

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

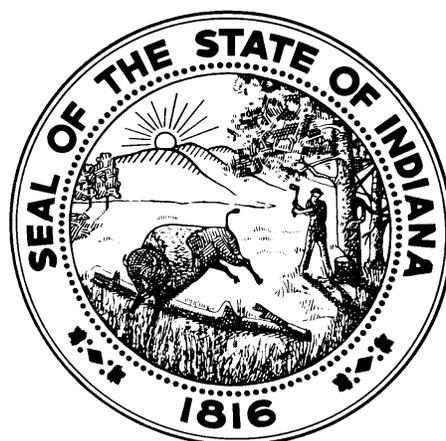
EXAMINATION REPORT

OF

INDIANAPOLIS METROPOLITAN CAREER ACADEMY #1

MARION COUNTY, INDIANA

July 1, 2005 to June 30, 2007



**FILED**

04/25/2008



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Daniel J. Riley	07-01-05 to 06-30-08
Chairman of the Board of Directors	Fred C. Tucker III	07-01-05 to 06-30-08
Chief Administrative Officer	Scott E. Bess	07-01-05 to 06-30-08
President of Goodwill Education Initiatives	Jim McClelland	07-01-05 to 06-30-08



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE INDIANAPOLIS METROPOLITAN  
CAREER ACADEMY #1, MARION COUNTY, INDIANA

We have examined the financial information presented herein of the Indianapolis Metropolitan Career Academy #1 (School Corporation), for the period of July 1, 2005 to June 30, 2007. The School Corporation's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

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

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

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

STATE BOARD OF ACCOUNTS

February 13, 2008

INDIANAPOLIS METROPOLITAN CAREER ACADEMY #1  
SCHEDULE OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 349,407	\$ -	\$ 10,490	\$ (338,917)
Support services	616,464	5,820	16,570	(594,074)
Total governmental activities	\$ 965,871	\$ 5,820	\$ 27,060	(932,991)
General receipts:				
Property taxes				171,240
Other local sources				54,090
State aid				320,612
Loans				145,673
Grants and contributions not restricted to specific programs				135,283
Sale of property, adjustments, and refunds				75,272
Total general receipts				902,170
Change in net assets				(30,821)
Net assets - beginning				64,556
Net assets - ending				\$ 33,735
<u>Assets</u>				
Cash and investments				\$ 33,735
<u>Net Assets</u>				
Unrestricted				\$ 33,735

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

INDIANAPOLIS METROPOLITAN CAREER ACADEMY #1  
SCHEDULE OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 480,617	\$ -	\$ 10,926	\$ (469,691)
Support services	508,379	7,273	9,758	(491,348)
Community services	1,530	-	-	(1,530)
Debt service	82,010	-	-	(82,010)
Total governmental activities	<u>\$ 1,072,536</u>	<u>\$ 7,273</u>	<u>\$ 20,684</u>	<u>(1,044,579)</u>
General receipts:				
Property taxes				179,667
Other local sources				254,676
State aid				529,551
Loans				135,784
Grants and contributions not restricted to specific programs				53,925
Sale of property, adjustments, and refunds				7,526
Total general receipts				1,161,129
Change in net assets				116,550
Net assets - beginning				33,735
Net assets - ending				\$ 150,285
<u>Assets</u>				
Cash and investments				\$ 150,285
<u>Net Assets</u>				
Unrestricted				\$ 150,285

