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February 6, 2013

Charter School Board
Central Indiana Military Academy, Inc.
d/b/a Anderson Preparatory Academy
101 W. 29th Street
Anderson, IN 46016

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Fitzgerald/Isaac LLC, Independent Public Accountants, for the period July 1, 2010 to June 30, 2012. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of Central Indiana Military Academy, Inc. d/b/a Anderson Preparatory Academy, as of June 30, 2012 and 2011, and the results of its operations for the periods then ended, on the basis of accounting described in the report.

We call your attention to the findings in the report. Page 24 contains the status of one prior audit finding.

The Financial Statements and Independent Auditors' Report are filed in our office as a matter of public record.

State Board of Accounts

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a ANDERSON PREPARATORY ACADEMY

Financial Statements and Federal Single Audit Report

June 30, 2012 and 2011

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Central Indiana Military Academy, Inc.

We have audited the accompanying statements of financial position of **Central Indiana Military Academy, Inc. d/b/a Anderson Preparatory Academy** as of June 30, 2012 and 2011 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the management of Central Indiana Military Academy, Inc. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Indiana Military Academy, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2013 on our consideration of Central Indiana Military Academy, Inc.'s internal control over financial reporting and on 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 audits.

Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink, appearing to read "Raymond Isaac". The signature is written in a cursive style with a large initial "R" and "I".

Indianapolis, IN
January 21, 2013

CENTRAL INDIANA MILITARY ACADEMY, INC
d/b/a
ANDERSON PREPARATORY ACADEMY

Statements of Financial Position

	June 30	
Assets	2012	2011
Current assets:		
Cash and cash equivalents	\$ 542,312	339,955
Accounts receivable:		
State education support	2,725,017	1,331,415
Grants	230,422	-
Prepaid expenses	52,668	22,592
Total current assets	3,550,419	1,693,962
Property and equipment:		
Land	320,000	80,000
Buildings and improvements	2,476,675	1,803,726
Furniture and equipment	916,764	483,830
Textbooks	114,885	75,546
Vehicles	26,950	26,950
	3,855,274	2,470,052
Less: accumulated depreciation	(729,998)	(369,185)
Property and equipment, net	3,125,276	2,100,867
	\$ 6,675,695	3,794,829
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 426,692	217,784
Line of credit	72,261	85,259
Current portion of long-term debt	90,147	147,448
Current portion of capital lease obligations	113,947	51,316
Refundable advances	-	19,987
Total current liabilities	703,047	521,794
Accrued interest on Common School Fund loans	175,415	81,063
Long-term debt	4,835,409	2,688,004
Capital lease obligations	325,730	53,611
Total liabilities	6,039,601	3,344,472
Unrestricted net assets	636,094	450,357
	\$ 6,675,695	3,794,829

See accompanying notes to financial statements.

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Statements of Activities

	<u>Year Ended June 30</u>	
	<u>2012</u>	<u>2011</u>
<u>Revenue, Gains and Support</u>		
State education support	\$ 5,450,161	2,663,867
Grant revenue	760,320	466,540
Student fees	198,076	118,680
Contributions/fundraising	9,108	18,675
Other income	146,893	154,158
Interest income	108	375
Total revenue, gains, and support	<u>6,564,666</u>	<u>3,422,295</u>
 <u>Expenses</u>		
Program services:		
Educational instruction	3,970,905	2,093,614
Education support	1,140,777	637,559
Administrative	1,267,247	761,255
Total expenses	<u>6,378,929</u>	<u>3,492,428</u>
 Increase (decrease) in net assets	185,737	(70,133)
 Net assets, beginning of year	<u>450,357</u>	<u>520,490</u>
 Net assets, end of year	<u>\$ 636,094</u>	<u>450,357</u>

See accompanying notes to financial statements.

