



**EXPLORATION CHARTER HIGH SCHOOL
(AN INSTRUMENTALITY OF
THE SCHOOL DISTRICT OF NORTH FOND DU LAC)**

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2024

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INDEPENDENT AUDITOR'S REPORT

Board of Education and Board of Directors
Exploration Charter High School
School District of North Fond du Lac
North Fond du Lac, Wisconsin

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Exploration Charter High School ("the School"), an instrumentality of the School District of North Fond du Lac, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Exploration Charter High School, as of June 30, 2024, 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.

Basis for Opinions

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Exploration Charter High School, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Exploration Charter High School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Exploration Charter High School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Exploration Charter High School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note A, the financial statements of the School are intended to present the financial position and the changes in financial position of that portion of the governmental activities and the major fund of the School District of North Fond du Lac that is attributable to the transactions of the Exploration Charter High School. They do not purport to, and do not present fairly the financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2024, on our consideration of the Exploration Charter High 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 results of that testing, and not to provide an opinion on the effectiveness of the Exploration Charter High 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 Exploration Charter High School's internal control over financial reporting and compliance.



Fond du Lac, Wisconsin
December 3, 2024

BASIC FINANCIAL STATEMENTS

**EXPLORATION CHARTER HIGH SCHOOL
 (AN INSTRUMENTALITY OF THE SCHOOL DISTRICT OF NORTH FOND DU LAC)
 STATEMENT OF NET POSITION
 JUNE 30, 2024**

| | <u>ASSETS</u> | <u>Governmental Activities</u> |
|----------------------------------|----------------------------|---|
| Capital Assets: | | |
| Depreciable, Net | | \$ 48,687 |
| Total Assets | | <u>48,687</u> |
| | <u>LIABILITIES</u> | |
| Total Liabilities | | <u>-</u> |
| | <u>NET POSITION</u> | |
| Net Investment in capital assets | | 48,687 |
| Unrestricted Net Position | | - |
| Total Net Position | | <u>\$ 48,687</u> |

The accompanying notes are an integral part of these financial statements.

EXPLORATION CHARTER HIGH SCHOOL
(AN INSTRUMENTALITY OF THE SCHOOL DISTRICT OF NORTH FOND DU LAC)
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|---|-------------------|-------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | |
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Regular | \$ 241,528 | \$ - | \$ 227,904 | \$ (13,624) |
| Special education | 28,604 | - | - | (28,604) |
| Total Instruction | 270,132 | - | 227,904 | (42,228) |
| Support Services: | | | | |
| Pupil services | 65,988 | - | - | (65,988) |
| Total Support Services | 65,988 | - | - | (65,988) |
| Total Governmental Activities | \$ 336,120 | \$ - | \$ 227,904 | (108,216) |
| General Revenues: | | | | |
| State, Federal, and District Aids Not Restricted to | | | | |
| Specific Functions | | | | 156,903 |
| Total General Revenues | | | | 156,903 |
| Change in Net Position | | | | 48,687 |
| Net Position: | | | | |
| Beginning of year | | | | - |
| End of year | | | | <u>\$ 48,687</u> |

**EXPLORATION CHARTER HIGH SCHOOL
 (AN INSTRUMENTALITY OF THE SCHOOL DISTRICT OF NORTH FOND DU LAC)
 BALANCE SHEET - GOVERNMENTAL FUND
 JUNE 30, 2024**

| | | <u>General Fund</u> |
|--|-----------------------------|---------------------|
| | <u>ASSETS</u> | |
| Total Assets | | \$ - |
| | <u>LIABILITIES</u> | |
| Total Liabilities | | \$ - |
| | <u>FUND BALANCES</u> | |
| Unassigned | | - |
| Total Fund Balances | | - |
| Total Liabilities and Fund Balances | | \$ - |
| <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statements of net position:</p> | | |
| Governmental capital assets | \$ 51,053 | |
| Governmental accumulated depreciation | (2,366) | 48,687 |
| | | <hr/> |
| Total Net Position - Governmental Activities | | \$ 48,687 |

