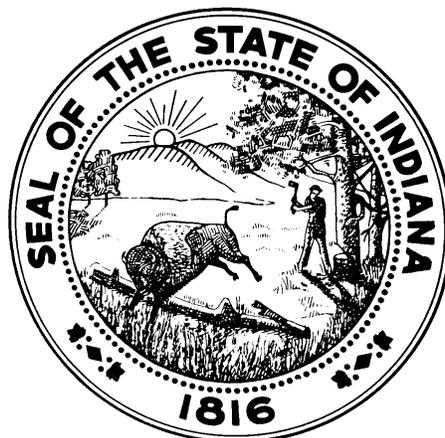


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
COMMUNITY MONTESSORI, INC.
FLOYD COUNTY, INDIANA
July 1, 2005 to June 30, 2007



FILED
04/25/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director/Treasurer	Barbara Burke Fondren	07-01-05 to 06-30-08
President of the Board of Directors	Tyson McDill Melanie Hughes	07-01-05 to 09-18-07 09-19-07 to 06-30-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF COMMUNITY MONTESSORI, INC., FLOYD COUNTY, INDIANA

We have examined the financial information presented herein of Community Montessori, Inc., (School Corporation), for the period of July 1, 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 present fairly, in all material respects, the financial information of the School Corporation for the years ended June 30, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Combining Schedules, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. The Combining Schedules have been subjected to the examination procedures applied to the basic financial information, and in our opinion, are fairly stated in all material respects in relation to the basic financial information taken as a whole.

The Schedule of Funding Progress, 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

January 24, 2008

COMMUNITY MONTESSORI, INC.
SCHEDULE OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts Operating Grants and Contributions</u>	<u>Net (Disbursements) Receipts and Changes in Net Assets Totals</u>
Governmental activities:			
Instruction	\$ 564,803	\$ 1,568	\$ (563,235)
Support services	3,973,059	-	(3,973,059)
Debt service	<u>292,883</u>	-	<u>(292,883)</u>
Total governmental activities	<u>\$ 4,830,745</u>	<u>\$ 1,568</u>	<u>(4,829,177)</u>
General receipts:			
Property taxes			218,265
Other local sources			441,436
State aid			738,232
Bonds and loans			3,229,158
Grants and contributions not restricted to specific programs			13,750
Investment earnings			<u>6,093</u>
Total general receipts			<u>4,646,934</u>
Change in net assets			(182,243)
Net assets - beginning			<u>608,695</u>
Net assets - ending			<u>\$ 426,452</u>
<u>Assets</u>			
Cash and investments			<u>\$ 426,452</u>
<u>Net Assets</u>			
Unrestricted			<u>\$ 426,452</u>

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

COMMUNITY MONTESSORI, INC.
SCHEDULE OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>	<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
		<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:			
Instruction	\$ 664,269	\$ 7,175	\$ (657,094)
Support services	960,062	-	(960,062)
Debt service	<u>482,475</u>	<u>-</u>	<u>(482,475)</u>
Total governmental activities	<u><u>\$ 2,106,806</u></u>	<u><u>\$ 7,175</u></u>	<u><u>(2,099,631)</u></u>
General receipts:			
Property taxes			432,855
Other local sources			525,947
State aid			1,003,703
Bonds and loans			334,667
Grants and contributions not restricted to specific programs			11,253
Investment earnings			<u>7,766</u>
Total general receipts			<u>2,316,191</u>
Change in net assets			216,560
Net assets - beginning			<u>426,452</u>
Net assets - ending			<u><u>\$ 643,012</u></u>
<u>Assets</u>			
Cash and investments			<u><u>\$ 643,012</u></u>
<u>Net Assets</u>			
Unrestricted			<u><u>\$ 643,012</u></u>

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

COMMUNITY MONTESSORI, INC.
SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006

