

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

COMMUNITY MONTESSORI, INC.
FLOYD COUNTY, INDIANA

July 1, 2009 to June 30, 2011



FILED

03/05/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director/Treasurer	Barbara Burke Fondren	07-01-09 to 06-30-12
President of the Board of Directors	Karen Gillenwater	07-01-09 to 06-30-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENT
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the accompanying financial statement of the Community Montessori, Inc. (School Corporation), for the years ended June 30, 2010 and 2011. This financial statement is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting noted above is a different basis than that used in the prior year.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the years ended June 30, 2010 and 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated February 9, 2012, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENT
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the School Corporation's management, Board of Directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

February 9, 2012



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statement of the Community Montessori, Inc. (School Corporation), for the years ended June 30, 2010 and 2011, and have issued our report thereon dated February 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of 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.

This report is intended solely for the information and use of the School Corporation's management, Board of Directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

February 9, 2012

FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

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COMMUNITY MONTESSORI, INC.
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2010 and 2011

	Cash and Investments 07-01-09	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-10	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-11
General	\$ 924,053	\$ 2,808,862	\$ 2,338,305	\$ 10,256	\$ 1,404,866	\$ 3,056,291	\$ 2,933,933	\$ (6,518)	\$ 1,520,706
Special Education Preschool	-	1,375	1,375	-	-	-	-	-	-
Construction	1,516	2	-	(1,518)	-	-	-	-	-
Expansion	24,600	30,309	1,556	-	53,353	35,227	7,493	(2,290)	78,797
Teen Technology Endowment	4,414	3,950	1,982	-	6,382	4,065	2,756	-	7,691
Youth Philanthropy	1,772	-	-	-	1,772	-	-	-	1,772
Prom	-	2,934	2,917	-	17	2,341	2,763	405	-
ASSIST	-	500	-	-	500	223	669	-	54
EAB Scholarship	-	-	-	-	-	2,785	-	2,290	5,075
Innovative Education Program Strategies Title V (Part A)	-	20,000	20,000	-	-	-	-	-	-
IDEA	-	13,932	-	(13,932)	-	-	-	-	-
Part B Regular 2009-10	-	46,178	47,996	1,818	-	10,035	8,218	(1,817)	-
Part B Regular 2010-11	-	-	-	-	-	39,563	50,953	11,390	-
Improving Teaching Quality, No Child Left, Title II, Part A	-	13,744	-	-	13,744	-	13,744	-	-
Rural Schools Achievement	-	39,839	39,839	-	-	33,363	33,363	-	-
Public Charter School ESEA Title X, Part C	-	141,600	141,600	-	-	-	-	-	-
Fiscal Stabilization - Education	200,071	90,496	290,567	-	-	-	-	-	-
Special Education - Part B	-	69,247	71,621	3,376	1,002	13,851	11,393	(3,460)	-
Totals	\$ 1,156,426	\$ 3,282,968	\$ 2,957,758	\$ -	\$ 1,481,636	\$ 3,197,744	\$ 3,065,285	\$ -	\$ 1,614,095

The notes to the financial statement is an integral part of this statement.

COMMUNITY MONTESSORI, INC.
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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.

Community Montessori, as used herein is a charter public school.

Community Montessori was established under the charter school law of the State of Indiana. Community Montessori operates under a non profit 501(c)(3) Board of Directors and provides educational services.

The accompanying financial statement presents the financial information for Community Montessori.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The regulatory 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.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Local sources which include investment income, school corporation activities and other revenue from local sources.

State sources which include distributions from the State of Indiana to be used by Community Montessori for various purposes. Included in state sources are unrestricted grants, restricted grants, and revenue for or on behalf of Community Montessori per the charter school law.

Federal sources which include distributions from the federal government to be used by Community Montessori for various purposes. Included in federal sources are unrestricted grants, restricted grants, and revenue for or on behalf of Community Montessori.

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

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Instruction which includes outflows for regular programs, special programs, summer school programs, enrichment programs, and remediation.

Support services which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, and operation and maintenance of plant services.

Facilities acquisition and construction which includes outflows for the acquisition, development, construction, and improvement of new and existing facilities.

Debt services which include fixed obligations resulting from financial transactions previously entered into by Community Montessori. It includes all expenditures for the reduction of the principal and interest of Community Montessori's general obligation indebtedness.