EXPLORATION CHARTER HIGH SCHOOL
(AN INSTRUMENTALITY OF THE SCHOOL DISTRICT OF NORTH FOND DU LAC)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2024

| | <u>General</u> |
|------------------------------------|--------------------|
| REVENUES: | |
| District subsidy | \$ 156,903 |
| Federal sources | <u>227,904</u> |
| Total Revenues | <u>384,807</u> |
| | |
| EXPENDITURES: | |
| Instruction: | |
| Regular | 290,215 |
| Special | <u>28,604</u> |
| Total Instruction | 318,819 |
| Support Services: | |
| Pupil services | <u>65,988</u> |
| Total Support Services | <u>65,988</u> |
| Total Expenditures | <u>384,807</u> |
| | |
| Net Change in Fund Balances | - |
| | |
| Fund Balances: | |
| Beginning of year | <u>-</u> |
| End of year | <u><u>\$ -</u></u> |

**EXPLORATION CHARTER HIGH SCHOOL
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
 FUNDS TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2024**

Net Change in Fund Balances - Total Governmental Funds \$ -

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

The acquisition of capital assets is reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.

| | | | |
|--|----|----------------|-------------------------|
| Capital outlay reported in governmental fund statements | \$ | 51,053 | |
| Depreciation expense reported in the statement of activities | | <u>(2,366)</u> | <u>48,687</u> |
| Change in Net Position - Governmental Activities | | | <u><u>\$ 48,687</u></u> |

**EXPLORATION CHARTER HIGH SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Exploration Charter High School (the “School”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the School are described below.

Reporting Entity

The Exploration Charter High School (the “School”) is a charter school established in accordance with Wisconsin Statute 118.40 and organized as an instrumentality of the School District of North Fond du Lac (the “District”). The Board of Education of the School District of North Fond du Lac has delegated the authority to operate and manage the School to the governing body of NFDL Charter School, Inc. The School District of North Fond du Lac has control of the School’s assets, provides administrative services to the School, and employs and oversees School personnel. Because the School is not legally separate from the District and its revenues and expenditures are recorded within the District’s basic financial statements, the School is considered a department of the District. The School’s management has elected to include only the activities of the School in this report.

Basis of Presentation

District-wide Statement:

The statement of net position and the statement of activities report financial information on all nonfiduciary activities of the School. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through the School District of North Fond du Lac subsidy, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in part by fees charged to external parties. The School does not operate any business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the School’s governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients for goods or services offered by the programs and (b) 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, including all taxes, are presented as general revenues.

Fund Financial Statements:

Separate financial statements are provided for the School’s governmental fund. The School has no proprietary, internal service, or fiduciary funds. A major individual governmental fund is reported as a separate column in the fund financial statements.

The District reports the following major governmental fund:

General fund – This is the School’s primary operating fund. It accounts for all financial activity that is not required to be accounted for in another fund.

**EXPLORATION CHATER HIGH SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash transactions take place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and similar items are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. The School considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under leases are reported as other financing sources.

Under the terms of grant agreements, the School may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted net positions may be available to finance the program. It is the School's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

Cash and Investments

Cash deposits consist of demand and time deposits with financial institutions to which the School is entitled from the District's cash pool from unspent donations and grant funds received in advance. The School had no cash or cash equivalents at June 30, 2024.

Internal Receivables and Payables

During the course of operations, the School incurs expenditures which are paid for out of the District's cash pool shared among the District's different funds and activities. The School's operations are funded primarily from the District's general-purpose revenues, so the District subsidy normally decreases the amount due to the District's cash pool as expenditures are incurred. The School did not owe the District any funds at June 30, 2024.

Capital Assets

Capital assets are defined by the School as assets with an initial, individual cost of \$5,000 or higher and a useful left greater than one year. Capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. 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.

**EXPLORATION CHATER HIGH SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications

District-wide Statements:

Net position is classified in three components. Resources are used in the following order: restricted then unrestricted.

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.

Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – Consists of the net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements:

The School categorizes its fund balance into five components based on the nature of any limitations requiring the use of resources for specific purposes.

Nonspendable – Amounts that cannot be spent because of their form or because they are legally or contractually required to remain intact.

Restricted – Amounts with limitations placed on the use either by (1) external groups such as creditors, grantors, contributors or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Committed – Amounts with limitations imposed prior to the end of the period by the Board of Education making and would require formal action by the Board of Education.

Assigned – Amounts intended to be used and established by the highest level of decision making, a body designated for that purpose, or by an official designated for that purpose. The Board of Education has authorized the District Administrator to assign fund balance. Residual amounts in any governmental fun, other than the General Fund, are also reported as assigned.