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

INDIANAPOLIS METROPOLITAN CAREER ACADEMY #1  
SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2006

	General	Student Activities	Title I 2005-2006	Federal Programs Title II	Federal Programs	Other	Totals
<b>Receipts:</b>							
Local sources	\$ 207,968	\$ 12,362	\$ -	\$ -	\$ -	\$ 10,820	\$ 231,150
State sources	331,080	-	-	-	-	1,451	332,531
Federal sources	-	-	15,831	2,252	114,500	17,841	150,424
Sale of property, adjustments and refunds	74,880	-	-	-	-	392	75,272
<b>Total receipts</b>	<b>613,928</b>	<b>12,362</b>	<b>15,831</b>	<b>2,252</b>	<b>114,500</b>	<b>30,504</b>	<b>789,377</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	303,396	6,618	8,593	-	8,401	22,399	349,407
Support services	386,207	-	289	-	184,609	45,359	616,464
<b>Total disbursements</b>	<b>689,603</b>	<b>6,618</b>	<b>8,882</b>	<b>-</b>	<b>193,010</b>	<b>67,758</b>	<b>965,871</b>
Excess (deficiency) of receipts over disbursements	(75,675)	5,744	6,949	2,252	(78,510)	(37,254)	(176,494)
<b>Other financing sources (uses):</b>							
Loan proceeds	145,673	-	-	-	-	-	145,673
Transfers in	-	-	1,697	-	-	3,252	4,949
Transfers out	-	-	-	(3,252)	-	(1,697)	(4,949)
<b>Total other financing sources (uses)</b>	<b>145,673</b>	<b>-</b>	<b>1,697</b>	<b>(3,252)</b>	<b>-</b>	<b>1,555</b>	<b>145,673</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	69,998	5,744	8,646	(1,000)	(78,510)	(35,699)	(30,821)
Cash and investments - beginning	(21,095)	-	-	4,508	78,510	2,633	64,556
Cash and investments - ending	<u>\$ 48,903</u>	<u>\$ 5,744</u>	<u>\$ 8,646</u>	<u>\$ 3,508</u>	<u>\$ -</u>	<u>\$ (33,066)</u>	<u>\$ 33,735</u>
<b><u>Cash and Investment Assets - Ending</u></b>							
Cash and investments	<u>\$ 48,903</u>	<u>\$ 5,744</u>	<u>\$ 8,646</u>	<u>\$ 3,508</u>	<u>\$ -</u>	<u>\$ (33,066)</u>	<u>\$ 33,735</u>
<b><u>Cash and Investment Fund Balance - Ending</u></b>							
Unrestricted	<u>\$ 48,903</u>	<u>\$ 5,744</u>	<u>\$ 8,646</u>	<u>\$ 3,508</u>	<u>\$ -</u>	<u>\$ (33,066)</u>	<u>\$ 33,735</u>

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

INDIANAPOLIS METROPOLITAN CAREER ACADEMY #1  
SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2007

	General	McCabe Fund	Student Activities	Title I 2005-2006	Federal Programs Title II	Other	Totals
<b>Receipts:</b>							
Local sources	\$ 384,656	\$ 37,982	\$ 6,705	\$ -	\$ -	\$ 12,273	\$ 441,616
State sources	540,477	-	-	-	-	1,461	541,938
Federal sources	-	-	-	-	-	62,222	62,222
Sale of property, adjustments and refunds	7,526	-	-	-	-	-	7,526
<b>Total receipts</b>	<b>932,659</b>	<b>37,982</b>	<b>6,705</b>	<b>-</b>	<b>-</b>	<b>75,956</b>	<b>1,053,302</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	417,854	2,616	4,694	8,646	3,508	43,299	480,617
Support services	483,899	12,853	20	-	-	11,607	508,379
Community services	1,530	-	-	-	-	-	1,530
Debt services	82,010	-	-	-	-	-	82,010
<b>Total disbursements</b>	<b>985,293</b>	<b>15,469</b>	<b>4,714</b>	<b>8,646</b>	<b>3,508</b>	<b>54,906</b>	<b>1,072,536</b>
Excess (deficiency) of receipts over disbursements	(52,634)	22,513	1,991	(8,646)	(3,508)	21,050	(19,234)
<b>Other financing sources:</b>							
Loan proceeds	135,784	-	-	-	-	-	135,784
<b>Total other financing sources</b>	<b>135,784</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>135,784</b>
Excess (deficiency) of receipts and other financing sources over disbursements	83,150	22,513	1,991	(8,646)	(3,508)	21,050	116,550
Cash and investments - beginning	48,903	-	5,744	8,646	3,508	(33,066)	33,735
Cash and investments - ending	<u>\$ 132,053</u>	<u>\$ 22,513</u>	<u>\$ 7,735</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,016)</u>	<u>\$ 150,285</u>
<b><u>Cash and Investment Assets - Ending</u></b>							
Cash and investments	<u>\$ 132,053</u>	<u>\$ 22,513</u>	<u>\$ 7,735</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,016)</u>	<u>\$ 150,285</u>
<b><u>Cash and Investment Fund Balance - Ending</u></b>							
Unrestricted	<u>\$ 132,053</u>	<u>\$ 22,513</u>	<u>\$ 7,735</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,016)</u>	<u>\$ 150,285</u>

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

INDIANAPOLIS METROPOLITAN CAREER ACADEMY #1  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

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

Note 2. Fund Accounting

A. Government-Wide and Fund Financial Schedules

Government-Wide Financial Schedules

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

Fund Financial Schedules

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

The School Corporation reports the following major governmental funds:

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

The student activities fund accounts for contributions and other donations used in student related activities.