F. Other financing sources and uses

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses include the following:

Transfers in which includes money received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

Transfers out which includes money paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by Community Montessori. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by Community Montessori. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by Community Montessori in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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.

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

State statutes authorize Community Montessori 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 Community Montessori.

Note 3. Risk Management

Community Montessori may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance. The purchase of insurance transfers the risk to an independent third party. These risks may also be mitigated by Community Montessori by recording as a disbursement and replacement items purchased.

Note 4. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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 Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give Community Montessori authority to contribute to the plan, per the charter school law. 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 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS, and based on the charter school law.

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

B. Teachers' Retirement Fund

Plan Description

The Indiana Teachers' Retirement Fund (TRF) is 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 Indiana Public Retirement System (INPRS) Board, most requirements of the system, and gives Community Montessori authority to contribute to the plan per the charter school law. 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 percent of compensation, plus the interest credited to the member's account. Community Montessori may elect to make the contributions on behalf of the member.

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

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 286-3544

Funding Policy and Annual Pension Cost

Community Montessori 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. Based on the charter school law, Community Montessori 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

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

Note 6. Subsequent Event

Community Montessori made an additional \$121,000 payment towards principal on the School Building project, Phase II – 2007 on December 1, 2011.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of School Corporation which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was prepared and approved by management of the School Corporation. It is presented as intended by the School Corporation.

COMMUNITY MONTESSORI, INC.
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010

	General	Special Education Preschool	Construction	Expansion	Teen Technology Endowment	Youth Philanthropy	Prom	ASSIST	Innovative Education Program Strategies Title V (Part A)
Cash and investments - beginning	\$ 924,053	\$ -	\$ 1,516	\$ 24,600	\$ 4,414	\$ 1,772	\$ -	\$ -	\$ -
Receipts:									
Local sources	456,039	-	2	30,309	3,950	-	2,934	500	-
State sources	2,352,823	1,375	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	20,000
Total receipts	<u>2,808,862</u>	<u>1,375</u>	<u>2</u>	<u>30,309</u>	<u>3,950</u>	<u>-</u>	<u>2,934</u>	<u>500</u>	<u>20,000</u>
Disbursements:									
Current:									
Instruction	1,168,244	1,375	-	-	-	-	2,917	-	-
Support services	757,713	-	-	1,556	1,982	-	-	-	20,000
Facilities acquisition and construction	9,214	-	-	-	-	-	-	-	-
Debt services	403,134	-	-	-	-	-	-	-	-
Total disbursements	<u>2,338,305</u>	<u>1,375</u>	<u>-</u>	<u>1,556</u>	<u>1,982</u>	<u>-</u>	<u>2,917</u>	<u>-</u>	<u>20,000</u>
Excess (deficiency) of receipts over disbursements	<u>470,557</u>	<u>-</u>	<u>2</u>	<u>28,753</u>	<u>1,968</u>	<u>-</u>	<u>17</u>	<u>500</u>	<u>-</u>
Other financing sources (uses):									
Transfers in	15,449	-	-	-	-	-	-	-	-
Transfers out	(5,193)	-	(1,518)	-	-	-	-	-	-
Total other financing sources (uses)	<u>10,256</u>	<u>-</u>	<u>(1,518)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>480,813</u>	<u>-</u>	<u>(1,516)</u>	<u>28,753</u>	<u>1,968</u>	<u>-</u>	<u>17</u>	<u>500</u>	<u>-</u>
Cash and investments - ending	<u>\$ 1,404,866</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,353</u>	<u>\$ 6,382</u>	<u>\$ 1,772</u>	<u>\$ 17</u>	<u>\$ 500</u>	<u>\$ -</u>

COMMUNITY MONTESSORI, INC.
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010
 (Continued)