CENTRAL INDIANA MILITARY ACADEMY, INC
d/b/a
ANDERSON PREPARATORY ACADEMY

Statements of Cash Flows

	<u>Year Ended June 30</u>	
	<u>2012</u>	<u>2011</u>
<u>Operating Activities</u>		
Change in net assets	\$ 185,737	(70,133)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	360,813	228,242
Change in:		
Accounts receivable	(1,624,024)	(202,352)
Prepaid expenses	(30,076)	(3,789)
Accounts payable and accrued expenses	303,260	115,997
Refundable advances	(19,987)	(146,065)
Net cash used by operating activities	<u>(824,277)</u>	<u>(78,100)</u>
 <u>Investing Activities</u>		
Purchases of property and equipment	<u>(955,329)</u>	<u>(208,125)</u>
Net cash used by investing activities	<u>(955,329)</u>	<u>(208,125)</u>
 <u>Financing Activities</u>		
Net proceeds (repayments) on line of credit	(12,998)	37,000
Proceeds from Common School Fund loan	1,469,107	335,352
Proceeds from bank borrowings	532,000	-
Proceeds from Illinois Facility Fund loan	240,000	-
Principal reduction of capital lease obligation	(95,143)	(55,201)
Principal repayment of long-term debt	(151,003)	(101,017)
Net cash provided by financing activities	<u>1,981,963</u>	<u>216,134</u>
 Net increase (decrease) in cash	202,357	(70,091)
 Cash and cash equivalents, beginning of year	<u>339,955</u>	<u>410,046</u>
 Cash and cash equivalents, end of year	<u>\$ 542,312</u>	<u>339,955</u>
 Supplemental disclosures:		
Equipment obtained under capital lease	\$ 429,893	147,088
Cash payments for interest expense	195,233	39,262

See accompanying notes to financial statements.

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Notes to Financial Statements

June 30, 2012 and 2011

(1) Summary of Significant Accounting Policies

General

Central Indiana Military Academy, Inc. d/b/a Anderson Preparatory Academy (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24-3-1 and sponsored by Ball State University. The School commenced operations as of July 1, 2008.

Accounting Estimates

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

Revenue Recognition

Revenues generally come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and paid in equal monthly installments in January through December following the start of the school year. Revenue is recognized in the school year to which the payments pertain.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred.

Accounts Receivable

Accounts receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Taxes on Income

Central Indiana Military Academy, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2012 and 2011, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ending 2011, 2010, and 2009 are open to audit for both federal and state purposes.

Property and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than \$1,000 are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Buildings and improvements.....	10 to 40 years
Furniture and equipment.....	3 years
Textbooks	4 years
Vehicles	5 years

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Subsequent Events

The School evaluated subsequent events through January 21, 2013, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

(2) Accounts Receivable

Accounts receivable for state education support as of June 30, 2012 and 2011 represent amounts due from the State of Indiana relating to the following sources:

	<u>2012</u>	<u>2011</u>
Tuition support	\$2,513,473	1,183,664
Special education grant.....	166,349	100,839
Prime Time grant.....	45,195	-
Restoration grant	_____ -	_____ 46,912
	<u>\$2,725,017</u>	<u>1,331,415</u>

Tuition support is determined by state law and is dependent upon the geographic location of the school and is indexed to the poverty data of the enrolled students. The payment schedule is likewise determined by state law with tuition payable in equal monthly installments in the calendar year following the start of the school year. Upon revocation or termination of the charter, the payment streams will cease and any unpaid amounts will be applied to the unpaid balance of notes from the Indiana Common School Fund (see Note 4).

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Notes to Financial Statements

(3) Revolving Line of Credit

The School has a \$100,000 revolving line of credit to provide short-term financing. The agreement, which expires September 13, 2012, is secured by all business assets. Bank advances on the credit line carry an interest rate of 1.5% above the prime rate. The outstanding borrowings at June 30, 2012 and 2011 were \$72,261 and \$85,259, respectively.

(4) Long-Term Debt

Long-term debt at June 30, 2012 and 2011 was comprised of:

	<u>2012</u>	<u>2011</u>
Mortgage loan payable to Main Source Bank, payable in monthly installments of \$4,350 including interest at 5.5% per annum (adjustable every five years) through July 2026, secured by first and second mortgages on School facilities and all business assets.....	\$510,737	-
Mortgage loan payable to Main Source Bank, payable in monthly installments of \$3,632 including interest at 6.75% per annum (adjustable in March 2014) through March 2029, secured by a first mortgage on School facilities.....	433,578	446,931
Mortgage loan payable to Illinois Facility Fund, payable in monthly installments of \$8,017 including interest at 6% per annum (adjustable every five years) through May 2025, secured by a first mortgage on School facilities and all property contained therein.....	888,634	930,154

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Notes to Financial Statements

(4) Long-Term Debt, Continued

Mortgage loan payable to Illinois Facility Fund, payable in monthly installments of \$2,025 including interest at 6% per annum (adjustable every five years) through July 2026, secured by a first mortgage on School facilities and all property contained therein.....	230,692	-
Note payable to Old National Bank, payable in monthly installments of \$6,046 with the unpaid balance due June 2012, interest accrues at .5% above the lender's prime rate.....	-	65,559
Notes payable to the Indiana Common School Fund	2,861,915	1,392,808
	4,925,556	2,835,452
Less: Current maturities	<u>(90,147)</u>	<u>(147,448)</u>
	<u>\$4,835,409</u>	<u>2,688,004</u>

The notes payable to the Indiana Common School Fund are comprised of multiple notes, each of which requires semi-annual payments of principal and interest over a period of 20 years, with interest at 4% per annum. In 2011, the Indiana Common School Fund granted a second moratorium on loan payments. Payments will commence again on July 1, 2013. The last note matures on January 1, 2033. These notes are secured by unpaid tuition support distributions (see Note 2).

