeded its liabilities at June 30, 2018 by \$160,023 (net position). The unrestricted portion of \$40,311 may be used to meet the School's ongoing obligations to its students.
- As of June 30, 2018, the School's general fund reported an ending fund balance of \$2,888. The School's grant fund reported an ending fund balance of \$49,516.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. These basic statements consist of three sections: government-wide financial statements, fund financial statements, and notes to the financial statements.

**Government-Wide Financial Statements**

The government-wide financial statements provide both long-term and short-term information about the School's overall financial status. These statements use a format similar to a private sector business. They include a statement of net position and a statement of activities.

The statement of net position presents information on the School's assets and liabilities. Net position, the difference between these assets and liabilities, are a useful way to measure the School's financial health.

The statement of activities presents information showing how the School's net position changed during the fiscal year. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

**Fund Financial Statements**

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other public charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School uses a grant fund to account for all inflows and outflows associated with the Charter School Program (CSP) grant awarded by the Florida Department of Education. The School's general fund accounts for all other activities of the School.

**CYPRESS JUNCTION MONTESSORI, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

**Overview of the Financial Statements (Continued)**

**Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, this set of financial statements focuses on events that produce near-term inflows and outflows of spendable resources as well as on the balances of spendable resources available at the end of the fiscal year and is a narrower focus than the government-wide financial statements.

By comparing functions between the two sets of statements for governmental funds and governmental activities, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison.

The School adopts an annual appropriated budget. Budgetary comparison schedules and notes have been provided to demonstrate compliance with these budgets.

**Fiduciary Funds**

The fiduciary fund financial statements are not presented as part of the government-wide financial statements because the resources of these funds are not available to support the School's operations. These agency funds (School internal funds) represent trust responsibilities of the School; however, these assets are restricted as to purpose and do not represent discretionary assets of the School.

**Notes to Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 16 through 21 of this report.

**Government-Wide Financial Analysis**

As noted earlier, changes in net position over time can be a useful indicator of a government's financial position. For the year ended June 30, 2018, the assets of the School exceeded liabilities by \$160,023.

**CYPRESS JUNCTION MONTESSORI, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

**Government-Wide Financial Analysis (Continued)**

Following is a summary of the School's net position as of June 30, 2018 and 2017:

	2018	2017
<b>ASSETS</b>		
Cash	\$ 121,150	\$ 67,256
Grant Receivable	1,840	19,153
Deposits	7,953	11,007
Prepaid Expenses	-	5,383
Capital Assets, Net	157,633	18,229
Total Assets	288,576	121,028
<b>LIABILITIES</b>		
Accounts Payable	16,246	15,465
Accrued Wages and Benefits	62,193	29,301
Unearned Revenue	-	1,340
Due to Agency Fund	100	2,259
Loan Payable	50,014	18,188
Total Liabilities	128,553	66,553
<b>NET POSITION</b>		
Net Investment in Capital Assets	107,619	18,229
Restricted	12,093	10,262
Unrestricted	40,311	25,984
Total Net Position	\$ 160,023	\$ 54,475

Governmental activities increased the School's net position by \$105,548 during the year ended June 30, 2018.

**CYPRESS JUNCTION MONTESSORI, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

**Government-Wide Financial Analysis (Continued)**

Following is a summary of the School's statement of activities for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
<b>REVENUES</b>		
Program Revenues:		
Charter School Program (CSP) Grant	\$ 302,754	\$ 185,900
Individuals with Disabilities Education Act (IDEA)	6,805	-
VPK Program	41,922	-
School Recognition and Teacher Excellence	21,195	-
Contributions and Donations	22,536	67,574
Tuition and Fees	96,359	131,038
Other Revenues	2,088	1,584
General Revenues:		
Florida Education Finance Program	1,010,804	882,358
Total Revenues	<u>1,504,463</u>	<u>1,268,454</u>
<b>EXPENSES</b>		
Instruction	743,648	588,479
Exceptional Education Services	7,510	9,303
Pre-Kindergarten	89,387	52,651
Instructional Staff Training	45,186	52,195
Instructional Technology	165	13,830
Board	22,106	8,779
General Administration	934	12,506
School Administration	244,123	231,342
Fiscal Services	13,819	10,078
Food Services	24,063	19,288
Pupil Transportation Services	12,184	7,638
Operation of Plant	194,078	204,516
Community Services	-	3,978
Interest on Loan Payable	1,712	2,549
Total Expenses	<u>1,398,915</u>	<u>1,217,132</u>
<b>INCREASE IN NET POSITION</b>	105,548	51,322
Net Position - Beginning of Year	<u>54,475</u>	<u>3,153</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 160,023</u>	<u>\$ 54,475</u>