	IDEA	Part B Regular 2009-10	Improving Teaching Quality No Child Left Title II, Part A	Rural Schools Achievement	Public Charter School ESEA Title X Part C	Fiscal Stabilization Education	Special Education Part B	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200,071	\$ -	\$ 1,156,426
Receipts:								
Local sources	-	-	-	39,839	141,600	-	-	675,173
State sources	-	-	-	-	-	-	-	2,354,198
Federal sources	13,932	46,178	13,744	-	-	90,496	69,247	253,597
Total receipts	13,932	46,178	13,744	39,839	141,600	90,496	69,247	3,282,968
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	67,519	1,240,055
Support services	-	47,996	-	39,839	-	-	4,102	873,188
Facilities acquisition and construction	-	-	-	-	-	-	-	9,214
Debt services	-	-	-	-	141,600	290,567	-	835,301
Total disbursements	-	47,996	-	39,839	141,600	290,567	71,621	2,957,758
Excess (deficiency) of receipts over disbursements	13,932	(1,818)	13,744	-	-	(200,071)	(2,374)	325,210
Other financing sources (uses):								
Transfers in	-	1,818	-	-	-	-	3,376	20,643
Transfers out	(13,932)	-	-	-	-	-	-	(20,643)
Total other financing sources (uses)	(13,932)	1,818	-	-	-	-	3,376	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	13,744	-	-	(200,071)	1,002	325,210
Cash and investments - ending	\$ -	\$ -	\$ 13,744	\$ -	\$ -	\$ -	\$ 1,002	\$ 1,481,636

COMMUNITY MONTESSORI, INC.
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011

	General	Expansion	Teen Technology Endowment	Youth Philanthropy	Prom	ASSIST	EAB Scholarship
Cash and investments - beginning	\$ 1,404,866	\$ 53,353	\$ 6,382	\$ 1,772	\$ 17	\$ 500	\$ -
Receipts:							
Local sources	464,464	35,227	4,065	-	2,341	223	2,785
State sources	2,591,827	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Total receipts	<u>3,056,291</u>	<u>35,227</u>	<u>4,065</u>	<u>-</u>	<u>2,341</u>	<u>223</u>	<u>2,785</u>
Disbursements:							
Current:							
Instruction	1,281,224	-	-	-	2,763	-	-
Support services	834,379	7,493	2,756	-	-	669	-
Facilities acquisition and construction	8,823	-	-	-	-	-	-
Debt services	809,507	-	-	-	-	-	-
Total disbursements	<u>2,933,933</u>	<u>7,493</u>	<u>2,756</u>	<u>-</u>	<u>2,763</u>	<u>669</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>122,358</u>	<u>27,734</u>	<u>1,309</u>	<u>-</u>	<u>(422)</u>	<u>(446)</u>	<u>2,785</u>
Other financing sources (uses):							
Transfers in	24,488	-	-	-	1,500	-	2,290
Transfers out	<u>(31,006)</u>	<u>(2,290)</u>	<u>-</u>	<u>-</u>	<u>(1,095)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(6,518)</u>	<u>(2,290)</u>	<u>-</u>	<u>-</u>	<u>405</u>	<u>-</u>	<u>2,290</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>115,840</u>	<u>25,444</u>	<u>1,309</u>	<u>-</u>	<u>(17)</u>	<u>(446)</u>	<u>5,075</u>
Cash and investments - ending	<u>\$ 1,520,706</u>	<u>\$ 78,797</u>	<u>\$ 7,691</u>	<u>\$ 1,772</u>	<u>\$ -</u>	<u>\$ 54</u>	<u>\$ 5,075</u>

COMMUNITY MONTESSORI, INC.
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	Part B Regular 2009-10	Part B Regular 2010-11	Improving Teaching Quality No Child Left Title II, Part A	Rural Schools Achievement	Special Education Part B	Totals
Cash and investments - beginning	\$ -	\$ -	\$ 13,744	\$ -	\$ 1,002	\$ 1,481,636
Receipts:						
Local sources	-	-	-	33,363	-	542,468
State sources	-	-	-	-	-	2,591,827
Federal sources	10,035	39,563	-	-	13,851	63,449
Total receipts	10,035	39,563	-	33,363	13,851	3,197,744
Disbursements:						
Current:						
Instruction	-	16,804	13,744	-	8,841	1,323,376
Support services	8,218	34,149	-	33,363	2,552	923,579
Facilities acquisition and construction	-	-	-	-	-	8,823
Debt services	-	-	-	-	-	809,507
Total disbursements	8,218	50,953	13,744	33,363	11,393	3,065,285
Excess (deficiency) of receipts over disbursements	1,817	(11,390)	(13,744)	-	2,458	132,459
Other financing sources (uses):						
Transfers in	4,373	19,030	-	-	6,103	57,784
Transfers out	(6,190)	(7,640)	-	-	(9,563)	(57,784)
Total other financing sources (uses)	(1,817)	11,390	-	-	(3,460)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(13,744)	-	(1,002)	132,459
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,614,095

COMMUNITY MONTESSORI, INC.
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2011

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.

