

**THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY**

**BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

JUNE 30, 2011

THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Richardson Montessori Academy, Inc.
A Charter School and Component Unit of
The School District of Hillsborough County
Tampa, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The Richardson Montessori Academy, Inc. (the "Academy"), as of and for the year ended June 30, 2011, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Academy, as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate 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 information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Sottile & Company P.A.

Sottile & Company P.A.

Tampa, Florida

September 15, 2011

**THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

Our discussion and analysis of The Richardson Montessori Academy, Inc.'s (the "Academy") financial program provides an overview of the Academy's financial and non-financial activities for the year ended June 30, 2011. In addition, the discussion and analysis will also provide the following information:

- How the basic financial statements relate to each other and the significant differences of information they provide.
- A comparative analysis of current and prior year financial information to provide reasons for significant changes that significantly affected current year operations.
- An analysis of fund financial information and a review of significant changes in fund balances.
- An analysis of significant variations between original and final budgeted amounts and actual results of operations.
- A description of currently known facts, decisions, or conditions that are expected to have a significant effect on the Academy's prospects for the future.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS:

The basic financial statements consist of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Academy's financial position. Included in these statements are all assets and liabilities using the accrual method of accounting.

The Statement of Net Assets presents information on all of the Academy's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may be an indicator of improving or deteriorating financial conditions.

The Statement of Activities presents information about the change in net assets and results of operations during the most recent fiscal year. All results of operations and changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Academy uses fund accounting to demonstrate compliance with finance related legal requirements and

THE RICHARDSON MONTESSORI ACADEMY, INC.
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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS (continued):

prudent fiscal management. Fund financial statements provide more detailed information about financial activities focusing on its most significant funds. The Academy has implemented Government Accounting Standards Board Statement No. 54 (GASB 54) which changes the presentation of fund balance, a key indicator of interperiod equity.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13-21 of this report.

Government-Wide Financial Analysis:

As noted earlier, net assets may over time serve as a useful indicator of the Academy's financial position when the current and prior years are compared.

	Net Assets	
	2011	2010
Current and other assets	\$ 433,610	\$ 367,945
Capital assets	281,173	281,397
Total assets	714,783	649,342
 Current liabilities	 13,208	 15,991
 Net assets:		
Invested in capital assets	281,173	281,397
Restricted	-	-
Unrestricted	420,402	351,954
Total net assets	\$ 714,783	\$ 649,342

The Academy's net assets have increased due to sufficient student enrollment to provide an excess of revenue over expenditures.

Revenues for governmental activities totaled \$528,714 for the year ended June 30, 2011. The main source of revenue was from the Florida Education Finance Program ("FEFP"). FEFP revenue represented approximately 63% of total revenue for the 2011 fiscal year.

**THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS (continued):

<u>Revenue Source</u>	<u>Amount</u>	<u>Percent of Total</u>
State sources	\$ 497,842	94.16%
Other revenue	30,872	5.84%
Total	<u>\$ 528,714</u>	<u>100.00%</u>

Revenue increased and expenditures increased during the year. Revenue increases were due to higher student enrollment. The increase in student enrollment was projected in the prior year's discussion and analysis. Expenditure increases were due to more instructional staff due to higher student enrollment.

	<u>Changes in Net Assets</u>	
	<u>2011</u>	<u>2010</u>
Revenues:		
Program Revenues:		
Capital grants and contributions	\$ 29,238	\$ 34,342
General revenues:		
Unrestricted grants and contributions	499,476	446,511
Total revenues	<u>528,714</u>	<u>480,853</u>
Program expenses:		
Instruction	212,303	145,430
School administration	49,144	96,413
Other expenses	199,043	212,781
Total expenses	<u>460,490</u>	<u>454,624</u>
Increase (decrease) in net assets	<u>\$ 68,224</u>	<u>\$ 26,229</u>

Current Year/Prior Year Analysis:

Financial Analysis of Individual Funds

An analysis of current year to prior year balances and transactions provide reasons for significant changes in fund balances and/or fund net assets and whether any restrictions, commitments, or other factors could affect the availability of resources for future use.