**CYPRESS JUNCTION MONTESSORI, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

**Government-Wide Financial Analysis (Continued)**

The major source of revenue for the School is the funding from the Florida Education Finance Program. For the year ended June 30, 2018, (FEFP) revenue of \$1,010,804 represented 67% of the total revenue of \$1,504,463. For the year ended June 30, 2017, FEFP revenues of \$882,358 represented 70% of the total revenue of \$1,268,454.

Grant revenue from the Florida Department of Education under the Charter School Program (CSP) for the years ended June 30, 2018 and 2017, was \$302,754 and \$185,900, respectively. These grant proceeds were to fund the operations of the School and were only to be used for programs that are part of the public charter, thus excluding the School's pre-kindergarten program. Thus, the pre-kindergarten program is funded by tuition. For the years ended June 30, 2018 and 2017, pre-kindergarten tuition revenue is \$53,357 and \$73,113, respectively. Additionally, during the current fiscal year, the School was awarded funds through Polk County's Early Learning Coalition (ELC) for VPK. VPK Program revenue totaled \$41,922 for the year ended June 30, 2018. This additional revenue from the ELC offsets the earlier mentioned decrease in tuition revenue.

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

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. Governmental funds provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the School's financing requirements.

The School reports two governmental funds, the general fund and special revenue grant fund. Fund balance in the general fund decreased by \$23,094 for the year ended June 30, 2018, from \$25,982 in the prior year to \$2,888 in the current year. The decrease in the general fund is caused primarily by an increase in capital outlay expenditures. Fund balance in the grant fund increased by \$21,064 for the year ended June 30, 2018, from \$28,452 to \$49,516 in the current year. The increase in the special revenue fund is caused primarily by the proceeds from loan issuance to purchase playground equipment.

**Capital Assets and Debt Administration**

The School's balance of capital assets as of June 30, 2018, is \$167,690, less accumulated depreciation totaling \$10,057. Capital assets includes furniture, fixtures, and equipment for \$69,040, which is comprised of a copy machine, musical instrument sets, various pieces of office furniture and filing cabinets, and a P.A. system. The balance also includes leasehold improvements for \$20,200, which includes glass doors, alarm and access control systems, fencing, and asphalt paving around the School's perimeter. Additionally, there is \$78,450 in construction in progress pertaining to building an outdoor playground.

The School entered into a loan agreement with a financial institution during fiscal year 2016. The promissory note evidenced a revolving line of credit, and \$80,000 of proceeds were drawn in total. There is no outstanding loan balance as of June 30, 2018. The purpose of the loan was to fund initial start-up activities of the School prior to receiving FEFP revenues (once the school year began) and CSP grant funding (on a reimbursement basis).

**CYPRESS JUNCTION MONTESSORI, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

**Capital Assets and Debt Administration (Continued)**

During fiscal year 2018, the School entered into another loan agreement with a financial institution. The promissory note evidenced a revolving line of credit, and \$50,014 of proceeds were drawn in total. The outstanding line of credit balance as of June 30, 2018 is \$50,014. The purpose of the loan was to fund the purchase of playground equipment prior to receipt of grant funding for this same purpose. The grant funding is disbursed on a reimbursement basis.

**Economic Factors and Next Year's Budget**

Unlike a taxing authority, the School must consider factors specific to the operation of the schools in establishing next year's budget. The economic position of the School is closely tied to the state of Florida, as the primary sources of revenues (FEFP and grant funding) are derived from the State. The School's enrollment figures for the fiscal year 2018 and 2017 were approximately 156 and 136 full-time equivalent (FTE) students from kindergarten through eighth grade, respectively. Enrollment numbers are expected to continue to increase to 198 students in 2019. For fiscal year 2019, the school was eligible and applied for Charter School Capital Outlay funds, and distributions from the Department of Education will be approximately \$79,000 annually paid in monthly installments.

There is a negative unassigned fund balance of \$17,158. This should be eliminated during fiscal year 2019 with the receipt of grant funds to reimburse the school for construction of an outdoor playground, as well as the Public Education Capital Outlay (PECO) funding noted above.

