

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

EXAMINATION REPORT

OF

INDIANAPOLIS METROPOLITAN CAREER ACADEMY #2

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  
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE INDIANAPOLIS METROPOLITAN  
CAREER ACADEMY #2, MARION COUNTY, INDIANA

We have examined the financial information presented herein of the Indianapolis Metropolitan Career Academy #2 (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 #2  
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	\$ 337,036	\$ -	\$ 11,466	\$ (325,570)
Support services	650,857	5,565	120,641	(524,651)
Nonprogrammed charges	6,618	-	-	(6,618)
Total government activities	\$ 994,511	\$ 5,565	\$ 132,107	(856,839)
General receipts:				
Property taxes				170,096
Other local sources				73,278
State aid				323,710
Loans				131,516
Sale of property, adjustments, and refunds				315
Total general receipts				698,915
Change in net assets				(157,924)
Net assets - beginning				161,974
Net assets - ending				\$ 4,050
<u>Assets</u>				
Cash and investments				\$ 4,050
<u>Net Assets</u>				
Unrestricted				\$ 4,050

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

INDIANAPOLIS METROPOLITAN CAREER ACADEMY #2  
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>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	\$ 481,233	\$ -	\$ 12,156	\$ (469,077)
Support services	555,984	5,910	12,688	(537,386)
Community services	1,206	-	-	(1,206)
Nonprogrammed charges	4,723	-	-	(4,723)
Debt service	37,087	-	-	(37,087)
	<u>\$ 1,080,233</u>	<u>\$ 5,910</u>	<u>\$ 24,844</u>	<u>(1,049,479)</u>
General receipts:				
Property taxes				100,845
Other local sources				312,413
State aid				522,594
Loans				124,469
Grants and contributions not restricted to specific programs				39,482
Sale of property, adjustments, and refunds				9,886
				<u>1,109,689</u>
Change in net assets				60,210
Net assets - beginning				4,050
Net assets - ending				\$ 64,260
<u>Assets</u>				
Cash and investments				\$ 64,260
<u>Net Assets</u>				
Unrestricted				\$ 64,260

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

INDIANAPOLIS METROPOLITAN CAREER ACADEMY #2  
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	Ruth Lilly	Student Activities	Federal Programs Title II	Federal Programs	Other	Totals
<b>Receipts:</b>							
Local sources	\$ 226,728	\$ 5,000	\$ 11,596	\$ -	\$ -	\$ 5,615	\$ 248,939
State sources	335,132	-	-	-	-	510	335,642
Federal sources	-	-	-	-	109,000	11,175	120,175
Sale of property, adjustments and refunds	315	-	-	-	-	-	315
<b>Total receipts</b>	<b>562,175</b>	<b>5,000</b>	<b>11,596</b>	<b>-</b>	<b>109,000</b>	<b>17,300</b>	<b>705,071</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	328,284	-	-	-	8,401	351	337,036
Support services	422,369	-	-	-	187,808	40,680	650,857
Nonprogrammed charges	-	-	6,618	-	-	-	6,618
<b>Total disbursements</b>	<b>750,653</b>	<b>-</b>	<b>6,618</b>	<b>-</b>	<b>196,209</b>	<b>41,031</b>	<b>994,511</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>(188,478)</b>	<b>5,000</b>	<b>4,978</b>	<b>-</b>	<b>(87,209)</b>	<b>(23,731)</b>	<b>(289,440)</b>
<b>Other financing sources:</b>							
Loan proceeds	131,516	-	-	-	-	-	131,516
<b>Excess (deficiency) of receipts and other financing sources over disbursements</b>	<b>(56,962)</b>	<b>5,000</b>	<b>4,978</b>	<b>-</b>	<b>(87,209)</b>	<b>(23,731)</b>	<b>(157,924)</b>
Cash and investments - beginning	82,201	-	-	6,760	87,209	(14,196)	161,974
Cash and investments - ending	<u>\$ 25,239</u>	<u>\$ 5,000</u>	<u>\$ 4,978</u>	<u>\$ 6,760</u>	<u>\$ -</u>	<u>\$ (37,927)</u>	<u>\$ 4,050</u>
<b><u>Cash and Investment Assets - Ending</u></b>							
Cash and investments	<u>\$ 25,239</u>	<u>\$ 5,000</u>	<u>\$ 4,978</u>	<u>\$ 6,760</u>	<u>\$ -</u>	<u>\$ (37,927)</u>	<u>\$ 4,050</u>
<b><u>Cash and Investment Fund Balance - Ending</u></b>							
Unrestricted	<u>\$ 25,239</u>	<u>\$ 5,000</u>	<u>\$ 4,978</u>	<u>\$ 6,760</u>	<u>\$ -</u>	<u>\$ (37,927)</u>	<u>\$ 4,050</u>