- State and federal sources of capital outlay declined by \$5,104 from \$34,342 in 2010 to \$29,238 in 2011.
- FEFP revenue increased in 2011 by approximately \$20,988, from \$314,691 in 2010 to \$335,679 in 2011.

**THE RICHARDSON MONTESSORI ACADEMY, INC.
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SCHOOL DISTRICT OF HILLSBOROUGH COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS (continued):

Capital Assets

- Capital assets' net book value decreased by \$224 during the year due to the net effect of \$7,900 in additions and \$8,124 depreciation expense.
- In fiscal year 2008 the Academy capitalized costs associated with architectural designs associated with the proposed school project located on land owned by the Academy. The Academy has postponed the project.
- The Academy made no borrowings during fiscal year 2011.

Budgetary Highlights in the General Fund

Actual revenue was \$499,476.

Instruction and other expenditures were under revenue by approximately \$100,182.

The General Fund balance at June 30, 2011 was \$420,402 an increase of \$68,448 from June 30, 2010.

Significant Economic Factors for the Future

Management anticipates the student census will be approximately 78 students for the fiscal year ending June 30, 2012. Management has prepared a budget to reflect a projected full-time equivalent (FTE) student population of 78. As a result of the projected FTE, the Academy has projected an operating loss of approximately \$83,800 for fiscal year ending June 30, 2012.

THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2011
(WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2010)

	Governmental Activities	2010
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 381,046	\$ 340,151
Receivables	32,927	2,202
Due from related party	218	2,379
Due from employee	11	4,554
Due from others	1,475	-
Prepaid expenses	6,433	7,159
Total current assets	422,110	356,445
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION		
	281,173	281,397
OTHER ASSETS:		
Deposits	11,500	11,500
Total assets	\$ 714,783	\$ 649,342
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 9,603	\$ 11,612
Deferred revenue	750	-
Accrued expenses	2,855	4,379
Total current liabilities	13,208	15,991
NET ASSETS:		
Invested in capital assets	281,173	281,397
Restricted for capital projects	-	-
Unrestricted	420,402	351,954
Total net assets	701,575	633,351
Total liabilities and net assets	\$ 714,783	\$ 649,342

The accompanying notes to the basic financial statements are an integral part of this statement.

THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2010)

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	2010 Total
		Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:					
Instruction	\$ 212,303	\$ -	\$ -	\$ (212,303)	\$ (145,430)
School administration	49,144	-	-	(49,144)	(96,413)
Operation of plant	54,952	-	-	(54,952)	(59,962)
Maintenance of plant	18,432	-	-	(18,432)	(30,365)
General support services	22,064	-	-	(22,064)	(22,568)
Fiscal services	34,499	-	-	(34,499)	(30,195)
Rent of plant	60,972	-	29,238	(31,734)	(26,630)
Depreciation and amortization expense	8,124	-	-	(8,124)	(8,719)
Total governmental activities	<u>\$ 460,490</u>	<u>\$ -</u>	<u>\$ 29,238</u>	(431,252)	(420,282)
General Revenues:					
				468,604	446,511
				30,872	-
				<u>499,476</u>	<u>446,511</u>
				68,224	26,229
				<u>633,351</u>	<u>607,122</u>
				<u>\$ 701,575</u>	<u>\$ 633,351</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Public Education Capital Outlay	Total Governmental Funds
<u>ASSETS</u>			
Cash	\$ 380,296	\$ 750	\$ 381,046
Receivables	32,927	-	32,927
Due from related party	218	-	218
Due from employee	11	-	11
Due from others	1,475	-	1,475
Prepaid expenses	6,433	-	6,433
Deposits	11,500	-	11,500
	\$ 432,860	\$ 750	\$ 433,610