The title I 2005-2006 fund accounts for financial resources received through the federal title I program for the 2005-2006 school year.

The federal programs title II fund accounts for the improving teacher quality federal grant.

The federal programs fund accounts for the esea title V federal program for charter schools.

The mccabe fund accounts for financial resources relating to lumina foundation grants.

INDIANAPOLIS METROPOLITAN CAREER ACADEMY #1  
NOTES TO FINANCIAL INFORMATION  
(Continued)

B. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

Note 3. Budgets

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

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations

INDIANAPOLIS METROPOLITAN CAREER ACADEMY #1  
 NOTES TO FINANCIAL INFORMATION  
 (Continued)

adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected. However, a delay in the approval of taxable property assessments resulted in May 2007 tax bills not being issued until November 2007. This caused a significant decrease in receipts from local sources/property taxes for the year 2006-2007.

Note 5. Deposits and Investments

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

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

Note 6. Interfund Transfers

Interfund transfers for the year ended June 30, 2006, were as follows:

Transfer From	Transfer To	2005-2006
Federal Programs Title II Fund	Other governmental funds	\$ 3,252
Other governmental funds	Title I 2005-2006 Fund	1,697
Total		\$ 4,949

The School Corporation typically uses transfers for cash flow purposes as provided by various statutory provisions.

Note 7. Pension Plan

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system, and gives the School Corporation authority to contribute to the

INDIANAPOLIS METROPOLITAN CAREER ACADEMY #1  
NOTES TO FINANCIAL INFORMATION  
(Continued)

plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Cost

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

Note 8. Subsequent Event – School Consolidation and Renaming

Effective July 1, 2007, Indianapolis Metropolitan Career Academy #1 was consolidated with Indianapolis Metropolitan Career Academy #2 to form one school named Indianapolis Metropolitan High School.

INDIANAPOLIS METROPOLITAN CAREER ACADEMY #1  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2006

	School Lunch	Textbook Rental	Ruth Lilly	Non-English Speaking Program	Title I 2004-2005	Totals
<b>Receipts:</b>						
Local sources	\$ 5,820	\$ -	\$ 5,000	\$ -	\$ -	\$ 10,820
State sources	79	1,350	-	22	-	1,451
Federal sources	15,141	-	-	-	2,700	17,841
Sale of property, adjustments and refunds	-	392	-	-	-	392
<b>Total receipts</b>	<b>21,040</b>	<b>1,742</b>	<b>5,000</b>	<b>22</b>	<b>2,700</b>	<b>30,504</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	-	1,376	-	-	21,023	22,399
Support services	40,359	-	5,000	-	-	45,359
<b>Total disbursements</b>	<b>40,359</b>	<b>1,376</b>	<b>5,000</b>	<b>-</b>	<b>21,023</b>	<b>67,758</b>
Excess (deficiency) of receipts over disbursements	(19,319)	366	-	22	(18,323)	(37,254)
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	3,252	3,252
Transfers out	-	-	-	-	(1,697)	(1,697)
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,555</b>	<b>1,555</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(19,319)	366	-	22	(16,768)	(35,699)
Cash and investments - beginning	(13,769)	(366)	-	-	16,768	2,633
Cash and investments - ending	\$ (33,088)	\$ -	\$ -	\$ 22	\$ -	\$ (33,066)
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ (33,088)	\$ -	\$ -	\$ 22	\$ -	\$ (33,066)
<b>Cash and Investment Fund Balance - Ending</b>						
Unrestricted	\$ (33,088)	\$ -	\$ -	\$ 22	\$ -	\$ (33,066)