	<u>General</u>	<u>Construction</u>	<u>Other</u>	<u>Totals</u>
Receipts:				
Local sources	\$ 624,746	\$ 2,298	\$ 38,750	\$ 665,794
State sources	739,800	-	13,750	753,550
Bonds and loans	<u>182,738</u>	<u>3,046,420</u>	<u>-</u>	<u>3,229,158</u>
 Total receipts	 <u>1,547,284</u>	 <u>3,048,718</u>	 <u>52,500</u>	 <u>4,648,502</u>
Disbursements:				
Current:				
Instruction	551,177	-	13,626	564,803
Support services	748,091	3,117,222	107,746	3,973,059
Debt services	<u>292,883</u>	<u>-</u>	<u>-</u>	<u>292,883</u>
 Total disbursements	 <u>1,592,151</u>	 <u>3,117,222</u>	 <u>121,372</u>	 <u>4,830,745</u>
 Deficiency of receipts over disbursements	 <u>(44,867)</u>	 <u>(68,504)</u>	 <u>(68,872)</u>	 <u>(182,243)</u>
 Cash and investments - beginning	 <u>403,265</u>	 <u>132,589</u>	 <u>72,841</u>	 <u>608,695</u>
 Cash and investments - ending	 <u>\$ 358,398</u>	 <u>\$ 64,085</u>	 <u>\$ 3,969</u>	 <u>\$ 426,452</u>
 <u>Cash and Investment Assets - Ending</u>				
Cash and investments	<u>\$ 358,398</u>	<u>\$ 64,085</u>	<u>\$ 3,969</u>	<u>\$ 426,452</u>
 <u>Cash and Investment Fund Balance - Ending</u>				
Unrestricted	<u>\$ 358,398</u>	<u>\$ 64,085</u>	<u>\$ 3,969</u>	<u>\$ 426,452</u>

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

COMMUNITY MONTESSORI, INC.
SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	<u>General</u>	<u>Construction</u>	<u>Other</u>	<u>Totals</u>
Receipts:				
Local sources	\$ 952,562	\$ 116	\$ 13,890	\$ 966,568
State sources	1,010,878	-	11,253	1,022,131
Bonds and loans	<u>260,000</u>	<u>74,667</u>	<u>-</u>	<u>334,667</u>
 Total receipts	 <u>2,223,440</u>	 <u>74,783</u>	 <u>25,143</u>	 <u>2,323,366</u>
Disbursements:				
Current:				
Instruction	649,047	-	15,222	664,269
Support services	807,312	138,860	13,890	960,062
Debt services	<u>482,475</u>	<u>-</u>	<u>-</u>	<u>482,475</u>
 Total disbursements	 <u>1,938,834</u>	 <u>138,860</u>	 <u>29,112</u>	 <u>2,106,806</u>
 Excess (deficiency) of receipts over disbursements	 <u>284,606</u>	 <u>(64,077)</u>	 <u>(3,969)</u>	 <u>216,560</u>
 Cash and investments - beginning	 <u>358,398</u>	 <u>64,085</u>	 <u>3,969</u>	 <u>426,452</u>
 Cash and investments - ending	 <u>\$ 643,004</u>	 <u>\$ 8</u>	 <u>\$ -</u>	 <u>\$ 643,012</u>
 <u>Cash and Investment Assets - Ending</u>				
 Cash and investments	 <u>\$ 643,004</u>	 <u>\$ 8</u>	 <u>\$ -</u>	 <u>\$ 643,012</u>
 <u>Cash and Investment Fund Balance - Ending</u>				
 Unrestricted	 <u>\$ 643,004</u>	 <u>\$ 8</u>	 <u>\$ -</u>	 <u>\$ 643,012</u>

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

COMMUNITY MONTESSORI, INC.
 SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 FIDUCIARY FUNDS
 For the Year Ended June 30, 2006

	Private-Purpose Trust Funds
Additions:	
Contributions:	
Other	\$ 198,834
Deductions:	
Administrative and general	85,945
Excess of total additions over total deductions	112,889
Cash and investment fund balance - beginning	28,616
Cash and investment fund balance - ending	\$ 141,505
Net assets:	
Cash and investments	\$ 141,505

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

COMMUNITY MONTESSORI, INC.
 SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 FIDUCIARY FUNDS
 For the Year Ended June 30, 2007

	<u>Private-Purpose Trust Funds</u>
Additions:	
Contributions:	
Other	\$ <u>102,274</u>
Deductions:	
Administrative and general	<u>177,929</u>
Deficiency of total additions over total deductions	(75,655)
Cash and investment fund balance - beginning	<u>141,505</u>
Cash and investment fund balance - ending	<u>\$ 65,850</u>
Net assets:	
Cash and investments	<u>\$ 65,850</u>
Total net assets - cash and investment basis held in trust	<u>\$ 65,850</u>

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

COMMUNITY MONTESSORI, INC.
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 provides educational services.

Joint Ventures

The School Corporation is a participant with several schools in a joint venture to operate Wilson Education Center which was created to provide training and purchase equipment at group discounts. The School Corporation is obligated by contract to remit dues based on the current ADM count times an annual fee (\$5.90) to supplement the Wilson Education Center. Complete financial statements for the joint venture can be obtained from the joint venture's administrative office at 2101 Grace Avenue, Charlestown, IN 47111-9400.