LIABILITIES AND FUND BALANCES

CURRENT LIABILITIES

Accounts payable	\$ 9,603	\$ -	\$ 9,603
Deferred revenue	-	750	750
Accrued expenses	2,855	-	2,855
	12,458	750	13,208

FUND BALANCES

Nonspendable			
Prepays	6,433	-	6,433
Restricted	-	-	-
Committed	-	-	-
Assigned to			
Subsequent years expenditures	83,781	-	83,781
Unassigned	330,188	-	330,188
	420,402	-	420,402
Total fund balances	\$ 420,402	\$ -	\$ 420,402
Total liabilities and fund balances	\$ 432,860	\$ 750	\$ 433,610

The accompanying notes to the basic financial statements are an integral part of this statement.

THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Fund Balances - Governmental Funds	\$ 420,402
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

281,173

Total net assets - Governmental activities

\$ 701,575

The accompanying notes to the basic financial statements are an integral part of this statement.

THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Public Education Capital Outlay</u>	<u>Total Governmental Funds</u>
REVENUES:			
State passed through local school district	\$ 468,604	\$ 29,238	\$ 497,842
Other	30,872	-	30,872
Total revenues	<u>499,476</u>	<u>29,238</u>	<u>528,714</u>
EXPENDITURES:			
Current:			
Instruction	212,303	-	212,303
School administration	49,144	-	49,144
Operation of plant	54,952	-	54,952
Maintenance of plant	18,432	-	18,432
General support services	22,064	-	22,064
Fiscal services	34,499	-	34,499
Capital outlay:			
Rent of plant	-	60,972	60,972
Other capital outlay	7,900	-	7,900
Total expenditures	<u>399,294</u>	<u>60,972</u>	<u>460,266</u>
(Excess) deficiency of expenditures over revenues	100,182	(31,734)	68,448
Other financing sources (uses):			
Transfers in	-	31,734	31,734
Transfers out	(31,734)	-	(31,734)
Total other financing sources (uses)	<u>(31,734)</u>	<u>31,734</u>	<u>-</u>
Net change in fund balance	68,448	-	68,448
Fund balance - July 1, 2010	<u>351,954</u>	<u>-</u>	<u>351,954</u>
Fund balance - June 30, 2011	<u>\$ 420,402</u>	<u>\$ -</u>	<u>\$ 420,402</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

**THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
JUNE 30, 2011**

Net Change in Fund Balances - Governmental Funds	\$	68,448
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation and amortization expense. The amount by which capital outlays is exceeded by depreciation expense in the current period is</p>		
		(224)
Change in net assets of governmental activities	\$	<u>68,224</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Richardson Montessori Academy, Inc. (the “Academy”) is a not-for-profit corporation and operates as a Charter School pursuant to a Charter School Contract (the “Contract”) with the School District of Hillsborough County, Florida (the “District”). The Academy is tax exempt under Section 501(c)(3) of the Internal Revenue Code. Under the Contract the Academy provides an elementary school education to children who reside in Hillsborough County. The Academy is governed by a Board of Directors composed of five members.

The general operating authority of the Academy is contained in Section 1002.33, Florida Statutes. The current charter is for a term of five years beginning July 27, 2010. The charter may be renewed as provided in Section 1002.33, Florida Statutes, upon mutual consent between the Academy and the District and execution of a written renewal. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the Academy in writing at least ninety days prior to the charter’s expiration. The Academy contract provides in the event the Academy is dissolved or terminated, any unencumbered funds and all Academy property purchased with public funds revert to the District. During the term of the charter, the District may also terminate the charter if good cause is shown. The Academy is a component unit of the District.

Criteria for determining if other entities are potential component units which should be reported within the Academy’s basic financial statements are identified and described in the Governmental Accounting Standards Board’s (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2100 and 2600. The application of these criteria provide for identification of any entities for which the Academy is financially accountable and other organizations for which the nature and significance of their relationship with the Academy are such that exclusion would cause the Academy’s basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the Academy.

Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements provide information about the Academy’s overall financial condition in a manner similar to a private-sector business. A Statement of Net Assets and Statement of Activities report on the accrual basis of accounting using an economic resources measurement focus for governmental activities as the Academy

THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

does not engage in any business type activities. The Statement of Net Assets provides information about the Academy's financial position, with the difference between assets and liabilities reported as net assets. The Statement of Activities presents information about the change in the Academy's net assets and the results of its operations during the fiscal year. An increase or decrease in net assets is an indication of improving or deteriorating financial health.

Fund Financial Statements

The Academy's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives using the current financial resources measurement focus on a modified accrual basis of accounting. The Academy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. The current financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year. Consequently, the governmental fund statement provides a detailed short-term view that may be used to evaluate the Academy's near-term financing requirements. The Academy considers revenues collected within sixty days from year-end to be available for revenue recognition in the governmental and fund financial statements.

The Academy has implemented Government Accounting Standards Board Statement No. 54 (GASB 54) which changes the presentation of fund balance, a key indicator of interperiod equity. The new fund balance reporting model is designed to clarify fund balance reporting into classifications; nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance. See Note 6 for a detailed presentation of GASB 54.

Budgetary Basis of Accounting

The Academy's annual budgets are adopted for the entire operations and presented on the modified accrual basis of accounting and may be amended by the Board of Directors. Since the budgetary basis differs from GAAP, budgetary and actual amounts in the accompanying required supplementary information are presented on the budgetary basis. A reconciliation of expenditures under revenues presented in conformity with GAAP is set forth in the adjustments to the required supplementary information.

THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Cash

Deposits are maintained with commercial banks which are organized under the laws of the United States of America and insured by the Federal Deposit Insurance Corporation (the “FDIC”) up to \$250,000. At June 30, 2011 there were no uninsured bank deposits.

Capital Assets

Expenditures for capital assets acquired for Academy purposes are reported in Governmental Funds that financed the acquisition; whereas the acquired capital assets are capitalized (recorded) at cost in the Statement of Net Assets. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Academy’s policy is to capitalize all capital assets having a useful life of more than one year.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Estimated Useful Lives (years)
Leasehold improvements	40
Furniture, fixtures and equipment	10
Computer software	3
Library	10
Vehicles	5

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Income Taxes

The Academy is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in these basic financial statements.

Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of

THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Data

Comparative data for the prior year has been presented for certain sections of the accompanying basic financial statements to provide an understanding of the changes in the Academy's financial position and operations.

Revenue Sources

Revenues for current operations are received primarily from the State of Florida passed through the District to the Academy pursuant to the funding provisions included in the charter. Under the provisions of Section 1011.62, Florida Statutes (FS) the number of full-time equivalent (FTE) students and related data are reported to the Florida Department of Education (FDE) for funding through the Florida Education Finance Program (FEFP). Funding for the Academy is adjusted during the year to reflect revised calculations by the FDE under the FEFP and actual weighted FTE students reported by the Academy during designated FTE student survey periods.

The basic amount of funding through the FEFP under Section 1011.62 is the product of the (1) unweighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2, Florida Statutes. For the 2010-2011 school year the school reported 74.00 unweighted FTE. Weighted funding represents approximately 4.6% of total state funding.

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Auditor General pursuant to Section 1010.305, Florida Statutes, and Rule 6A-1.0453, Florida Administrative Code (FAC). Schools are required to maintain the following documentation for three years or until the completion of an FTE audit:

- Attendance and membership documentation (Rule 6A-1.044, FAC)
- Teacher certificates and other certification documentation (Rule 6A-1.0503, FAC)
- Procedural safeguards for weighted programs (Rule 6A-603411, FAC)
- Evaluation and planning documents for weighted programs (Sections 1011.62(1)(e), FS, and Rule 6A-6.03411, FAC)

The Academy, from time to time, also receives federal grant awards for the enhancement of various educational programs. Federal awards are generally received based on an

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A CHARTER SCHOOL AND COMPONENT UNIT OF THE
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

application submitted to and approved by various granting agencies. For federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred. This activity is recorded in the Other Federal Programs Fund. In 2011 there were no eligible expenditures or revenues.