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

INDIANAPOLIS METROPOLITAN CAREER ACADEMY #2  
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	Ruth Lilly	McCabe Fund	Student Activities	Federal Programs Title II	Other	Totals
<b>Receipts:</b>							
Local sources	\$ 363,393	\$ 5,000	\$ 37,782	\$ 7,083	\$ -	\$ 5,909	\$ 419,167
State sources	534,712	-	-	-	-	1,507	536,219
Federal sources	-	-	-	-	-	50,702	50,702
Sale of property, adjustments and refunds	9,886	-	-	-	-	-	9,886
<b>Total receipts</b>	<b>907,991</b>	<b>5,000</b>	<b>37,782</b>	<b>7,083</b>	<b>-</b>	<b>58,118</b>	<b>1,015,974</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	441,686	-	2,916	-	6,760	29,871	481,233
Support services	533,291	605	13,501	-	-	8,587	555,984
Community services	1,206	-	-	-	-	-	1,206
Nonprogrammed charges	-	-	-	4,723	-	-	4,723
Debt services	37,087	-	-	-	-	-	37,087
<b>Total disbursements</b>	<b>1,013,270</b>	<b>605</b>	<b>16,417</b>	<b>4,723</b>	<b>6,760</b>	<b>38,458</b>	<b>1,080,233</b>
Excess (deficiency) of receipts over disbursements	(105,279)	4,395	21,365	2,360	(6,760)	19,660	(64,259)
<b>Other financing sources:</b>							
Loan proceeds	124,469	-	-	-	-	-	124,469
Excess (deficiency) of receipts and other financing sources over disbursements	19,190	4,395	21,365	2,360	(6,760)	19,660	60,210
Cash and investments - beginning	25,239	5,000	-	4,978	6,760	(37,927)	4,050
Cash and investments - ending	<u>\$ 44,429</u>	<u>\$ 9,395</u>	<u>\$ 21,365</u>	<u>\$ 7,338</u>	<u>\$ -</u>	<u>\$ (18,267)</u>	<u>\$ 64,260</u>
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	<u>\$ 44,429</u>	<u>\$ 9,395</u>	<u>\$ 21,365</u>	<u>\$ 7,338</u>	<u>\$ -</u>	<u>\$ (18,267)</u>	<u>\$ 64,260</u>
<b>Cash and Investment Fund Balance - Ending</b>							
Unrestricted	<u>\$ 44,429</u>	<u>\$ 9,395</u>	<u>\$ 21,365</u>	<u>\$ 7,338</u>	<u>\$ -</u>	<u>\$ (18,267)</u>	<u>\$ 64,260</u>

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

INDIANAPOLIS METROPOLITAN CAREER ACADEMY #2  
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 ruth lilly fund accounts for financial resources related to a grant made by the ruth lilly foundation.

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

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 related to lumina foundation grants.

INDIANAPOLIS METROPOLITAN CAREER ACADEMY #2  
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 #2  
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. 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 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

INDIANAPOLIS METROPOLITAN CAREER ACADEMY #2  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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 7. Subsequent Event – School Consolidation and Renaming