The School Corporation is a participant with 18 other school corporations in a joint venture to operate Virtual Special Education Cooperative which was created to provide special education and related services. Administrative expenses have been covered by grants. Complete financial statements for the joint venture can be obtained from Ball State University, 2000 W. University Avenue, Muncie, IN 47306.

Note 2. Fund Accounting

A. Government-Wide and Fund Financial Schedules

Government-Wide Financial Schedules

The Schedules of Activities and Net Assets - Cash and Investment Basis 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. However, at this time, the School Corporation has not established any enterprise funds.

COMMUNITY MONTESSORI, INC.
NOTES TO FINANCIAL INFORMATION
(Continued)

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 construction fund is used to account for disbursements for capital outlay from receipts derived from the sale of economic development revenue bonds.

Additionally, the School Corporation reports the following fund type:

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the School Corporation.

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.

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.

COMMUNITY MONTESSORI, INC.
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 3. 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 4. Pension Plans

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:

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.

COMMUNITY MONTESSORI, INC.
NOTES TO FINANCIAL INFORMATION
(Continued)

B. Teaches' 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.

Note 5. Sponsor Agreement

The School Corporation has entered into a contract with Ball State University (the sponsor) for the establishment and operation of a public charter school. The School Corporation was organized as a charter school pursuant to state statute. The sponsor shall oversee the compliance of the School Corporation with the contract and applicable laws.

Note 6. Subsequent Event

On September 27, 2007, Community Montessori Inc., entered into a Bond Purchase and Loan agreement for \$4,900,000 with Main Source bank to assist in the financing of the completion of the construction, installation and equipping of Phase II of the school building construction project. Payments are due monthly on the 1st of each month, with the first payment due on October 1, 2007, and the final payment due October 1, 2032. Interest is variable.

COMMUNITY MONTESSORI, INC.
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 13,800	\$ 6,153	\$ 7,647	224%	\$ 274,576	3%
07-01-05	27,253	31,352	(4,099)	87%	324,038	(1%)
07-01-06	46,213	53,258	(7,045)	87%	306,837	(2%)

COMMUNITY MONTESSORI, INC.
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006

	Special Education Preschool	P.L. 103-382 IASA Innovative Education	Rural Schools	DOE Charter Grant	Totals
Receipts:					
Local sources	\$ -	\$ -	\$ 38,750	\$ -	\$ 38,750
State sources	<u>13,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,750</u>
Total receipts	<u>13,750</u>	<u>-</u>	<u>38,750</u>	<u>-</u>	<u>52,500</u>
Disbursements:					
Current:					
Instruction	13,626	-	-	-	13,626
Support services	<u>512</u>	<u>-</u>	<u>38,750</u>	<u>68,484</u>	<u>107,746</u>
Total disbursements	<u>14,138</u>	<u>-</u>	<u>38,750</u>	<u>68,484</u>	<u>121,372</u>
Deficiency of receipts over disbursements	<u>(388)</u>	<u>-</u>	<u>-</u>	<u>(68,484)</u>	<u>(68,872)</u>
Cash and investments - beginning	<u>3,891</u>	<u>466</u>	<u>-</u>	<u>68,484</u>	<u>72,841</u>
Cash and investments - ending	<u>\$ 3,503</u>	<u>\$ 466</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,969</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	<u>\$ 3,503</u>	<u>\$ 466</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,969</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Unrestricted	<u>\$ 3,503</u>	<u>\$ 466</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,969</u>

COMMUNITY MONTESSORI, INC.
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	Special Education Preschool	P.L. 103-382 IASA Innovative Education	Rural Schools	Totals
Receipts:				
Local sources	\$ -	\$ -	\$ 13,890	\$ 13,890
State sources	11,253	-	-	11,253
	<u>11,253</u>	<u>-</u>	<u>13,890</u>	<u>25,143</u>
Total receipts				
Disbursements:				
Current:				
Instruction	14,756	466	-	15,222
Support services	-	-	13,890	13,890
	<u>14,756</u>	<u>466</u>	<u>13,890</u>	<u>29,112</u>
Total disbursements				
Deficiency of receipts over disbursements	<u>(3,503)</u>	<u>(466)</u>	<u>-</u>	<u>(3,969)</u>
Cash and investments - beginning	<u>3,503</u>	<u>466</u>	<u>-</u>	<u>3,969</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COMMUNITY MONTESSORI, INC.
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2006