The Academy also received state awards for capital outlay expenditures. The state grant awards are based on an application submitted and approved by the state. The amount received under this program is based on the Academy's actual and projected student enrollment during the year. Funds received under this program may only be used for lawful capital outlay expenditures and are accounted for in the Public Education Capital Outlay Fund.

Additionally, other revenues may be derived from various fundraising activities and certain other programs.

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THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2 – CAPITAL ASSETS:

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance at July 1, 2010	Additions	Deletions	Balance at June 30, 2011
Capital assets not depreciated:				
Land	\$ 208,146	\$ -	\$ -	\$ 208,146
School building project	40,800	-	-	40,800
Total capital assets not depreciated	<u>248,946</u>	<u>-</u>	<u>-</u>	<u>248,946</u>
Capital assets depreciated:				
Leasehold improvements	13,466	-	-	13,466
Furniture, fixtures and equipment	90,550	7,900	-	98,450
Computer software	10,370	-	-	10,370
Library	23,000	-	-	23,000
Vehicles	9,375	-	-	9,375
Total capital assets depreciated	<u>146,761</u>	<u>7,900</u>	<u>-</u>	<u>154,661</u>
Less accumulated depreciation:				
Leasehold improvements	(2,532)	(446)	-	(2,978)
Furniture, fixtures and equipment	(74,683)	(6,278)	-	(80,961)
Computer software	(10,370)	-	-	(10,370)
Library	(17,350)	(1,400)	-	(18,750)
Vehicles	(9,375)	-	-	(9,375)
Total accumulated depreciation	<u>(114,310)</u>	<u>(8,124)</u>	<u>-</u>	<u>(122,434)</u>
Total capital assets depreciated, net	<u>32,451</u>	<u>(224)</u>	<u>-</u>	<u>32,227</u>
Total capital assets, net	<u>\$ 281,397</u>	<u>\$ (224)</u>	<u>\$ -</u>	<u>\$ 281,173</u>

For the year ended June 30, 2011 depreciation expense of \$8,124 is reported in the Statement of Activities, Government-Wide Financial Statements.

NOTE 3 - RISK MANAGEMENT:

The Academy is exposed to various risks of loss in the normal course of operations which are related to theft, damage or destruction of assets, errors and omissions, injuries to employees and natural disasters. The Academy purchases commercial insurance for worker's compensation, general liability, commercial property, commercial auto, educators' legal liability and errors and omissions coverage.

THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3 - RISK MANAGEMENT (continued):

Approximately 95% of the Academy's revenue is derived from state and local funds passed through the District. The current level of the Academy's operation and program services may be impacted if funding is not renewed.

NOTE 4 - RELATED PARTY TRANSACTIONS:

During the year ended June 30, 2011 there were various transactions between the Academy and a private school owned by the Academy's Administrator and her spouse. This related entity operates on the same site as the Academy and shares in personnel, leased space, utilities, and commercial insurance policies with the Academy.

The amount charged to the private school for shared expenses was \$28,578 for the year ended June 30, 2011. The amount due from the related entity at June 30, 2011 was \$218.

NOTE 5 - REVENUE SOURCES:

The Academy receives revenues for current operations primarily from the State of Florida through the District as detailed in the following schedule of revenue sources and amounts:

<u>Sources</u>	<u>General Fund</u>	<u>Capital Outlay</u>	<u>Total</u>	<u>2010 Total</u>
State and local sources passed through the School District of Hillsborough County:				
Florida Education Finance Program (FEFP)	\$ 335,679	\$ -	\$ 335,679	\$ 314,691
Education Jobs Bill - District	15,828	-	15,828	-
Map	3,683	-	3,683	-
Instruction materials	5,599	-	5,599	5,177
VPK	135	-	135	-
SAI categorical	14,271	-	14,271	13,395
Class size reduction	92,559	-	92,559	87,026
Teacher lead	710	-	710	1,369
FDLRS	140	-	140	-
Capital outlay	-	29,238	29,238	34,342
Total state and local sources	<u>\$ 468,604</u>	<u>\$ 29,238</u>	<u>\$ 497,842</u>	<u>\$ 456,000</u>