INDIANAPOLIS METROPOLITAN CAREER ACADEMY #1  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2007

	School Lunch	Textbook Rental	Ruth Lilly	Non-English Speaking Program	Title I 2006-2007	Totals
<b>Receipts:</b>						
Local sources	\$ 7,273	\$ -	\$ 5,000	\$ -	\$ -	\$ 12,273
State sources	100	1,361	-	-	-	1,461
Federal sources	8,297	-	-	-	53,925	62,222
<b>Total receipts</b>	<b>15,670</b>	<b>1,361</b>	<b>5,000</b>	<b>-</b>	<b>53,925</b>	<b>75,956</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	-	310	-	22	42,967	43,299
Support services	44	-	605	-	10,958	11,607
<b>Total disbursements</b>	<b>44</b>	<b>310</b>	<b>605</b>	<b>22</b>	<b>53,925</b>	<b>54,906</b>
Excess (deficiency) of receipts over disbursements	15,626	1,051	4,395	(22)	-	21,050
Cash and investments - beginning	(33,088)	-	-	22	-	(33,066)
Cash and investments - ending	\$ (17,462)	\$ 1,051	\$ 4,395	\$ -	\$ -	\$ (12,016)
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ (17,462)	\$ 1,051	\$ 4,395	\$ -	\$ -	\$ (12,016)
<b>Cash and Investment Fund Balance - Ending</b>						
Unrestricted	\$ (17,462)	\$ 1,051	\$ 4,395	\$ -	\$ -	\$ (12,016)

INDIANAPOLIS METROPOLITAN CAREER ACADEMY #1  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS  
For The Year Ended June 30, 2007

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Improvements other than buildings	\$ 2,202
Machinery and equipment	<u>363,033</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 365,235</u>

INDIANAPOLIS METROPOLITAN CAREER ACADEMY #1  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 For The Year Ended June 30, 2007

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital lease:		
Apple computers	\$ 7,220	\$ -
Notes and loans payable	<u>528,491</u>	<u>65,351</u>
Total governmental activities debt	<u>\$ 535,711</u>	<u>\$ 65,351</u>

INDIANAPOLIS METROPOLITAN CAREER ACADEMY #1  
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The cash balance of the School Lunch Fund was overdrawn on June 30, 2006, by \$33,088 and June 30, 2007, by \$17,462. A similar comment appeared in prior Report B26704.

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

ERRORS ON CLAIMS

Some deficiencies were noted on claims during the examination period. None of the paid claims presented for examination were approved by the governing board for the examination period. Also, not all claims examined were adequately itemized. Some claims examined lacked adequate supporting documentation or descriptions. A similar comment appeared in prior Report B26704.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

SCHOOL LUNCH REIMBURSEMENT CLAIM REPORTS

Monthly school lunch reimbursement claim reports were not submitted to the Indiana Department of Education in a timely manner. Indiana Department of Education requests that reports are filed by the tenth of the month following reporting period for reimbursements to be made in a timely manner. Reimbursement claims must be initiated within 60 days of month's end for the period affected in order to claim amounts due. Claims for the months of May 2006 and April and May of 2007 were not filed. Because the 60 day window to initiate monthly claims has expired the School Corporation is unable to collect reimbursement for meals served during the corresponding time period. Based on Sales Activity Reports

INDIANAPOLIS METROPOLITAN CAREER ACADEMY #1  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

presented for examination, the estimated lost revenue for April and May 2007 is \$2,824.55. We were unable to estimate lost revenue for May 2006 as the Sales Activity Report for this month was not presented for examination.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

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

#### SERVICE AND TIME RECORDS

Employee time, attendance, or service records were not presented for examination. A similar comment appeared in prior Report B26704.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

#### TEXTBOOK ASSISTANCE - INCORRECT REPORTING TO STATE

Information presented for examination indicates the number of eligible students as reported on the Financial Assistance for Students Textbook Reimbursement 2006-2007 School Year report was incorrect. The total number of eligible students as determined by those students approved for free and reduced meals was reported to be 102. This number was incorrect due to a system parameter which was not reset at the start of the school year. The correct total number of students which should have been included on the report was 94.

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

INDIANAPOLIS METROPOLITAN CAREER ACADEMY #1  
EXIT CONFERENCE

The contents of this report were discussed on February 13, 2008, with Daniel J. Riley, Treasurer; and Scott E. Bess, Chief Administrative Officer. The official response has been made a part of this report and may be found on pages 19 through 21.

**OFFICIAL RESPONSE**

February 18, 2007

Indiana State Board of Accounts  
302 West Washington Street, Room E418  
Indianapolis, Indiana 46204-2738

Dear Sirs,

Goodwill Education Initiatives, Inc. (GEI) wishes to provide this official response to your audits of the Indianapolis Metropolitan Career Academies #1 and #2 (collectively, "the Met"), the reports for which were discussed on February 13, 2008 among SBOA representative Doug Whitham and Scott Bess and Dan Riley, the Chief Operating Officer and Treasurer, respectively, of GEI. We wish to extend our appreciation to your staff for the professional and expedient manner in which the audits were conducted.

