

MONTESSORI LEARNING CENTER

Regulatory Basis Financial Statements

June 30, 2019

MONTESSORI LEARNING CENTER

Table of Contents

June 30, 2019

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Balance Sheet - Regulatory Basis	3
Statement of Revenues, Expenditures, Other Financing Source and Change in Fund Balance - Regulatory Basis	4
Notes to the Financial Statements	5-6
ADDITIONAL REPORT	
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 <i>Government Auditing Standards</i>	7-8
Schedule of Findings and Response	9

INDEPENDENT AUDITORS' REPORT



Independent Auditors' Report

To the Board of Education
Montessori Learning Center
Northland Pines School District
Eagle River, Wisconsin

Report on the Financial Statements

We have audited the accompanying balance sheet – regulatory basis of Montessori Learning Center (School) as of June 30, 2019, and the related statement of revenues, expenditures, other financing source and change in fund balance – regulatory basis for the year then ended, and the related notes to the financial statements, which collectively comprise the School's regulatory financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of *Wisconsin Statute 118.40(2m)(a)* as prescribed by the Wisconsin Department of Public Instruction and as described in Note 1. Management is also responsible for 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 opinion.

To the Board of Education
Montessori Learning Center

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory financial position of the Montessori Learning Center as of June 30, 2019, and the respective change in financial position for the year then ended in accordance with the financial reporting provisions of *Wisconsin Statute 118.40(2m)(a)* as prescribed by the Wisconsin Department of Public Instruction and as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared by Montessori Learning Center on the basis of the financial reporting provisions of *Wisconsin Statute 118.40(2m)(a)* as prescribed by the Wisconsin Department of Public Instruction, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Restrictions on Use

Our report is intended solely for the information and use of Montessori Learning Center and the Wisconsin Department of Public Instruction and is not intended to be and should not be used by anyone other than these specified parties.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2020 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Montessori Learning Center's internal control over financial reporting and compliance.

KerberRose SC

KerberRose SC
Certified Public Accountants
June 30, 2020

FINANCIAL STATEMENTS

MONTESSORI LEARNING CENTER

Balance Sheet
Regulatory Basis
As of June 30, 2019

ASSETS

Due from General Fund \$ 14,220

LIABILITY AND FUND BALANCE

Liability

Due to Other Government 14,220

Fund Balance

Unassigned -

TOTAL LIABILITY AND FUND BALANCE \$ 14,220

MONTESSORI LEARNING CENTER

Statement of Revenues, Expenditures Other Financing Source and Change in Fund Balance

Regulatory Basis

For the Year Ended June 30, 2019

REVENUES

Federal Sources \$ 142,448

EXPENDITURES

Instruction

Regular Instruction 436,932

Special Instruction 9,225

Physical Instruction 8,563

Total Instruction 454,720

Support Services

Instructional Staff Services 64,965

General Administration Services 2,574

School Building Administration Services 63,328

Operations and Maintenance 10,384

Pupil Transportation 18,412

Central Services 793

Total Support Services 160,456

Total Expenditures 615,176

DEFICIENCY OF REVENUES

UNDER EXPENDITURES (472,728)

OTHER FINANCING SOURCE

Transfer from General Fund 472,728

NET CHANGE IN FUND BALANCE

FUND BALANCE - BEGINNING OF YEAR

FUND BALANCE - END OF YEAR

-
-
\$ -

MONTESSORI LEARNING CENTER

Notes to the Financial Statements

June 30, 2019

Note 1 – Summary of Significant Accounting Policies

This summary of significant accounting policies of Montessori Learning Center (School) is presented to assist in understanding the School's financial statements. The financial statements and notes are representations of the School's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to *Wisconsin Statute 118.40(2m)(a)* as prescribed by the Wisconsin Department of Public Instruction and have been consistently applied in the preparation of the financial statements.

The more significant accounting policies established by *Wisconsin Statute 118.40(2m)(a)* as prescribed by the Wisconsin Department of Public Instruction and used by the School are discussed below.

Nature of Operations

The School is organized as a Public Charter School under *Wisconsin Statute 118.40(2m)(a)*. It is an instrumentality of the Northland Pines School District (District) and its revenues and expenses are recorded within the District's basic financial statements.