An administrative fee, equivalent to 5% of the funding reported in the schedule above, was withheld by the District totaling \$23,582 and \$22,121 for 2011 and 2010,

THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5 - REVENUE SOURCES (continued):

respectively. This amount is reported in the statement of activities and statement of revenues, expenses and changes in fund balances under fiscal services.

NOTE 6 – FUND BALANCE:

The Academy has implemented Government Accounting Standards Board Statement No. 54 (GASB 54) which changes the presentation of fund balance, a key indicator of interperiod equity. The new fund balance reporting model is designed to clarify fund balance reporting into classifications; nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

Nonspendable Fund Balance

Generally means assets not expected to be converted to cash. The Academy has purchased certain insurance policies on an annual basis including periods that extend beyond the current period. The nonspendable fund balance of \$6,433 is reported as prepaid expense on the balance sheet.

Assigned Fund Balance

Amounts constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed. The governing body has approved the fiscal year 2012 budget that projects expenditures to exceed revenues by \$83,781. The expected deficit satisfies the criteria to be classified as an assignment of fund balance.

In the governmental fund financial statements fund balance is reported in five classifications.

- **Nonspendable fund balance**, generally means fund balance not expected to be converted to cash. The Academy has purchased certain insurance policies providing coverage beyond the current accounting period. The prepaid expense of \$ 6,433 is reported as nonspendable fund balance.
- **Restricted fund balance** is a portion of fund balance that constraints have been placed on the use of resources by external parties such as creditors, grantors, contributors, or laws and regulations of other governments. There is no restricted fund balance.
- **Committed fund balance** is used for a specific purpose pursuant to constraints imposed by formal action of the Academy's highest level of decision making authority. There is no committed fund balance.

THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 6 – FUND BALANCE (continued):

- **Assigned fund balance** are amounts constrained by the Academy's intent to be used for specific purposes, but are neither restricted nor committed. Assignment ability can be delegated by the board of directors to the Academy's Principal. The governing board of the Academy has assigned \$83,781 for subsequent year's expenditures. A modification of this amount requires action by the Academy's board of directors; however, this approval lapses at year end.
- **Unassigned fund balance** is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification.

Spending Policies of the Academy

The Academy considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and committed, assigned, or unassigned amounts are considered to have been spent when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

The Richardson Montessori Academy, Inc. has a revenue spending policy that provides policy for programs with multiple revenue sources. The finance officer will use resources in the following hierarchy: debt proceeds, federal funds, state funds, local non-city funds, city funds, and funds passed through the District. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The finance officer has the authority to deviate from this policy if it is in the best interest of the Academy.

NOTE 7 – COMMITMENTS:

The Academy leases land from a church in monthly installments of \$1,750 with a one year renewal option. The Academy leases modular buildings for its administrative, classroom, and library space under an operating lease. The monthly rent is currently \$4,081. The total rent expense for the land and modular buildings for the fiscal year ended June 30, 2011 less the rent allocation to the private school of \$9,000 was \$60,972.

REQUIRED SUPPLEMENTARY INFORMATION

THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
JUNE 30, 2011

	General Fund		
	Original and Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:			
State and local sources passed through the School District of Hillsborough County	\$ 495,300	\$ 468,604	\$ (26,696)
Other revenue	-	30,872	30,872
Total revenues	495,300	499,476	4,176
Expenditures:			
Instruction	228,470	212,303	16,167
School administration	94,000	49,144	44,856
Operation of plant	60,550	54,952	5,598
Maintenance of plant	27,860	18,432	9,428
General support services	28,700	22,064	6,636
Fiscal services	35,365	34,499	866
Other capital outlay	3,500	7,900	(4,400)
Total expenditures	478,445	399,294	79,151
Expenses under (over) revenues	16,855	100,182	83,327
Other financing sources (uses):			
Transfers out	-	(31,734)	(31,734)
Net change in fund balance	\$ 16,855	68,448	\$ 51,593
Fund balance - July 1, 2010		351,954	
Fund balance - June 30, 2011		\$ 420,402	