CENTRAL INDIANA MILITARY ACADEMY, INC.
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ANDERSON PREPARATORY ACADEMY

Notes to Financial Statements

(4) Long-Term Debt, Continued

Principal maturities of long-term debt are as follows:

<u>Year Ended June 30:</u>	
2013	\$ 90,147
2014	242,576
2015	248,712
2016	255,155
2017	262,143
Thereafter	<u>3,826,823</u>
.....	<u>\$4,925,556</u>

(5) Leases

The School leases various items of equipment under capital leases. At June 30, 2012, the cost and accumulated depreciation relating to these assets were \$592,431 and \$235,820, respectively (\$171,588 and \$58,058 at June 30, 2011).

Following is a schedule of future minimum lease payments under capital leases and the present value of the net minimum lease payments as of June 30, 2012:

<u>Year Ended June 30:</u>	
2013	\$138,876
2014	143,689
2015	106,916
2016	106,916
2017	<u>3,836</u>
	500,233
Less: amount representing interest	<u>(60,556)</u>
	<u>\$439,677</u>

CENTRAL INDIANA MILITARY ACADEMY, INC.

d/b/a

ANDERSON PREPARATORY ACADEMY

Notes to Financial Statements

(5) Leases, Continued

The School also leases various items of equipment under operating leases. Total expense under these operating leases for 2012 and 2011 was \$80,027 and \$44,842, respectively. Minimum future rental payments as of June 30, 2012 for all operating leases with initial, noncancellable lease terms in excess of one year are as follows:

Year ending June 30:

2013	\$14,824
2014	7,691
2015	4,609

(6) Refundable Advances

The School has been awarded grants from the Indiana Department of Education to provide educational instruction. The grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. At June 30, 2011, the School had refundable grant advances in excess of expenditures of \$19,987.

(7) Retirement Plans

Retirement benefits for teaching personnel are provided by the Indiana State Teachers' Retirement Fund ("TRF"), which is a multiple-employer defined benefit retirement plan created by the State of Indiana. Under the plan, the School contributes 7% of compensation for all participating personnel to TRF. All other employees are eligible to participate in a 403(b) plan offered through the Indiana Public Charter School Association. Under this plan, the School contributes 6% of compensation as defined. Additional contributions may be made to the plan at the discretion of the board of directors. No discretionary contributions were made in 2012 or 2011. These plans cover substantially all full-time employees. Retirement plan expense was \$185,501 and \$94,337 for the years ended June 30, 2012 and 2011, respectively.

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Notes to Financial Statements

(8) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Payments under this charter agreement were \$75,404 and \$35,510 for the years ended June 30, 2012 and 2011, respectively. The charter remains in effect until June 30, 2013, and is renewable thereafter by mutual consent.

The School executed a service contract for network and technology services. Under this contract, the School has committed to make annual payments of \$75,768 through April 1, 2015 with the option to purchase additional services for which the School is billed as services are provided. The School has the option to terminate the agreement with 30 days notice. Payments under this agreement were \$71,777 and \$42,340 for the years ended June 30, 2012 and 2011, respectively.

(9) Risks and Uncertainties

The School provides education instruction services to families residing in Madison and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2012, substantially all of the receivable balance was due from the State of Indiana. In addition, deposits maintained at Old National Bank frequently exceed the FDIC insurance limit.

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Notes to Financial Statements

(10) Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and services benefited. Following is a summary of expenses comprising each program and/or service for the years ended June 30, 2012 and 2011:

	<u>2012</u>		
	<u>Educational</u>	<u>Education</u>	<u>Admini-</u>
	<u>Instruction</u>	<u>Support</u>	<u>strative</u>
Salaries and wages	\$2,414,428	227,426	519,003
Employee benefits.....	622,791	34,114	130,408
Professional services.....	210,609	127,519	122,329
Staff development	14,161	-	15,101
Authorizer oversight fee	-	-	150,812
Transportation	6,699	-	-
Property rental and maintenance.....	155,649	139,078	-
Classroom, kitchen and office supplies	56,863	205,176	49,726
Occupancy.....	-	401,169	-
Depreciation.....	360,813	-	-
Interest.....	128,892	-	160,693
Insurance	-	-	78,607
Other	-	<u>6,295</u>	<u>40,568</u>
	<u>\$3,970,905</u>	<u>1,140,777</u>	<u>1,267,247</u>

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Notes to Financial Statements

