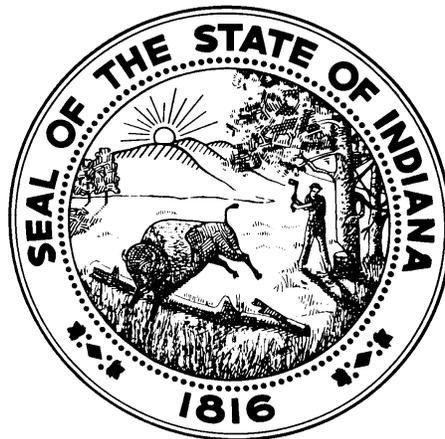


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

EXAMINATION REPORT  
OF  
VERITAS ACADEMY  
ST. JOSEPH COUNTY, INDIANA  
July 1, 2005 to June 30, 2007



**FILED**

04/28/2008



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Vacant Larry Cardenas Ellen Woodruff	07-01-05 to 08-03-05 08-04-05 to 11-16-05 11-17-05 to 06-30-08
Superintendent of Schools	Vacant Rachel Robinson Angela Piazza	07-01-05 to 08-18-05 08-19-05 to 10-06-06 10-07-06 to 06-30-08
President of the School Board	Thomas LaFountain Yolanda Turner-Smith Kathleen Royer	07-01-05 to 11-16-05 11-17-05 to 11-15-06 11-16-06 to 06-30-08



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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INDIANAPOLIS, INDIANA 46204-2769

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

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF VERITAS ACADEMY, ST. JOSEPH COUNTY, INDIANA

We have examined the financial information presented herein of Veritas Academy (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.

Except as discussed in the following paragraph, 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.

We were unable to confirm the beginning fund balances of the School Corporation due to the condition of records and as a result we were unable to determine the accuracy of the financial statements. The fund balances as presented did not reconcile to the bank account balances. Due to the incomplete and inaccurate information, the scope of the audit was limited.

Since the School Corporation did not present complete and accurate financial records, as noted above, and since we were unable to apply other auditing procedures to satisfy ourselves as to the completeness and accuracy of the financial statements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements.

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 a required part 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. The Combining Schedules, as listed in the Table of Contents, have been subjected to the examination procedures applied in the examination of the basic financial information and, in our opinion, are fairly stated in all material respects in relation to the basic financial information taken as a whole.

STATE BOARD OF ACCOUNTS

January 29, 2008

VERITAS ACADEMY  
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>Totals</u>
Governmental activities:			
Instruction	\$ 431,353	\$ -	\$ (431,353)
Support services	327,798	11,403	(316,395)
Community services	4,776	-	(4,776)
Nonprogrammed charges	2,600	-	(2,600)
Debt service	<u>13,100</u>	<u>-</u>	<u>(13,100)</u>
Total governmental activities	<u>\$ 779,627</u>	<u>\$ 11,403</u>	<u>(768,224)</u>
General receipts:			
Property taxes			214,103
Other local sources			7,602
State aid			568,069
Grants and contributions not restricted to specific programs			<u>30,913</u>
Total general receipts			<u>820,687</u>
Change in net assets			52,463
Net assets - beginning			<u>44,079</u>
Net assets - ending			<u>\$ 96,542</u>
<u>Assets</u>			
Cash and investments			<u>\$ 96,542</u>
<u>Net Assets</u>			
Unrestricted			<u>\$ 96,542</u>

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

VERITAS ACADEMY  
SCHEDULE OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2007

<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	\$ 449,091	\$ -	\$ 12,901	\$ (436,190)
Support services	472,176	10,150	15,066	(446,960)
Nonprogrammed charges	44,276	-	-	(44,276)
Debt service	8,651	-	-	(8,651)
<u>Total governmental activities</u>	<u>\$ 974,194</u>	<u>\$ 10,150</u>	<u>\$ 27,967</u>	<u>(936,077)</u>
General receipts:				
Property taxes				228,837
Other local sources				38,477
State aid				636,415
Grants and contributions not restricted to specific programs				33,058
Sale of property, adjustments, and refunds				1,585
<u>Total general receipts</u>				<u>938,372</u>
Change in net assets				2,295
Net assets - beginning				96,542
Net assets - ending				<u>\$ 98,837</u>
<u>Assets</u>				
Cash and investments				<u>\$ 98,837</u>
<u>Net Assets</u>				
Unrestricted				<u>\$ 98,837</u>