**Requests for Information**

This financial report is designed to provide a general overview of the financial statements of Cypress Junction Montessori, Inc. 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 financial information should be addressed as follows:

Karen Winningham  
Executive Director

[kwinningham@cypressjunction.org](mailto:kwinningham@cypressjunction.org)

## **BASIC FINANCIAL STATEMENTS**

**CYPRESS JUNCTION MONTESSORI, INC.  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

	Governmental Activities
<b>ASSETS</b>	
Cash	\$ 121,150
Grant Receivable	1,840
Deposits	7,953
Prepaid Expenses	-
Capital Assets, Net	157,633
Total Assets	288,576
<b>LIABILITIES</b>	
Accounts Payable	16,246
Accrued Wages and Benefits	62,193
Unearned Revenue	-
Due to Agency Fund	100
Loan Payable	50,014
Total Liabilities	128,553
<b>NET POSITION</b>	
Net Investment in Capital Assets	107,619
Restricted	12,093
Unrestricted	40,311
Total Net Position	\$ 160,023

See accompanying Notes to Basic Financial Statements.

**CYPRESS JUNCTION MONTESSORI, INC.  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenue (Expense) and Change in Net Position
Governmental Activities:					
Instruction	\$ 743,648	\$ 9,857	\$ 188,863	\$ 112,019	\$ (432,909)
Exceptional Education Services	7,510	-	-	-	(7,510)
Pre-Kindergarten	89,387	53,357	41,922	-	5,892
Instructional Staff Training	45,186	-	33,303	-	(11,883)
Instructional Technology	165	-	-	-	(165)
Board	22,106	-	12,110	-	(9,996)
General Administration	934	-	-	-	(934)
School Administration	244,123	5,227	9,083	-	(229,813)
Fiscal Services	13,819	-	-	-	(13,819)
Food Services	24,063	24,531	-	-	468
Pupil Transportation Services	12,184	-	-	-	(12,184)
Operation of Plant	194,078	-	-	-	(194,078)
Community Services	-	3,387	-	-	3,387
Interest on Loan Payable	1,712	-	-	-	(1,712)
Total Governmental Activities	\$ 1,398,915	\$ 96,359	\$ 285,281	\$ 112,019	(905,256)
General Revenues:					
State through Local Sources					1,010,804
<b>CHANGE IN NET POSITION</b>					105,548
Net Position - Beginning of Year					54,475
<b>NET POSITION - END OF YEAR</b>					\$ 160,023

See accompanying Notes to Basic Financial Statements.

**CYPRESS JUNCTION MONTESSORI, INC.  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	<u>General Fund</u>	<u>Grant Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 70,946	\$ 50,204	\$ 121,150
Grant Receivable	1,840	-	1,840
Due from General Fund	-	261	261
Deposits	7,953	-	7,953
	<u>7,953</u>	<u>-</u>	<u>7,953</u>
Total Assets	<u>\$ 80,739</u>	<u>\$ 50,465</u>	<u>\$ 131,204</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 15,397	\$ 849	\$ 16,246
Accrued Wages and Benefits	62,193	-	62,193
Due to Grant Fund	261	-	261
Due to Agency Fund	-	100	100
	<u>-</u>	<u>100</u>	<u>100</u>
Total Liabilities	77,851	949	78,800
<b>FUND BALANCES</b>			
Nonspendable	7,953	-	7,953
Restricted	12,093	-	12,093
Assigned	-	49,516	49,516
Unassigned	(17,158)	-	(17,158)
	<u>2,888</u>	<u>49,516</u>	<u>52,404</u>
Total Fund Balances	<u>2,888</u>	<u>49,516</u>	<u>52,404</u>
Total Liabilities and Fund Balances	<u>\$ 80,739</u>	<u>\$ 50,465</u>	<u>\$ 131,204</u>

See accompanying Notes to Basic Financial Statements.