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

INDIANAPOLIS METROPOLITAN CAREER ACADEMY #2  
 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	Non-English Speaking Program	Totals
Receipts:				
Local sources	\$ 5,615	\$ -	\$ -	\$ 5,615
State sources	91	375	44	510
Federal sources	11,175	-	-	11,175
 Total receipts	 16,881	 375	 44	 17,300
Disbursements:				
Current:				
Instruction	-	351	-	351
Support services	40,680	-	-	40,680
 Total disbursements	 40,680	 351	 -	 41,031
Excess (deficiency) of receipts over disbursements	(23,799)	24	44	(23,731)
Cash and investments - beginning	(14,172)	(24)	-	(14,196)
Cash and investments - ending	<u>\$ (37,971)</u>	<u>\$ -</u>	<u>\$ 44</u>	<u>\$ (37,927)</u>
<u>Cash and Investment Assets - Ending</u>				
Cash and investments	<u>\$ (37,971)</u>	<u>\$ -</u>	<u>\$ 44</u>	<u>\$ (37,927)</u>
<u>Cash and Investment Fund Balance - Ending</u>				
Unrestricted	<u>\$ (37,971)</u>	<u>\$ -</u>	<u>\$ 44</u>	<u>\$ (37,927)</u>

INDIANAPOLIS METROPOLITAN CAREER ACADEMY #2  
 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	Non-English Speaking Program	Title I	Totals
Receipts:					
Local sources	\$ 5,909	\$ -	\$ -	\$ -	\$ 5,909
State sources	107	1,361	39	-	1,507
Federal sources	<u>11,220</u>	<u>-</u>	<u>-</u>	<u>39,482</u>	<u>50,702</u>
Total receipts	<u>17,236</u>	<u>1,361</u>	<u>39</u>	<u>39,482</u>	<u>58,118</u>
Disbursements:					
Current:					
Instruction	-	310	83	29,478	29,871
Support services	<u>30</u>	<u>-</u>	<u>-</u>	<u>8,557</u>	<u>8,587</u>
Total disbursements	<u>30</u>	<u>310</u>	<u>83</u>	<u>38,035</u>	<u>38,458</u>
Excess (deficiency) of receipts over disbursements	17,206	1,051	(44)	1,447	19,660
Cash and investments - beginning	<u>(37,971)</u>	<u>-</u>	<u>44</u>	<u>-</u>	<u>(37,927)</u>
Cash and investments - ending	<u>\$ (20,765)</u>	<u>\$ 1,051</u>	<u>\$ -</u>	<u>\$ 1,447</u>	<u>\$ (18,267)</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	<u>\$ (20,765)</u>	<u>\$ 1,051</u>	<u>\$ -</u>	<u>\$ 1,447</u>	<u>\$ (18,267)</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Unrestricted	<u>\$ (20,765)</u>	<u>\$ 1,051</u>	<u>\$ -</u>	<u>\$ 1,447</u>	<u>\$ (18,267)</u>

INDIANAPOLIS METROPOLITAN CAREER ACADEMY #2  
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:	
Machinery and equipment	\$ <u>355,912</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 355,912</u>

INDIANAPOLIS METROPOLITAN CAREER ACADEMY #2  
 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>547,473</u>	<u>68,215</u>
Total governmental activities debt	<u>\$ 554,693</u>	<u>\$ 68,215</u>

INDIANAPOLIS METROPOLITAN CAREER ACADEMY #2  
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The cash balance of the School Lunch Fund was overdrawn at June 30, 2006, by \$37,971 and June 30, 2007, by \$20,765. A similar comment appeared in prior Report B26705.

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 board for the examination period. Also, not all claims tested were adequately itemized. Some claims tested lacked adequate supporting documentation or descriptions. A similar comment appeared in prior Report B26705.

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."

INDIANAPOLIS METROPOLITAN CAREER ACADEMY #2  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

SERVICE AND TIME RECORDS

Employee time, attendance, or service records were not presented for examination. A similar comment appeared in prior Report B26705.

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)

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 be filed by the tenth of the month following the 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 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. The estimated lost revenue, based on the Sales Activity Report presented for examination, for May 2007 is \$1,436.07. We were unable to estimate lost revenue for May 2006 as a Sales Activity Report for that 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)

INDIANAPOLIS METROPOLITAN CAREER ACADEMY #2  
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

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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)

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**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

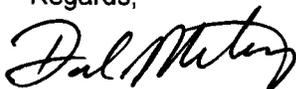
The information presented for examination indicates the number of eligible students as reported on the Financial Assistance For Students Textbook Reimbursement 2006-2007 School Year report was incorrect. The total number of eligible students as determined by those students approved for free and reduced 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