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

VERITAS ACADEMY  
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

	<u>General</u>	<u>Other</u>	<u>Totals</u>
Receipts:			
Local sources	\$ 221,705	\$ 11,403	\$ 233,108
State sources	569,444	-	569,444
Federal sources	-	29,538	29,538
	<u>791,149</u>	<u>40,941</u>	<u>832,090</u>
Total receipts			
Disbursements:			
Current:			
Instruction	404,691	26,662	431,353
Support services	313,403	14,395	327,798
Community services	-	4,776	4,776
Nonprogrammed charges	2,600	-	2,600
Debt services	-	13,100	13,100
	<u>720,694</u>	<u>58,933</u>	<u>779,627</u>
Total disbursements			
Excess (deficiency) of receipts over disbursements	<u>70,455</u>	<u>(17,992)</u>	<u>52,463</u>
Cash and investments - beginning	<u>16,582</u>	<u>27,497</u>	<u>44,079</u>
Cash and investments - ending	<u>\$ 87,037</u>	<u>\$ 9,505</u>	<u>\$ 96,542</u>
<u>Cash and Investment Assets - Ending</u>			
Cash and investments	<u>\$ 87,037</u>	<u>\$ 9,505</u>	<u>\$ 96,542</u>
<u>Cash and Investment Fund Balance - Ending</u>			
Unrestricted	<u>\$ 87,037</u>	<u>\$ 9,505</u>	<u>\$ 96,542</u>

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

VERITAS ACADEMY  
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

	<u>General</u>	<u>Other</u>	<u>Totals</u>
Receipts:			
Local sources	\$ 265,417	\$ 12,047	\$ 277,464
State sources	649,316	269	649,585
Federal sources	632	47,223	47,855
Sale of property, adjustments and refunds	<u>1,585</u>	<u>-</u>	<u>1,585</u>
 Total receipts	 <u>916,950</u>	 <u>59,539</u>	 <u>976,489</u>
Disbursements:			
Current:			
Instruction	416,527	32,564	449,091
Support services	418,589	53,587	472,176
Nonprogrammed charges	44,276	-	44,276
Debt services	<u>8,651</u>	<u>-</u>	<u>8,651</u>
 Total disbursements	 <u>888,043</u>	 <u>86,151</u>	 <u>974,194</u>
 Excess (deficiency) of receipts over disbursements	 <u>28,907</u>	 <u>(26,612)</u>	 <u>2,295</u>
 Cash and investments - beginning	 <u>87,037</u>	 <u>9,505</u>	 <u>96,542</u>
 Cash and investments - ending	 <u>\$ 115,944</u>	 <u>\$ (17,107)</u>	 <u>\$ 98,837</u>
 <u>Cash and Investment Assets - Ending</u>			
Cash and investments	<u>\$ 115,944</u>	<u>\$ (17,107)</u>	<u>\$ 98,837</u>
 <u>Cash and Investment Fund Balance - Ending</u>			
Unrestricted	<u>\$ 115,944</u>	<u>\$ (17,107)</u>	<u>\$ 98,837</u>

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

VERITAS ACADEMY  
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 Statements

The Schedules of Activities and Net Assets - Cash and Investments 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 Statements

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, 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 does not have any proprietary funds or fiduciary funds.

The School Corporation reports the following major governmental fund:

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.

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.

VERITAS ACADEMY  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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 statements 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial schedules. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

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 initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

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 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 not distributed to the School Corporation on or prior to June 30 of the year collected.

VERITAS ACADEMY  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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 Plans

A. Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

VERITAS ACADEMY  
NOTES TO FINANCIAL INFORMATION  
(Continued)

B. 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

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. IRS FEDERAL TAX LIENS

Payroll reporting for the School Corporation is done under the Employer Identification Number of Carousel Family Services Inc. Neither, the School Corporation or Carousel Family Services Inc., made any payments to the Internal Revenue Service for the period July 1, 2000 through June 30, 2005. As a result of these actions, the Internal Revenue Service filed three federal tax liens in January 2007 for \$392,148.60

On December 14, 2007, Carousel Family Services, Inc., requested a Certificate of Discharge of Property from federal tax liens under section 6325(b) on its real property at 814 E. LaSalle Ave, South Bend, IN 46617.

Carousel Family Services Inc., is in the process of scheduling a public sale (auction) of 814 E LaSalle Ave, South Bend, IN with a reserve of \$100,000. The property is assessed at \$225,000. The United States Treasury will be paid in the proper priority from the proceeds of the sale.