**CYPRESS JUNCTION MONTESSORI, INC.**  
**RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

Total fund balance for governmental funds	\$ 52,404
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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 financial resources and, therefore, are not reported in the governmental funds.	157,633
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Long-term liabilities, including loans payable, are not due and payable in the current period and, therefore, are not reported in the fund statements.	<u>(50,014)</u>
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Total Net Position of Governmental Activities	<u><u>\$ 160,023</u></u>
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*See accompanying Notes to Basic Financial Statements.*

**CYPRESS JUNCTION MONTESSORI, INC.  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018**

	<u>General Fund</u>	<u>Grant Fund</u>	<u>Total</u>
<b>REVENUES</b>			
State Sources:			
Charter School Program (CSP) Grant	\$ -	\$ 302,754	\$ 302,754
State through Local Sources:			
Florida Education Finance Program	1,010,804	-	1,010,804
VPK Program	41,922	-	41,922
School Recognition and Teacher Excellence	21,195	-	21,195
Local Sources:			
Contributions and Donations	22,536	-	22,536
Tuition and Fees	96,359	-	96,359
Other Revenues	2,088	-	2,088
State through Federal Sources:			
Individuals with Disabilities Education Act (IDEA)	6,805	-	6,805
Total Revenues	<u>1,201,709</u>	<u>302,754</u>	<u>1,504,463</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	597,313	140,664	737,977
Exceptional Education Services	7,510	-	7,510
Pre-Kindergarten	89,387	-	89,387
Instructional Staff Training	11,771	33,415	45,186
Instructional Technology	165	-	165
Board	10,455	11,651	22,106
General Administration	934	-	934
School Administration	234,454	8,250	242,704
Fiscal Services	13,819	-	13,819
Food Services	24,063	-	24,063
Pupil Transportation Services	12,184	-	12,184
Operation of Plant	194,078	-	194,078
Capital Outlay	26,958	119,536	146,494
Debt Service:			
Principal	-	18,188	18,188
Interest	1,712	-	1,712
Total Expenditures	<u>1,224,803</u>	<u>331,704</u>	<u>1,556,507</u>
<b>OTHER FINANCING SOURCES</b>			
Proceeds from Loan Issuance	<u>-</u>	<u>50,014</u>	<u>50,014</u>
<b>NET CHANGE IN FUND BALANCE</b>	(23,094)	21,064	(2,030)
Fund Balance - Beginning of the Year	<u>25,982</u>	<u>28,452</u>	<u>54,434</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 2,888</u>	<u>\$ 49,516</u>	<u>\$ 52,404</u>

See accompanying Notes to Basic Financial Statements.

**CYPRESS JUNCTION MONTESSORI, INC.  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

Net Change in Fund Balance - Governmental Funds	\$	(2,030)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period. This difference is comprised of:</p>		
Capital Outlay	146,494	
Depreciation Expense	<u>(7,090)</u>	139,404
<p>Debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments.</p>		
Proceeds from Loan Issuance	(50,014)	
Principal Payments on Loan Outstanding	<u>18,188</u>	<u>(31,826)</u>
Change in Net Position of Governmental Activities	\$	<u><u>105,548</u></u>

See accompanying Notes to Basic Financial Statements.

**CYPRESS JUNCTION MONTESSORI, INC.  
STATEMENT OF FIDUCIARY NET POSITION  
SCHOOL INTERNAL FUNDS  
JUNE 30, 2018**

**ASSETS**

Cash	\$ 2,826
Due from Other Funds	<u>100</u>
Total Assets	<u><u>\$ 2,926</u></u>

**LIABILITIES**

Due to Others	<u>\$ 2,926</u>
Total Liabilities	<u><u>\$ 2,926</u></u>

*See accompanying Notes to Basic Financial Statements.*

**NOTES TO BASIC FINANCIAL STATEMENTS**

**CYPRESS JUNCTION MONTESSORI, INC.  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1 ORGANIZATION AND REPORTING ENTITY**

Cypress Junction Montessori, Inc. (the School) is a public charter school located in Winter Haven, Florida, and follows the Montessori Method. The School is sponsored by its charterholder, Cypress Junction Montessori, Inc., a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code, whose purpose is exclusively educational and charitable and is to secure and distribute contributions from individuals, corporations, and foundations for the benefit of the students of the School. The governing body of the School is the board of directors, which is comprised of seven members.

The general operating authority of the School is contained within 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 School Board).

Montessori is a method of education that is based on self-directed activity, hands-on learning, and collaborative play. In Montessori classrooms children make creative choices in their learning, while the classroom and the teacher offer age-appropriate activities to guide the process.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States of America. The more significant of the government's accounting policies are described below.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements include the statement of net position and a statement of activities.