Unassigned – All other amounts that do not meet the definition of nonspendable, restricted, committed or assigned.

The School has adopted a fund balance spend down policy regarding the order in which fund balance will be utilized. Where applicable, the policy requires restricted funds to be spent first, followed by committed funds, and then assigned funds. Unassigned funds to be spent last.

**EXPLORATION CHATER HIGH SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets, depreciable: | | | | |
| Furniture, equipment and vehicles | \$ - | \$ 51,053 | \$ - | \$ 51,053 |
| Total capital assets, depreciable | - | 51,053 | - | 51,053 |
| Less accumulated depreciation for: | | | | |
| Furniture, equipment and vehicles | - | 2,366 | - | 2,366 |
| Total capital assets, depreciable, net | <u>\$ -</u> | <u>\$ 48,687</u> | <u>\$ -</u> | <u>\$ 48,687</u> |

The School's capital assets are shared by many governmental functions. Depreciation expense was allocated to the School's functions as follows:

| | |
|---------------------------------|-----------------|
| Governmental activities: | |
| Regular instruction | <u>\$ 2,366</u> |

NOTE C – GOVERNMENT GRANTS AND STATE AID

The School receives a significant portion of its funding in the form of government grants from state agencies and the US Department of Education.

NOTE D – RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The School completes an annual review of its insurance coverage to ensure adequate coverage. Significant losses are covered by commercial policies up to individual limits reduced by deductible amounts. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or prior four years.

NOTE E – CONTINGECY

The School and the District as a whole participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

**EXPLORATION CHATER HIGH SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024**

NOTE F – SUBSEQUENT EVENTS

The School has evaluated events and transactions for potential recognition or disclosure in the financial statements through December 3, 2024, the date on which the financial statements were available to be issued.

OTHER SUPPLEMENTARY INFORMATION



**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**

Board of Education and Board of Directors
Exploration Charter High School
School District of North Fond du Lac
North Fond du Lac, Wisconsin

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 the major fund of the Exploration Charter High School ("the School"), an instrumentality of the School District of North Fond du Lac, North Fond du Lac, Wisconsin (the "District"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated December 3, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Exploration Charter High School's internal control over financial reporting (internal control) as a basis for designing 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 Exploration Charter High School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Exploration Charter High 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Exploration Charter High 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 financial statements. 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*.

Exploration Charter High School's Response to Findings

We noted certain matters that we reported to management of the Exploration Charter High School in a separate letter dated December 3, 2024.

Government Auditing Standards requires the auditor to perform limited procedures on the Exploration Charter High School's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Exploration Charter High School's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



Fond du Lac, Wisconsin
December 3, 2024

**EXPLORATION CHATER HIGH SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

2024-001 – Preparation of Financial Statements

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Criteria:

District management, the Board of Education, and the School's Board of Directors share responsibility for the School's internal control system including controls over financial reporting under generally accepted accounting principles (GAAP). Although we assist the School in drafting the financial statements and disclosures, and management takes responsibility for the statements, we cannot be considered part of the internal control over GAAP financial statement preparation.

Condition:

The preparation of GAAP financial statements and footnote disclosures requires extensive knowledge of constantly changing accounting pronouncements. While the District's personnel have a thorough understanding of their operations, no one in the District has the accounting background sufficient to prepare the School's GAAP financial statements with complete disclosures to provide a high level of assurance that potential omissions or other errors that are less than material, but more than inconsequential, would be identified and corrected.

Cause:

Although District management has a thorough understanding of its operations, management has not monitored recent accounting developments.

Effect or Potential Effect:

Financial statements and related disclosures could be prepared without a high level of assurance that potential omissions or other errors that are less than material, but more than inconsequential, would be identified and corrected.

Recommendation:

As part of its internal control over the preparation of its financial statements, including disclosures, the District should implement a comprehensive review procedure to ensure that the School's financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of generally accepted accounting principles and knowledge of the School's activities and operations.

Response:

The District Administrator, Board of Education, and the School's Board of Directors acknowledge their responsibility for financial reporting under generally accepted accounting principles (GAAP). While District management has determined it is not cost effective to implement the infrastructure to prepare the School's financial statements, the Board of Education President and Treasurer, the Administrator, and Business Manager will review the financial statements with the auditor and/or utilizing a GAAP disclosure checklist. The District is willing to accept this risk.