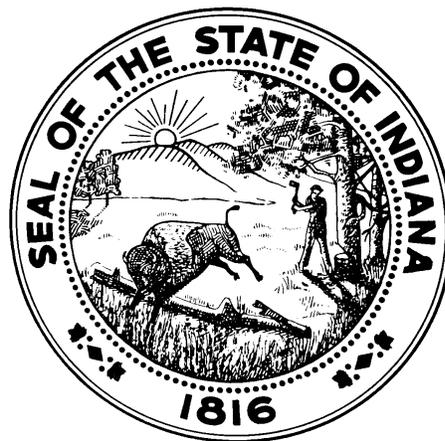


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
MONTESSORI ACADEMY AT GEIST
HANCOCK COUNTY, INDIANA
December 7, 2005 to June 30, 2007



FILED

04/25/2008

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Government-Wide Financial Information:	
Schedule of Cash and Investments	4-5
Schedule of Cash Activities	6-7
Fund Financial Information:	
Governmental Funds:	
Schedule of Receipts, Disbursements, and Cash and Investment Balances - Governmental Fund.....	8-9
Fiduciary Fund:	
Schedule of Receipts, Disbursements, and Changes in Cash and Investment Balances- Fiduciary Fund	10
Notes to Financial Information	11-14
Supplementary Information:	
Schedule of Capital Assets.....	15
Schedule of Long-Term Debt	16
Examination Results and Comments:	
Board Approval of Compensation.....	17
Internal Controls	17
Official Bond	17
Overdrawn Cash Balance.....	17
Exit Conference.....	18

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lynn Hardman	12-07-05 to 06-30-08
Director	Cynthia Thompson	12-07-05 to 06-30-08
President of the School Board	Dan McAfee	12-07-05 to 06-30-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE MONTESSORI ACADEMY
AT GEIST, HANCOCK COUNTY, INDIANA

We have examined the financial information presented herein of the Montessori Academy at Geist (School Corporation), for the period of December 7, 2005 to June 30, 2007. The School Corporation's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the School Corporation for the period ended June 30, 2006, and the year ended June 30, 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

February 12, 2008

MONTESSORI ACADEMY AT GEIST
STATEMENT OF CASH AND INVESTMENTS
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ <u> 931</u>
 <u>Net Assets</u>	
Unrestricted	\$ <u> 931</u>

The accompanying notes are an integral part of the financial information.

MONTESSORI ACADEMY AT GEIST
STATEMENT OF CASH AND INVESTMENTS
June 30, 2007

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ <u>59,517</u>
<u>Net Assets</u>	
Unrestricted	\$ <u>59,517</u>

The accompanying notes are an integral part of the financial information.

MONTESSORI ACADEMY AT GEIST
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Disbursements</u>
Governmental activities:	
Support services	\$ <u>(6,069)</u>
General receipts:	
Other local sources	<u>7,000</u>
Change in net assets	931
Net assets - beginning	<u>-</u>
Net assets - ending	<u>\$ 931</u>
<u>Assets</u>	
Cash and investments	<u>\$ 931</u>
<u>Net Assets</u>	
Unrestricted	<u>\$ 931</u>

The accompanying notes are an integral part of the financial information.

MONTESSORI ACADEMY AT GEIST
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets Totals</u>
Governmental activities:			
Instruction	\$ 197,115	\$ 3,464	\$ (193,651)
Support services	219,345	-	(219,345)
Debt service	<u>40,674</u>	<u>-</u>	<u>(40,674)</u>
Total governmental activities	<u>\$ 457,134</u>	<u>\$ 3,464</u>	<u>(453,670)</u>
General receipts:			
Property taxes			15,893
Other local sources			84
State aid			68,315
Loans			206,944
Grants and contributions not restricted to specific programs			221,000
Sale of property, adjustments, and refunds			<u>20</u>
Total general receipts			<u>512,256</u>
Change in net assets			58,586
Net assets - beginning			<u>931</u>
Net assets - ending			<u>\$ 59,517</u>
<u>Assets</u>			
Cash and investments			<u>\$ 59,517</u>
<u>Net Assets</u>			
Unrestricted			<u>\$ 59,517</u>

The accompanying notes are an integral part of the financial information.

MONTESSORI ACADEMY AT GEIST
STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CASH AND INVESTMENT BALANCE GOVERNMENTAL FUND
For the Year Ended June 30, 2006

	General
Receipts:	
Local sources	\$ 7,000
Disbursements:	
Current:	
Support services	6,069
Excess of receipts over disbursements	931
Cash and investments - beginning	-
Cash and investments - ending	\$ 931
<u>Cash and Investment Assets - Ending</u>	
Cash and investments	\$ 931
<u>Cash and Investment Fund Balance - Ending</u>	
Unrestricted	\$ 931

The accompanying notes are an integral part of the financial information.