The government-wide statements are prepared using the *economic resources measurement focus* and the accrual basis of accounting. This differs from the way governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**CYPRESS JUNCTION MONTESSORI, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Government-Wide and Fund Financial Statements (Continued)**

The accounts of the School are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Generally, revenues are considered available when they are collected within the current period or within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as capital outlay expenditures in the fund that acquired the asset.

The School funds its programs by a combination of public charter school revenues derived from the state of Florida, local contributions, pre-kindergarten tuition and other student fees, and other revenues.

The School reports the following major governmental funds:

General Fund – This fund is used to account for the accumulation and expenditure of resources used for general purpose of the School and does not require the establishment of any other type of fund.

Grant Fund – This special revenue fund is used to account for all activities relating to the Charter School Program (CSP) grant from the Florida Department of Education.

Additionally, the School reports the following fiduciary fund type:

Agency Funds – These funds are used to account for resources of the school internal funds, which are used to administer monies collected in connection with school, student athletic, class, and club activities.

**Deposits and Investments**

Cash includes amounts on hand and in demand deposit accounts. The School does not have a written investment policy. Rather, it has adopted the guidelines for the investment of public funds in excess of amounts needed to meet current operating expenses, in accordance with Section 218.415, Florida Statutes. As of June 30, 2018, the School had no investments.

**Capital Assets**

Capital assets are reported in governmental activities in the government-wide financial statements. Capital assets are recorded at their historical cost if purchased. Donated capital assets are recorded at acquisition value at the date of donation. Minimum capitalization costs are \$1,000 for all items with a useful life of greater than one year.

**CYPRESS JUNCTION MONTESSORI, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets (Continued)**

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

The School's capital assets are depreciated using the straight-line method over five to seven years for its furniture and equipment and leasehold improvements.

**Interfund Receivables and Payables**

Amounts owed to and from the School's governmental funds and agency funds may arise as a result of the transfer of monies between bank accounts for expenditures incurred and posted to different funds. As of June 30, 2018, the grant fund owed the school internal funds \$100. As of June 30, 2018, the general fund owed the grant fund \$261.

**Compensated Absences**

Employees have ten total paid days of annual leave. If more days of leave are used than have been accrued during the term of the contract, the employee's next paycheck shall be deducted for each missed day as personal leave without pay. Any unused vacation days shall be subject to a buy-back, and the rate will be the per diem percentage of the employee's salary. This amount shall be paid along with employee earnings on the last pay period of the School's fiscal year. Thus, there is no long-term liability recognized for compensated absences since any accrued, unused time is paid to employees as part of regular payroll remittances on the last pay period at year-end.

**Fund Balance and Spending Policy**

Governmental fund equity is classified as fund balance. Fund balance is segregated into two distinct types, nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are either (a) not in spendable form or; (b) legally contractually required to be maintained intact. Nonspendable fund balance in the general fund totaled \$7,953 at June 30, 2018, which consisted of the school building's rental safety deposit and water and sewer deposit with the city of Winter Haven.

Spendable fund balances are further segregated into four separate categories, based on a hierarchy of spending constraints.

- **Restricted** – Amounts that can be spent only for the specific purposes stipulated by: external resource providers (i.e., granting agencies such as Department of Education) or imposed by law through constitutional provisions or enabling legislation. There was \$12,093 of restricted fund balance in the general fund as of June 30, 2018,

**CYPRESS JUNCTION MONTESSORI, INC.  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balance and Spending Policy (Continued)**

- Committed – Amounts that can be used only for the specific purposes determined by a formal action of the board of directors, the School's highest level of decision-making authority. Commitments may be changed or lifted only by the School's governing board taking the same formal action that imposed the constraint originally. There was no committed fund balance reported by the School.
- Assigned – Amounts that include spendable fund balance amounts established by the School that are intended to be used for a specific purpose that are neither considered restricted or committed. As of June 30, 2018, there was \$49,516 of assigned fund balance in the grant fund, related to the Charter School Program Grant.
- Unassigned – This classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The School's deficit fund balance in the general fund classified as unassigned was (\$17,158) as of June 30, 2018.

Although the School does not have a formal spending prioritization policy, it is assumed that in instances when expenditures are incurred for purposes for which amounts in either restricted or unrestricted fund balance classifications could be used, restricted fund balance would be spent first. Remaining unrestricted fund balance would be spent as follows: committed amounts would be reduced first, followed by assigned amounts, and then unassigned.