REGULATORY REPORTS

**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***

To the Board of Directors
The Richardson Montessori Academy, Inc.
A Charter School and Component Unit of
The School District of Hillsborough County
Tampa, Florida

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The Richardson Montessori Academy, Inc., a Charter School and Component Unit of the School District of Hillsborough County (the "Academy"), as of and for the year ended June 30, 2011, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated September 15, 2011. 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 Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 Academy's financial statements 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*.

We noted certain matters that we reported to management of the Academy, in a separate letter dated September 15, 2011.

This report is intended solely for the information and use of the Board of Directors and management of the Academy, federal and state awarding agencies, federal and state regulatory agencies, the School Board of Hillsborough County, Florida, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Sottile & Company P.A.
Sottile & Company P.A.

Tampa, Florida
September 15, 2011

MANAGEMENT LETTER

To the Board of Directors
The Richardson Montessori Academy, Inc.
A Charter School and Component Unit of
The School District of Hillsborough County
Tampa, Florida

We have audited the basic financial statements of The Richardson Montessori Academy, Inc. (the "Academy"), a Charter School and Component Unit of the School District of Hillsborough County, Florida, as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated September 15, 2011.

We conducted our audit 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. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters dated September 15, 2011. Disclosures in that report, if any, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which governs the conduct of charter school and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' report:

- Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no significant findings reported in the preceding annual financial audit report; however there was one recommendation made in the prior year Management Letter. The recommendation has been partially implemented by management and the Board of Directors. See Management Letter Exhibit A.
- Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address in the Management Letter any recommendations to improve financial management. In connection with our audit, refer to Exhibit A of this letter.

- Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.854(1)(e)6., Rules of the Auditor General, requires the name or official title of the school. The official title of the school is The Richardson Montessori Academy, Inc.
- Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that The Richardson Montessori Academy, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Pursuant to Sections 10.854(1)(e)7a. and 10.855(10)., Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Academy's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this Management Letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Sottile & Company P.A.
Sottile & Company P.A.

Tampa, Florida
September 15, 2011

**THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY
MANAGEMENT LETTER**

EXHIBIT A

**RECOMMENDATIONS TO MANAGEMENT
(Associated with the June 30, 2011 Financial Statement Audit)**

CURRENT YEAR RECOMMENDATIONS:

Observation 2011-01:

Criteria or Specific Requirement

Payment approval for cash disbursements.

Condition and context

Currently cash disbursements by check are approved for payment when the School Principal signs the check. Currently the Academy, in an effort to attain certain efficiencies and cost savings are paying certain expense on-line. The on-line payments do not receive payment approval prior to payment.

Effect

Without payment approval by a higher management level the risk of an incorrect payment is increased. The process of on-line payments also increases the risk of payments at the end of accounting cycle to be recorded in the incorrect period.

Cause

Payments processed on-line bypass the check signing process. The online payment process also bypasses the accounts payable process and the payment date established in the on-line entry process is used to establish the period the expense is recorded in the accounting software rather than the period the expense was incurred.

Recommendation

We recommend on-line payments be approved by signature of the School Principal prior to on-line payment. We also recommend the invoice be defaced in some manner to indicate payment has been made to prevent duplicate payment. We further recommend the invoice be noted as to the period the expense was incurred to provide guidance of the proper period in which the expense should be recorded.

**THE RICHARDSON MONTESSORI ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY
MANAGEMENT LETTER**

EXHIBIT A

Views of Responsible Officials and Planned Corrective Actions

The School Principal will approve the on-line payment prior to the office manager paying the invoice on-line. The principal will also note the correct period the expense was incurred to ensure the expense is coded to the correct accounting period, and the invoice will be defaced to prevent duplicate payment of the invoice.