Basis of Accounting

The financial statements are presented in accordance with a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This regulatory basis of accounting involves the reporting of due to other government, due from the general fund and changes therein to meet the financial requirements of the Wisconsin Department of Public Instruction.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and full fund financial statements.

Capital Assets

Capital assets are reported at actual or estimated historical cost, based on appraisals conducted by an independent third-party professional appraisal firm. Donated assets are reported at acquisition value at the time received.

Capitalization thresholds (the dollar valued above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the district-wide statements are as follows: assets with an initial individual cost of \$5,000 or higher and an estimated useful life in excess of one year. All depreciable capital assets are depreciated on a straight-line basis with estimated useful lives for land improvements of 20-25 years, buildings and building improvements of 40 years and machinery and equipment of 5-15 years.

The School had \$43,059 in capital outlay equipment and technology hardware during the year that was capitalized on the District's government wide financial statements in accordance with the District's capitalization policy.

MONTESSORI LEARNING CENTER

Notes to the Financial Statements

June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with available expendable financial resources are recorded during the year as expenditures in the appropriate governmental fund types. There were no significant claims or judgments at year-end.

Note 2 – Contingencies

The School received a federal grant for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. The School believes such disallowances, if any, would be immaterial.

From time to time the School is involved in legal actions and claims, most of which normally occur in governmental operations. In the opinion of School management, these issues, and any other proceedings known to exist at June 30, 2019, are not likely to have a material adverse impact on the School's financial position.

Note 3 – Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health claims; unemployment compensation claims; and natural disasters. The School insures through commercial insurance companies for all risks of loss. Settled claims from these risks have not exceeded insurance coverage in the past three fiscal years.

ADDITIONAL REPORT

Independent Auditor' 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 Education
Montessori Learning Center
Northland Pines School District
Eagle River, Wisconsin

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the balance sheet – regulatory basis and statement of revenues, expenditures, other financing source and change in fund balance of Montessori Learning Center (School) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's regulatory basis financial statements, and have issued our report thereon dated June 30, 2020.

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 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 first paragraph of this section 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. 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. We did identify a deficiency in internal control, described in accompanying *schedule of findings and response* as #2019-001 that we consider to be a significant deficiency.

To the Board of Education
Montessori Learning Center

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*.

Montessori Learning Center's Response to Finding

The School's response to the finding identified in our audit is described in the accompanying *schedule of findings and response*. 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 School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KerberRose SC

KerberRose SC
Certified Public Accountants
June 30, 2020

MONTESSORI LEARNING CENTER

Schedule of Findings and Response
For the Year Ended June 30, 2019

Section I - Financial Statement Finding

#2019-001 Financial Reporting

Condition	During our audit, we noted that the internal control system does not include a process for preparing the annual audited financial statements and the related disclosures in accordance with <i>Wisconsin Statute 118.40(2m)(a)</i> as prescribed by the Wisconsin Department of Public Instruction.
Criteria	Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial position, change in net position, and disclosures in the financial statements, in conformity with <i>Wisconsin Statute 118.40(2m)(a)</i> as prescribed by the Wisconsin Department of Public Instruction.
Cause	Management requested that KerberRose SC assist in preparing a draft of the audited financial statements, including the related footnote disclosures. The outsourcing is a result of management's cost/benefit decision to use our accounting expertise rather than incurring this internal resource cost.
Effect	Although the auditors are preparing the financial statements and related footnotes, management of the School thoroughly reviews them and accepts responsibility for their completeness and accuracy.
Recommendation	We recommend that management continues to make this decision on a cost/benefit basis.
Management's Response	Due to limited staffing the School will continue to contract with an outside audit firm to complete the statements. Management reviews the financial statements and compares to the School's financial records for completeness and accuracy and accepts responsibility for those financial statements.
Responsible Official	Tera Fritz, Business Manager
Anticipated Completion Date	This finding will not completely resolve itself given the cost/benefit basis the School continues to make.
Prior Year Audit Finding	Not applicable.

THIS PAGE LEFT BLANK INTENTIONALLY