**Net Position**

Net position represents the difference between assets and liabilities in the government-wide financial statements. Net invested in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted in the government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

**Use of Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CYPRESS JUNCTION MONTESSORI, INC.  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 3 CASH**

Custodial credit risk is defined as the risk that, in the event of bank failure, the School's deposits may not be returned. All cash deposits are in financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Any amount above this amount is collateralized pursuant to Chapter 280, Florida Statutes, which obligates all participating institutions to reimburse the governmental entity for the loss, in the event of default by a participating financial institution (a qualified public depository).

At June 30, 2018, the book balance of the School's deposits was \$121,150 relating to the governmental funds and \$2,826 relating to the agency funds, and the bank balance was \$127,339. The difference between book and bank balances is due to outstanding checks.

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018 consisted of the acquisition of furniture and equipment (comprised of conference tables, a filing cabinet, a partition, tall pantry cabinets, and a P.A. system), leasehold improvements (comprised of fencing), and construction in progress (comprised of the installation of an outdoor playground).

Depreciation totaling \$7,090 for the year ended June 30, 2018 was allocated to governmental activities, between Instruction (\$5,671) and School Administration (\$1,419).

The following summarizes capital asset activity for the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital Assets - Nondepreciable:				
Construction in Progress	\$ -	\$ 78,450	\$ -	\$ 78,450
Capital Assets - Depreciable:				
Furniture, Fixtures, and Equipment	8,606	60,434	-	69,040
Leasehold Improvements	12,590	7,610	-	20,200
Less: Accumulated Depreciation	2,967	7,090	-	10,057
Total Capital Assets being Depreciated, Net	<u>18,229</u>	<u>60,954</u>	<u>-</u>	<u>79,183</u>
Total Capital Assets, Net	<u>\$ 18,229</u>	<u>\$ 139,404</u>	<u>\$ -</u>	<u>\$ 157,633</u>

**NOTE 5 CONTINGENCIES**

The School is subject to financial and compliance audits by the granting agency (Florida Department of Education) to determine compliance with grant funding requirements. In the event the expenditure would be disallowed, repayment could be required. Government grants require the fulfillment of certain conditions as set forth by applicable laws, rules, and regulations and in the grant agreements. Failure to fulfill the conditions could result in the return of funds to the grantor.

**CYPRESS JUNCTION MONTESSORI, INC.  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 6 COMMITMENTS**

In February 2016, the School entered into a five-year building lease agreement commencing on July 1, 2016 to conduct school operations. At expiration of the term, the lease can be renewed for one additional 10-year term by providing at least 90-days' notice in writing before the expiration of the initial lease term. The School's annual rent is \$140,000 for the initial five-year lease term. Said annual rent is prorated into monthly payments paid in advance, with the first monthly payment due on the first day of the commencement of the lease.

**NOTE 7 LONG-TERM DEBT**

The School entered into a loan agreement with a financial institution during fiscal year 2016. The promissory note evidenced a revolving line of credit, and total proceeds drawn from the loan were \$80,000. The purpose of the loan was to fund initial start-up activities of the School prior to receiving FEFP revenues (once the school year began) and CSP grant funding (on a reimbursement basis). There is no outstanding loan balance as of June 30, 2018. The School made the final payment in January 2018.

During fiscal year 2018, the School entered into another loan agreement with a financial institution. The promissory note evidenced a revolving line of credit, and total proceeds drawn from the loan were \$50,014. The purpose of the loan was to fund the purchase of playground equipment prior to receipt of grant funding for this same purpose. The grant funding is disbursed on a reimbursement basis. The outstanding loan balance as of June 30, 2018 is \$50,014. There were no principal and interest payments made during the current year, and the interest rate is 6%. The School plans to pay this note entirely in the next fiscal year, using grant proceeds.

The following represents the schedule of changes in the School's long-term liabilities for the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Long-Term Liabilities:				
Loan Payable	\$ 18,188	\$ 50,014	\$ 18,188	\$ 50,014