VERITAS ACADEMY  
 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

	Textbook Rental	Title I	Title I FY 2005-2006	Title II Part D	Public Charter School Title X, Part C	Totals
Receipts:						
Local sources	\$ 11,403	\$ -	\$ -	\$ -	\$ -	\$ 11,403
Federal sources	-	4,186	19,349	6,003	-	29,538
Total receipts	<u>11,403</u>	<u>4,186</u>	<u>19,349</u>	<u>6,003</u>	<u>-</u>	<u>40,941</u>
Disbursements:						
Current:						
Instruction	-	1,090	10,604	303	14,665	26,662
Support services	2,967	-	-	5,500	5,928	14,395
Community services	-	-	-	-	4,776	4,776
Debt services	-	-	-	-	13,100	13,100
Total disbursements	<u>2,967</u>	<u>1,090</u>	<u>10,604</u>	<u>5,803</u>	<u>38,469</u>	<u>58,933</u>
Excess (deficiency) of receipts over disbursements	<u>8,436</u>	<u>3,096</u>	<u>8,745</u>	<u>200</u>	<u>(38,469)</u>	<u>(17,992)</u>
Cash and investments - beginning	-	-	-	-	27,497	27,497
Cash and investments - ending	<u>\$ 8,436</u>	<u>\$ 3,096</u>	<u>\$ 8,745</u>	<u>\$ 200</u>	<u>\$ (10,972)</u>	<u>\$ 9,505</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ 8,436</u>	<u>\$ 3,096</u>	<u>\$ 8,745</u>	<u>\$ 200</u>	<u>\$ (10,972)</u>	<u>\$ 9,505</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ 8,436</u>	<u>\$ 3,096</u>	<u>\$ 8,745</u>	<u>\$ 200</u>	<u>\$ (10,972)</u>	<u>\$ 9,505</u>

VERITAS ACADEMY  
 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

	Textbook Rental	Teacher Quality Improvement Grant	Extra-Curricular Activities	Title I	Title I FY 2005-2006
Receipts:					
Local sources	\$ 10,150	\$ -	\$ 1,897	\$ -	\$ -
State sources	269	-	-	-	-
Federal sources	-	-	-	32,069	-
	<u>10,419</u>	<u>-</u>	<u>1,897</u>	<u>32,069</u>	<u>-</u>
Total receipts					
Disbursements:					
Current:					
Instruction	255	-	1,258	31,051	-
Support services	41,414	4,536	497	3,545	-
	<u>41,669</u>	<u>4,536</u>	<u>1,755</u>	<u>34,596</u>	<u>-</u>
Total disbursements					
Excess (deficiency) of receipts over disbursements	<u>(31,250)</u>	<u>(4,536)</u>	<u>142</u>	<u>(2,527)</u>	<u>-</u>
Cash and investments - beginning	<u>8,436</u>	<u>-</u>	<u>-</u>	<u>3,096</u>	<u>8,745</u>
Cash and investments - ending	<u>\$ (22,814)</u>	<u>\$ (4,536)</u>	<u>\$ 142</u>	<u>\$ 569</u>	<u>\$ 8,745</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	<u>\$ (22,814)</u>	<u>\$ (4,536)</u>	<u>\$ 142</u>	<u>\$ 569</u>	<u>\$ 8,745</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Unrestricted	<u>\$ (22,814)</u>	<u>\$ (4,536)</u>	<u>\$ 142</u>	<u>\$ 569</u>	<u>\$ 8,745</u>

VERITAS ACADEMY  
 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  
 (Continued)

	Title V Part A	Title II Part A	Title II Part D	Public Charter School Title X, Part C	Totals
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 12,047
State sources	-	-	-	-	269
Federal sources	496	14,301	357	-	47,223
Total receipts	496	14,301	357	-	59,539
Disbursements:					
Current:					
Instruction	-	-	-	-	32,564
Support services	248	3,347	-	-	53,587
Total disbursements	248	3,347	-	-	86,151
Excess (deficiency) of receipts over disbursements	248	10,954	357	-	(26,612)
Cash and investments - beginning	-	-	200	(10,972)	9,505
Cash and investments - ending	\$ 248	\$ 10,954	\$ 557	\$ (10,972)	\$ (17,107)
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ 248	\$ 10,954	\$ 557	\$ (10,972)	\$ (17,107)
<u>Cash and Investment Fund Balance - Ending</u>					
Unrestricted	\$ 248	\$ 10,954	\$ 557	\$ (10,972)	(17,107)

VERITAS ACADEMY  
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:	
Buildings	\$ 195,000
Total governmental activities, capital assets not being depreciated	<u>\$ 195,000</u>

VERITAS ACADEMY  
 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:		
Notes and loans payable		
Common school fund loan	\$ 85,206	\$ 12,288
Mortgage note	<u>4,834</u>	<u>4,941</u>
Total governmental activities debt	<u>\$ 90,040</u>	<u>\$ 17,229</u>

VERITAS ACADEMY  
EXAMINATION RESULTS AND COMMENTS

FINANCIAL REPORT OPINION MODIFICATIONS

Veritas Academy is currently using a spreadsheet software to maintain the financial records. The financial records are set up using three bank accounts which are used as control accounts and the revenue and expense accounts have been coded using the chart of accounts found in the Accounting and Uniform Compliance Manual for Indiana Public School Corporations. The financial statements provided for audit consist of a Balance Sheet and Income Statement. The income statement for the fiscal year was used to prepare the Biannual Financial Report (Form 9) which includes ending fund balances. The Form 9 fund balances at June 30, 2007, total \$98,837 and the reconciled bank balance totals \$110,658. The difference of \$11,821 may represent an understatement of fund balances. The beginning fund balances in the Form 9 could not be confirmed due to the condition and lack of records.