(10) Functional Expense Reporting, Continued

	<u>2011</u>		
	<u>Educational Instruction</u>	<u>Education Support</u>	<u>Admini- strative</u>
Salaries and wages	\$1,143,415	96,167	390,789
Employee benefits	282,108	20,959	72,893
Professional services	172,591	127,336	94,448
Staff development	8,534	-	11,967
Authorizer oversight fee	-	-	71,032
Transportation	3,385	-	-
Property rental and maintenance	126,291	69,548	-
Classroom, kitchen and office supplies	44,331	127,291	18,493
Occupancy	-	191,121	-
Depreciation	228,242	-	-
Interest	84,249	-	36,076
Insurance	-	-	43,855
Other	<u>468</u>	<u>5,137</u>	<u>21,702</u>
	<u>\$2,093,614</u>	<u>637,559</u>	<u>761,255</u>

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Schedule of Expenditures of Federal Awards

Years Ended June 30, 2012 and 2011

<u>Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Awards Expended</u>	
			<u>2012</u>	<u>2011</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
National School Lunch Program	10.555		<u>\$ 75,166</u>	<u>61,333</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-through Indiana Department of Education				
Grants to Local Educational Agencies	84.010		110,091	95,668
Special Education - Grants to States	84.027		81,649	54,586
Charter Schools Program	84.282		236,098	176,803
Improving Teacher Quality State Grants	84.367		46,891	18,461
ARRA--Educational Technology State Grant	84.386		-	25,000
Education Jobs Fund	84.410		76,321	-
Total for federal grantor agency			<u>551,050</u>	<u>370,518</u>
Total federal awards expended			<u>\$ 626,216</u>	<u>431,851</u>

See accompanying Independent Auditors' Report.
See accompanying notes to this schedule.

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Notes to the Schedule of Expenditures of Federal Awards

Years Ended June 30, 2012 and 2011

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Central Indiana Military Academy, Inc. ("the School") under programs of the federal government for the years ended June 30, 2012 and 2011. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

The Board of Directors
Central Indiana Military Academy, Inc.

We have audited the financial statements of **Central Indiana Military Academy, Inc. d/b/a Anderson Preparatory Academy** ("the School") as of and for the years ended June 30, 2012 and 2011 and have issued our report thereon dated January 21, 2013. We conducted our audits 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

The management of the School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the School are 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 for the information of the Board of Directors, management, and 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.

A handwritten signature in black ink, appearing to read "Raymond Isaac". The signature is written in a cursive style with a large initial "R" and "I".

Indianapolis, IN
January 21, 2013

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Directors
Central Indiana Military Academy, Inc.

Compliance

We have audited the compliance of **Central Indiana Military Academy, Inc. d/b/a Anderson Preparatory Academy** ("the School") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the years ended June 30, 2012 and 2011. The School'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's management. Our responsibility is to express an opinion on the School'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'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's compliance with those requirements.

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended June 30, 2012 and 2011.

Internal Control Over Compliance

The management of the School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could have a direct and material effect on a major federal program 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's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a 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 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 Board of Directors, management, and 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.



Indianapolis, IN
January 21, 2013

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Schedule of Findings and Questioned Costs

Years Ended June 30, 2012 and 2011

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
▪ Material weaknesses:	None Reported
▪ Significant deficiencies that are not considered to be material weaknesses:	None Reported
Noncompliance noted which is material to financial statements:	No

Federal Awards

Internal control over major programs:	
▪ Material weaknesses:	None Reported
▪ Significant deficiencies that are not considered to be material weaknesses:	None Reported
Type of auditors' report issued on compliance for major program:	Unqualified
Audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133:	No

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Schedule of Findings and Questioned Costs

Years Ended June 30, 2012 and 2011

I. Summary of Auditors' Results, Continued

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.282	Charter Schools Program
84.010	Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee: No

II. Financial Statement Findings

No matters were reportable.

III. Federal Award Findings and Questioned Costs

No matters were reportable.

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Summary Schedule of Prior Audit Findings

Years Ended June 30, 2012 and 2011

FINDING NO. 2010-1 CASH MANAGEMENT

Federal Agency:	U.S. Department of Education
Pass-Through Entity:	Indiana Department of Education
Federal Program:	Charter Schools Program
CFDA Numbers:	84.282
Award Year:	FY 2008-09 and 2009-10

Condition

This finding was a significant deficiency stating that cash advances were received in excess of immediate cash needs resulting in excessive cash balances for 13 months out of 24 months that were examined.

Recommendation

The auditor recommended the development and implementation of procedures and controls to ensure that the time between the receipt and disbursement of federal funds is kept to a minimum.

Current Status

The recommendation was adopted. The School no longer requests cash in advance of the disbursement of federal funds. No similar finding was noted in the 2012 and 2011 audits.