**NOTE 8 RISK MANAGEMENT**

The School is exposed to various risks of loss related to torts, thefts of assets, errors and omissions, and natural disasters. The School is insured for various risks of loss, namely personal bodily injury coverage for students and other visitors within its campus facilities. There is no significant reduction in coverage from the prior year. No potential insurance settlements have exceeded the School's insurance coverage since inception of the School.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CYPRESS JUNCTION MONTESSORI, INC.  
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
State through Local Sources:				
Florida Education Finance Program	\$ 975,000	\$ 1,010,804	\$ 1,010,804	\$ -
VPK Program	-	41,920	41,922	2
School Recognition and Teacher Excellence	-	21,195	21,195	-
Local Sources:				
Contributions and Donations	-	22,530	22,536	6
Tuition and Fees	175,781	96,350	96,359	9
Other Revenues	2,000	2,085	2,088	3
State through Federal Sources:				
Individuals with Disabilities Education Act (IDEA)	-	6,805	6,805	-
Total Revenues	<u>1,152,781</u>	<u>1,201,689</u>	<u>1,201,709</u>	<u>20</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	556,401	600,637	597,313	3,324
Exceptional Education Services	12,000	7,510	7,510	-
Pre-Kindergarten	69,700	89,390	89,387	3
Instructional Staff Training	14,000	11,771	11,771	-
Instructional Technology	2,000	165	165	-
Board	7,000	10,455	10,455	-
General Administration	2,000	935	934	1
School Administration	220,845	235,286	234,454	832
Fiscal Services	24,000	13,820	13,819	1
Food Services	25,000	24,065	24,063	2
Pupil Transportation Services	11,000	12,185	12,184	1
Operation of Plant	208,800	194,079	194,078	1
Capital Outlay	-	-	26,958	(26,958)
Debt Service:				
Interest and Other Fiscal Charges	-	1,712	1,712	-
Total Expenditures	<u>1,152,746</u>	<u>1,202,010</u>	<u>1,224,803</u>	<u>(22,793)</u>
<b>OTHER FINANCING SOURCES</b>				
Appropriated Fund Balance	-	5,104	-	5,104
<b>NET CHANGE IN FUND BALANCE</b>	35	4,783	(23,094)	
Fund Balance - Beginning of Year			<u>25,982</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u><u>\$ 2,888</u></u>	

See accompanying Notes to Budgetary Comparison Schedules.

**CYPRESS JUNCTION MONTESSORI, INC.  
BUDGETARY COMPARISON SCHEDULE – GRANT FUND  
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
State Sources:				
Charter School Program (CSP) Grant	\$ 251,942	\$ 339,100	\$ 302,754	\$ (36,346)
Total Revenues	251,942	339,100	302,754	(36,346)
<b>EXPENDITURES</b>				
Current:				
Instruction	124,843	195,161	140,664	54,497
Instructional Staff Training	74,652	26,610	33,415	(6,805)
Instructional Technology	12,365	32,285	-	32,285
Board	20,510	11,004	11,651	(647)
School Administration	19,572	74,040	8,250	65,790
Capital Outlay	-	-	119,536	(119,536)
Debt Service:				
Principal	-	-	18,188	(18,188)
Total Expenditures	251,942	339,100	331,704	7,396
<b>OTHER FINANCING SOURCES</b>				
Proceeds from Loan Issuance	-	-	50,014	(50,014)
<b>NET CHANGE IN FUND BALANCE</b>				
	-	-	21,064	
Fund Balance - Beginning of the Year			28,452	
<b>FUND BALANCE - END OF YEAR</b>			<b>\$ 49,516</b>	

See accompanying Notes to Budgetary Comparison Schedules.

**CYPRESS JUNCTION MONTESSORI, INC.**  
**NOTES TO BUDGETARY COMPARISON SCHEDULES**  
**JUNE 30, 2018**

**NOTE 1 BUDGETARY INFORMATION**

The School follows procedures established by state statutes and State Board of Education rules in establishing budgets as described below:

Budgets are prepared and original budgets are approved by the School's Board Members for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.

**NOTE 2 BUDGETARY BASIS OF ACCOUNTING**

The budgets for the School's governmental funds are prepared on the full accrual basis of accounting. Thus, any activities relating to the acquisition of capital assets and issuance or repayment of long-term debt are not accounted for in the School's operating budgets. Rather, such balances are treated as additions to or deductions from assets and liabilities, respectively.

**NOTE 3 STEWARDSHIP**

The School incurred higher costs during the fiscal year. Higher costs were primarily related to additional capital outlay in the School's second year of operation with students. Thus, expenditures exceeded revenues in the general fund for the year ended June 30, 2018. However, this operating result is not expected to trend in a similar manner in future years, as these operating expenditures identified above are not reoccurring.