**OVERDRAWN CASH BALANCES**

The cash balance of the School Lunch Funds were overdrawn on June 30, 2006 and June 30, 2007.

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

**Management Response:** We agree with this finding. Given the nature of our population and the way in which we manage the Met's foodservice operations, the Lunch Fund has been overdrawn consistently since we commenced operations in 2004. This is in part due to the fact that we incur and pay for the foodservice costs prior to getting reimbursement from the State for free and reduced meals. Additionally, we experienced internal challenges related to timely and complete billing for free and reduced meals. We have addressed the latter issue, and are working with our foodservice provider to lower the overall cost of meals to close the gap between foodservice costs and billing recoveries.

**ERRORS ON CLAIMS**

Some deficiencies were noted on claims during the examination period. None of the paid claims presented for examination were approved by the board for the examination period. Also, not all claims tested were adequately itemized. Some claims tested lacked adequate supporting documentation or descriptions.

IC 5-11-10-1.6 states in part:

(b) "As used in this section, "claim" means a bill or an invoice submitted to a governmental entity for goods or services."

(c) "The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

**Management Response:** The school board did not approve (i.e., specifically approve via signature) all expenditure claims for the period under audit. While the board meets regularly and is heavily involved with the budgeting process for the school, they have not established a practice of actually signing off on a list of all expenditures made since the previous board meeting. The board spends an appropriate amount of time at every board meeting reviewing the school's financial statements and inquiring about budget variances. We will commit to having the board review and approve prior expenditures at each meeting to the extent that doing so does not detract from more important matters. In addition, we will endeavor to ensure all expenditures contain adequate detail and supporting documentation.

#### SCHOOL LUNCH REIMBURSEMENT CLAIM REPORTS

Monthly school lunch reimbursement claim reports were not submitted to the Indiana Department of Education in a timely manner. Indiana Department of Education requests that reports are filed by the tenth of the month following reporting period for reimbursements to be made in a timely manner. Reimbursement claims must be initiated within sixty days of month's end for the period affected in order to claim amounts due. Claims for the months of May 2006, and April and May of 2007 were not filed. Because the sixty day window to initiate monthly claims has expired the school is unable to collect reimbursement for meals served during the corresponding time period.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

IC 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

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

**Management Response:** We agree with this finding. As mentioned above, we experienced internal challenges related to timely and complete billing for free and reduced meals in prior periods. Recently we hired a staff person who has several years' experience with free and reduced meal billing, textbook reimbursement and other related practices. Thus far in the 2007-08, we are experiencing a much higher realization of free and reduced meal revenues and our billings are more timely than ever before.

#### SERVICE AND TIME RECORDS

As stated in the prior report, employee time, attendance, or service records were not presented for examination.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

**Management Response:** GEI employees now complete a timesheet that is submitted to Paychex, our third party payroll processor. The timesheet will be matched against available leave time for each employee for tracking purposes. In addition, a defined sick time and personal leave policy will be in place for the 2008-2009 school year. Leave time will be matched and reconciled in conjunction with the timesheet submissions.

#### TEXTBOOK ASSISTANCE - INCORRECT REPORTING TO STATE

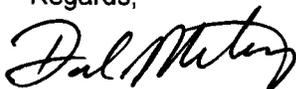
The information presented for examination indicates the number of eligible students as reported on the Financial Assistance For Students Textbook Reimbursement 2006-2007 School Year report was incorrect. The total number of eligible students as determined by those students approved for free and reduced meals was reported to be one-hundred two (102). This number was incorrect due to a system parameter which was not reset at the start of the school year. The correct total number of students which should have been included on the report was ninety-four (94).

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

**Management Response:** After reviewing this finding and reconciling the detail, we agree that the correct number of students was ninety-four. We will contact Indiana DOE and determine if we need to make a reimbursement of the amount in question, which is approximately two hundred dollars (\$200.00). We recently purchased a new student management system and hired an experienced administrator. We believe these two steps will mitigate the risk that a similar situation repeats itself in the future.

We appreciate the opportunity to formally respond to the audit and address the issues raised in your comment letter.

Regards,



Daniel J. Riley  
Treasurer