MONTESSORI ACADEMY AT GEIST
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	<u>General</u>	<u>Federal Programs</u>	<u>Totals</u>
Receipts:			
Local sources	\$ 15,977	\$ -	\$ 15,977
State sources	71,779	-	71,779
Federal sources	-	221,000	221,000
Sale of property, adjustments and refunds	<u>20</u>	<u>-</u>	<u>20</u>
Total receipts	<u>87,776</u>	<u>221,000</u>	<u>308,776</u>
Disbursements:			
Current:			
Instruction	176,886	20,229	197,115
Support services	148,346	70,999	219,345
Debt services	<u>40,674</u>	<u>-</u>	<u>40,674</u>
Total disbursements	<u>365,906</u>	<u>91,228</u>	<u>457,134</u>
Excess (deficiency) of receipts over disbursements	<u>(278,130)</u>	<u>129,772</u>	<u>(148,358)</u>
Other financing sources:			
Loan proceeds	<u>206,944</u>	<u>-</u>	<u>206,944</u>
Excess (deficiency) of receipts and other financing sources over disbursements	(71,186)	129,772	58,586
Cash and investments - beginning	<u>931</u>	<u>-</u>	<u>931</u>
Cash and investments - ending	<u>\$ (70,255)</u>	<u>\$ 129,772</u>	<u>\$ 59,517</u>
<u>Cash and Investment Assets - Ending</u>			
Cash and investments	<u>\$ (70,255)</u>	<u>\$ 129,772</u>	<u>\$ 59,517</u>
<u>Cash and Investment Fund Balance - Ending</u>			
Unrestricted	<u>\$ (70,255)</u>	<u>\$ 129,772</u>	<u>\$ 59,517</u>

The accompanying notes are an integral part of the financial information.

MONTESSORI ACADEMY AT GEIST
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUND
For the Year Ended June 30, 2007

	<u>Agency Fund</u>
Net assets:	
Cash and investments	\$ <u>670</u>
Total net assets - cash and investment basis held in trust	\$ <u><u>670</u></u>

The accompanying notes are an integral part of the financial information.

MONTESSORI ACADEMY AT GEIST
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

Note 2. Fund Accounting

A. Government-Wide and Fund Financial Schedules

Government-Wide Financial Schedules

The Statements of Cash and Investments and the Statements of Cash Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund Financial Schedules

Fund financial schedules of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial schedules are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial schedules. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial schedules.

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The federal programs fund accounts for monies used for specific activities as authorized by the public charter school grant accounted for in the fund.

Additionally, the School Corporation reports the following fund type:

Agency funds account for assets held by the School Corporation as an agent for employees.

MONTESSORI ACADEMY AT GEIST
NOTES TO FINANCIAL INFORMATION
(Continued)

B. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, and fiduciary fund financial schedules are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial schedules.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial schedules for governmental funds would use the modified accrual basis of accounting, while the fund financial schedules for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund schedules to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The School Corporation has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial schedules.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any proprietary funds.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level.

MONTESSORI ACADEMY AT GEIST
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected. However, a delay in the approval of taxable property assessments resulted in May 2007 tax bills not being issued until November 2007. This caused a significant decrease in receipts from local sources/property taxes for the year 2006-2007.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 6. Pension Plan

A. Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

MONTESSORI ACADEMY AT GEIST
NOTES TO FINANCIAL INFORMATION
(Continued)

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

B. Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system, and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

TRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Teachers' Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

Funding Policy and Annual Pension Cost

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

MONTESSORI ACADEMY AT GEIST
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended June 30, 2007

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Machinery and equipment	<u>\$ 40,028</u>

MONTESSORI ACADEMY AT GEIST
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2007

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Notes and loans payable	\$ <u>169,916</u>	\$ <u>60,445</u>

MONTESSORI ACADEMY AT GEIST
EXAMINATION RESULTS AND COMMENTS

BOARD APPROVAL OF COMPENSATION

Classroom assistants paid during the 2006/2007 school year were paid according to a salary schedule, and lead classroom teachers were paid according to individual teacher contracts. The rate of pay for the Director's position was not covered by either the salary schedule or a formal contract. There was no evidence that the Director's pay, the salary schedule for classroom assistants, or the teacher contracts were formally approved by the School Board.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise Authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 13)

INTERNAL CONTROLS

The control over disbursements was not adequate because claims were not approved by the School Board.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OFFICIAL BOND

The official bond of the Treasurer was not filed in the Office of the County Recorder.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder . . ."

OVERDRAWN CASH BALANCE

The cash balance of the General Fund was overdrawn by \$70,255 at June 30, 2007.

The balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

MONTESSORI ACADEMY AT GEIST
EXIT CONFERENCE

The contents of this report were discussed on February 12, 2008, with Lynn Hardman, Treasurer; and Cynthia Thompson, Director. The officials concurred with our findings.