	<u>Expansion</u>	<u>Walter Foundation Grant</u>	<u>Caesars Foundation Grant</u>	<u>Totals</u>
Additions:				
Contributions:				
Other	\$ 63,834	\$ -	\$ 135,000	\$ 198,834
	<u>57,868</u>	<u>4,993</u>	<u>23,084</u>	<u>85,945</u>
Deductions:				
Administrative and general	57,868	4,993	23,084	85,945
	<u>57,868</u>	<u>4,993</u>	<u>23,084</u>	<u>85,945</u>
Excess (deficiency) of total additions over total deductions	5,966	(4,993)	111,916	112,889
Cash and investment fund balance - beginning	<u>3,623</u>	<u>4,993</u>	<u>20,000</u>	<u>28,616</u>
Cash and Investments - ending	<u>\$ 9,589</u>	<u>\$ -</u>	<u>\$ 131,916</u>	<u>\$ 141,505</u>
Net assets:				
Cash and investments	<u>\$ 9,589</u>	<u>\$ -</u>	<u>\$ 131,916</u>	<u>\$ 141,505</u>

COMMUNITY MONTESSORI, INC.
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007

	<u>Expansion</u>	<u>Caesars Foundation Grant</u>	<u>Totals</u>
Additions:			
Contributions:			
Other	\$ 102,274	\$ -	\$ 102,274
	<u>70,732</u>	<u>107,197</u>	<u>177,929</u>
Deductions:			
Administrative and general			
	<u>70,732</u>	<u>107,197</u>	<u>177,929</u>
Excess (deficiency) of total additions over total deductions	31,542	(107,197)	(75,655)
Cash and investment fund balance - beginning	<u>9,589</u>	<u>131,916</u>	<u>141,505</u>
Cash and Investments - ending	<u>\$ 41,131</u>	<u>\$ 24,719</u>	<u>\$ 65,850</u>
Net assets:			
Cash and investments	<u>\$ 41,131</u>	<u>\$ 24,719</u>	<u>\$ 65,850</u>

COMMUNITY MONTESSORI, INC.
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>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 140,296
Buildings	6,093,379
Machinery and equipment	100,529
Construction in progress	<u>370,008</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 6,704,212</u>

COMMUNITY MONTESSORI, INC.
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For The Year Ended 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:		
Common school loans	\$ 439,727	\$ 46,268
School building project, Phase I - 2004	4,363,555	375,510
School building project, Phase I - 2006	<u>1,183,073</u>	<u>74,652</u>
Total governmental activities debt	<u>\$ 5,986,355</u>	<u>\$ 496,430</u>

COMMUNITY MONTESSORI, INC.
EXAMINATION RESULTS AND COMMENTS

SUPPORTING DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Many reimbursements were made from a photo copy of the receipt and not the original receipt. A credit card from Advanta Bank Corp., was used to make purchases and several instances were noted in which the receipts lacked proper itemization or the receipt was missing and could not support the amount of the monthly credit card statements. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

PENALTIES, INTEREST, AND OTHER CHARGES

Three instances were noted during the examination period in which late fees and financing charges amounting to \$141.44 were paid to vendors.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

COMMUNITY MONTESSORI, INC.
EXAMINATION RESULTS AND COMMENTS
(Continued)

SALES TAX

Many vendors erroneously started charging the School Corporation sales tax, after the School Corporation moved to its new location, which the School Corporation paid. The vendors included AT&T, Vectren, Harrison County REMC, SBC, Silver Creek Water, Sprint, Cinergy, and Duke Energy. The School Corporation sent reimbursement claim requests, including the tax exemption information and copies of the invoices of the respective vendors, to the Department of Revenue and was refunded the sales tax paid. However, no evidence was presented that a request for a refund of the sales tax paid to Duke Energy in the amount of \$317.30 had been made.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OVERPAYMENT OF TRAVEL CLAIM

An overpayment of \$133.50 was made to Barbara Burke Fondren on a travel claim submitted July 27, 2006. A mileage reimbursement request was submitted for three trips to Indianapolis for a total of 992 miles at .445 cents per mile, resulting in a total reimbursement paid of \$441.44. Supporting documentation presented for examination indicated that a clerical error had been made and the total miles driven should have been 692 miles. The clerical error resulted in an overpayment of 300 miles at .445 cents per mile, for a total of \$133.50.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

On December 12, 2007, Barbara Burke Fondren repaid the \$133.50 overpayment to the School Corporation.

COMMUNITY MONTESSORI, INC.
EXIT CONFERENCE

The contents of this report were discussed on January 24, 2008, with Barbara Burke Fondren, Director/Treasurer; and Melanie Hughes, President of the Board of Directors.