PRIOR YEAR RECOMMENDATIONS:

Observation 2010-01:

Criteria or Specific Requirement

Employee personnel files are to be maintained with current information.

Condition and context

The employee files do not have current documents that should be filled out by the employee or Academy management each year whether or not the information changes to include, but not limited to IRS Form W-4, Employment Agreement to include rate of pay, and an updated insurance application form or a statement declining insurance coverage.

Effect

The likelihood of payroll errors to include incorrect rates of pay and insurance deductions increases without current documentation in the personnel files.

Cause

The lack of current W-4's, insurance applications, and employment agreements in the personnel files.

Recommendation

We recommend each January, each employee of the Academy be required to fill out a current W-4 whether or not the employee requests a federal income tax withholding change. We recommend each employee fill out an insurance application form each year whether or not they have a change in status or are declining insurance. We recommend the Academy complete an employment agreement with each employee at the beginning of the academic year to include the rate of pay, employee expectation(s), and employer expectation(s).

Views of Responsible Officials and Planned Corrective Actions

Each January we will have each employee of the Academy be required to fill out a current W-4 and insurance application form each year whether or not there is a change in status. Employees will also complete an employment agreement with rate of pay employee expectation(s), and employer expectation(s).

Status update

Cleared

Observation 2010-02:

Criteria or Specific Requirement

Establish a written disaster recovery plan.

Condition and context

Currently the Academy Administrator has a working relationship with other charter schools. However, there is not a written plan or mutual agreements in place with other charter schools or the School District of Hillsborough County for temporary placement of students during a period the facilities of The Richardson Montessori Academy are unusable due to climate or other disaster.

Effect

Not having a written plan in place will cause an unnecessary delay in finding temporary facilities for the students and could affect the ability of the Academy to retain the students after the emergency has passed. The Academy's revenue is based on the FTE count which has a direct relationship to the student population.

Cause

The lack of a written disaster recovery plan.

Recommendation

We recommend the Academy develop written and formal mutual agreements with other charter schools and the School District of Hillsborough County to temporarily house the

students of The Richardson Montessori Academy if there is a temporary disruption of the use of the Academy's facilities for the purpose of educating elementary age students.

Views of Responsible Officials and Planned Corrective Actions

The Academy will develop a written and formally mutual agreement with other charter schools and the SDHC to temporarily house the students of The Richardson Montessori Academy if there is a temporary disruption of the use of the Academy's facilities for the purpose of educating elementary age students.

Status update

The Academy believes other Charter Schools and schools within the District have the capacity to temporarily accommodate the students of the Academy in the event of a disruption at the Academy's campus until such time the Academy's campus is restored to a suitable condition.

Observation 2010-03:

Criteria or Specific Requirement

Unclaimed property must be turned over to the State of Florida.

Condition and context

Currently Richardson Montessori Academy has two uncleared checks on the bank reconciliation that were made payable several years ago to two former employees.

Effect

Chapter 717, Florida Statutes, states that all unclaimed property must be turned over to the Department of Financial Services of the State of Florida no later than May 1 of the following year the unclaimed property comes to the attention of the holder.

Cause

The Academy is unaware of its responsibility to turn over unclaimed property to the Florida Department of Financial Services.

Recommendation

We recommend the Academy comply with Chapter 717, Florida Statutes, The Florida Disposition of Unclaimed Property Act. The Academy may contact the Florida Department of Financial Services, Division of Accounting and Auditing-Bureau of Unclaimed Property at 850-413-5522 or www.fltreasurehunt.org/file/Reporting-Instructions-Manual-2010.pdf.

Views of Responsible Officials and Planned Corrective Actions

The Academy will comply with Chapter 717, Florida Statutes, The Florida Disposition of Unclaimed Property Act by contacting the Florida Department of Financial Services,

Status update

Cleared