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

Board of Directors  
Cypress Junction Montessori, Inc.  
Winter Haven, Florida

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, each major fund, and the remaining fund information of the Cypress Junction Montessori, Inc. (the School) as of and for the year ended June 30, 2018, 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 13, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit, 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 opinion 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified the deficiency in internal control described as 2018-001 that we consider to be a material weakness.

**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*.

**Response to Finding**

The School's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

**CliftonLarsonAllen LLP**



Tampa, Florida  
September 13, 2018

**CYPRESS JUNCTION MONTESSORI, INC.  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2018**

**2018-001: Recording Capital Asset Additions**

***Material Weakness in Internal Control over Financial Reporting***

**Criteria:** The School maintains a tangible personal property inventory control policy that states that capitalized items are defined as anything exceeding \$1,000 in value.

**Condition:** During the fiscal year under audit, the School did not maintain reliable processes and related internal controls surrounding the identification and proper recording of additions to capital assets.

**Cause:** The School expensed purchases that would otherwise be considered capital assets based on its capital asset policy.

**Effect:** Capital assets were initially understated and expenditures were overstated by \$54,791. Correcting adjustments were made based on audit procedures.

**Recommendation:** We recommend that the School establish an additional procedure specifically designed to identify purchases that would meet capitalization policy. Once identified, adjustments should be reflected in the general ledger to appropriately capitalize.

**Management's Response:** Any individual item on an invoice \$1,000 or more and/or appears to be a capital asset will be reviewed by the Executive Director and/or external accountant and appropriately capitalized to the School's fixed asset inventory report.

## MANAGEMENT LETTER

Board of Directors  
Cypress Junction Montessori, Inc.  
Winter Haven, Florida

### Report on the Financial Statements

We have audited the financial statements of the Cypress Junction Montessori, Inc. (the School), as of and for the year ended June 30, 2018, and have issued our report thereon dated September 13, 2018.

### Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.850, Rules of the Auditor General.

### Other Reports and Schedule

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 Standards*. Disclosures in that report, which is dated September 13, 2018, 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. See Appendix A for the current year status of findings and recommendations made in the preceding annual financial audit report.

### Official Title

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 Cypress Junction Montessori, Inc.

### Financial Condition and Management

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify 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.

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

Board of Directors  
Cypress Junction Montessori, Inc.

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

**Transparency**

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

**Additional Matters**

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate 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 warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

**Purpose of this letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the board of directors, applicable management, and the District School Board of Polk County, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

**CliftonLarsonAllen LLP**



Tampa, Florida  
September 13, 2018

**CYPRESS JUNCTION MONTESSORI, INC.  
APPENDIX A – PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
YEAR ENDED JUNE 30, 2018**

Prior Year Findings		Current Year Status		
Finding Reference #	Comment	Cleared	Partially Cleared	Not Cleared
2017-001	School Internal Funds Policy		X (see below)	

**2017-001: School Internal Funds Policy**

**Condition**

The financial transactions of various school organizations are accounted for in a school’s internal funds, which are reported as agency funds in the fiduciary fund financial statements. Under Chapter 8 of the Florida Department of Education Financial and Program Cost Accounting and Reporting for Florida Schools (Red Book 2017), district school boards shall be responsible for the administration and control of internal funds of the district school system. In addition, district school boards should adopt written rules governing the receipt and disbursement of all internal funds and the accounting for property pursuant to Florida Statutes.

**Current Year Status:**

The school updated the Accounting Policies and Procedures to include the procedure relating to internal fund receipts as follows:

“Collections from students for student internal funds, e.g. fieldtrips, yearbooks, are made in the classroom by the teacher. The teacher logs student collections on a report of money collected form. The form is turned into the Administrative Assistant who reconciles the form with the money and issues a receipt to the teacher. The form is maintained in the office with the deposit as support.”

Based on our review of the April 2018 Report of Money Collection form, the form was completed by the administrative assistant rather than the teacher, with no evidence of receipts provided to the teacher.

We recommend the internal fund policy to be updated to reflect the actual practice of collecting monies dedicated for school internal fund activities and preparing the report of money collected forms and respective receipts, with clear delineation of the individual(s) responsible for completing the form, and what receipts, if any, are to be provided.

**Management’s Response:**

The School developed the original policy prior to placing it in practice. Staff quickly adjusted when the policy did not prove to be efficient or preferred. In response, management will adjust the policy to reflect actual procedures for collecting money and preparing the report of student money form.