	Ending Balance
Capital assets, not being depreciated:	
Land	\$ 140,296
Buildings	11,160,043
Improvements other than buildings	45,448
Machinery and equipment	<u>144,235</u>
Total capital assets not being depreciated	<u>\$ 11,490,022</u>

COMMUNITY MONTESSORI, INC.
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2011

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year	Fund/ Department
Capital lease:			
ShoreTel IP phone system	\$ 6,878	\$ 4,935	General
Notes and loans payable:			
Common school loans	733,133	-	General
School building project, Phase I - 2004	3,745,404	343,621	General
School building project, Phase I - 2006	1,183,073	143,391	General
School building project, Phase II - 2007	<u>4,284,508</u>	<u>379,568</u>	General
Total debt	<u>\$ 9,952,996</u>	<u>\$ 871,515</u>	

* - Pursuant to IC 20-49-7-21 Community Montessori elected to defer the loan payments due from July 1, 2011 through January 1, 2013, for two years.

** - Per the promissory note agreement, interest only shall be due and payable on each interest payment date beginning with the monthly installment due on April 1, 2006, and on the first day of each month thereafter until March 31, 2011. The principal amount due here under shall be payable in full, including interest accrued and unpaid there on, on April 1, 2011. On July 11, 2011 a new agreement was entered into with Stockyards bank in which the School Corporation shall make payments on this note as follows: beginning on August 11, 2011 and continuing thereafter on the eleventh (11th) day of each month thereafter through and including July 11, 2016, monthly installments in the amount of \$13,038.27 each; beginning on August 11, 2016 and continuing thereafter on the eleventh (11th) day each month thereafter and including July 11, 2021, the required monthly payment amount shall be in an amount necessary and sufficient to fully amortize the principal balance of the indebtedness evidenced by this note outstanding as of the school corporation's last payment, bearing interest at the then applicable note rate, if paid in sixty (60) equal monthly installments between August 11, 2016, and July 11, 2021.

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Community Montessori, Inc. (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2010 and 2011. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2010 and 2011.

Internal Control Over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the School Corporation's management, Board of Directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

February 9, 2012

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying note presented were approved by management of the School Corporation. The schedule and note are presented as intended by the School Corporation.

COMMUNITY MONTESSORI, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2010 and 2011

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-10	Total Federal Awards Expended 06-30-11
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education				
Special Education Cluster (IDEA)				
Special Education - Grants to States	84.027			
FY 2009-10		14210-229-PN01	\$ 46,178	\$ 10,036
FY 2010-11		14211-529-PN01	-	40,022
Total for program			<u>46,178</u>	<u>50,058</u>
ARRA - Special Education - Grants to States, Recovery Act	84.391			
FY 2009-10		33310-229-SN01	<u>69,248</u>	<u>13,851</u>
Total for cluster			<u>115,426</u>	<u>63,909</u>
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State				
Grants, Recovery Act	84.394			
FY 2009-10		10-9320	<u>290,567</u>	-
Direct Award				
Rural Education	84.358			
S358A085949		09-9320	36,541	-
S358A095949		10-9320	<u>1,202</u>	<u>33,363</u>
Total for program			<u>37,743</u>	<u>33,363</u>
Pass-Through Indiana Department of Education				
Charter Schools	84.282			
FY 2009-10		FY 2009-10	<u>113,280</u>	-
State Grants for Innovative Programs	84.298			
FY 2009-10		A58-9-09SL-042	<u>20,000</u>	-
Improving Teacher Quality State Grants	84.367			
FY 2008-09		08-9320	-	<u>13,744</u>
Total for federal grantor agency			<u>577,016</u>	<u>111,016</u>
Total federal awards expended			<u>\$ 577,016</u>	<u>\$ 111,016</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

COMMUNITY MONTESSORI, INC.
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Community Montessori, Inc., and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1 et seq.), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

COMMUNITY MONTESSORI, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.282	State Fiscal Stabilization Fund Cluster Charter Schools

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters re reportable.

COMMUNITY MONTESSORI, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

COMMUNITY MONTESSORI, INC.
EXIT CONFERENCE

The contents of this report were discussed on February 9, 2012, with Barbara Burke Fondren, Director/Treasurer; Karen Gillenwater, President of the Board of Directors; and Joanne Kiefer, Administrative Services - Finance Coordinator. Our audit disclosed no material items that warrant comment at this time.