These circumstances represent a scope limitation that has caused the State Board of Accounts to disclaim an opinion on the financial statements. A similar comment appeared in prior Report B27198.

A fund, as used in the manual, represents moneys set aside for specific activities of a school corporation. A fund constitutes a complete accounting entity and all financial transactions, both receipts and disbursements, are to be recorded in the fund to which they pertain. The funds established by law for Indiana school corporations are: General Fund, Debt Service Fund, Capital Projects Fund, School Transportation Fund, School Bus Replacement Fund, Special Education Preschool Fund, School Lunch Fund, Textbook Rental Fund, Repair and Replacement Fund, Self-Insurance Fund, and Levy Excess Fund. Tax levies, subject to limitations, may be established for the General, Debt Service, Capital Projects Fund, Special Education Preschool Fund, School Transportation, and School Bus Replacement Funds. No tax levies may be established for the School Lunch Fund or the Textbook Rental Fund as these funds are designed to be self-supporting. (Accounting and Uniform Compliance Manual for Indiana Public School Corporations, Chapter 9)

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditor's Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

At all times, the manual and /or computerized, subsidiary ledgers, control ledger, and reconciled bank balances should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Manual for Indiana Public School Corporations, Chapter 9)

SALE OF REAL ESTATE

The sale of the property located at 1818 Commerce Drive, South Bend, Indiana was not reflected in the records of the Veritas Academy. The property was sold on December 30, 2005, for \$500,000. Veritas Academy did not receive any proceeds from the sale. The proceeds went directly to the mortgage company to satisfy the mortgage obligation.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

VERITAS ACADEMY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

TEXTBOOK RENTAL FEES

The School Corporation does not use Prescribed Official Receipts – Individual Textbook Rental Form, TBR-2 for all educational and textbook rental fees collected.

The School Corporation does not have supporting documentation to support the determination of the amount of the textbook rental fee assessed.

Indiana Code 20-26-12-2 states in part (a): "A governing body may purchase from a contracting publisher, at a price equal to or less than the net contract price, any textbook adopted by the state board and selected by the proper local officials. The governing body may rent these textbook fees to students enrolled in any public or nonpublic school that is: (1) in compliance with minimum certification standards of the state board; and (2) located within the attendance unit served by the governing body. The annual rental rate may not exceed twenty-five percent (25%) of the retail price of the textbook.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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)

CONDITION OF RECORDS

The following deficiencies relating to receipts were noted:

1. Receipt books were not available for examination for most of the examination period. One receipt book was found which covered a small portion of the current exam period. The receipts are dated from March 20, 2006 to October 3, 2006, and March 21, 2007 to May 11, 2007. The receipts are not written in date sequence, and receipts are not written for all monies received.
2. We could not determine if all monies received had been deposited into the bank account or recorded on the ledger.
3. Receipts do not always indicate if checks and/or cash were received. Deposit tickets were not available for examination. We were not able to determine if monies received were deposited in the same manner in which they were received.
4. We reviewed deposit slips from the bank and, in some instances, copies of checks attached to the deposit slip. Copies of checks could not be traced back to the receipt book. A comparison of dates on the copies of checks received to the deposit dates, revealed that checks were not always deposited in a timely manner. We reviewed bank statements for the last six months of the examination period. The number of deposits each month (excluding EFT deposits and transfers) ranged from two to six deposits per month.

VERITAS ACADEMY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

The following deficiencies relating to disbursements were noted:

5. Some of the disbursements reviewed were not certified by the Treasurer or approved by the Board. Some of the disbursements reviewed did not indicate if the goods or services were received.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

Indiana Code 5-13-6-1(c) states in part: ". . . all local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance. . ."

#### PENALTIES, INTEREST, AND OTHER CHARGES

Information presented for examination indicates that, in some cases, amounts payable to vendors and other suppliers of goods and services are not being paid until several months after the invoice dates, resulting in late payment fees. A similar comment appeared in prior Report B27198.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

#### SALES TAX

Reimbursements to staff in some instances, for items purchased for the School included sales tax.

School Corporation policy according to the minutes of the April 20, 2006, board meeting states that Veritas will not reimburse sales tax for purchases made by employees.

VERITAS ACADEMY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

AVERAGE DAILY MEMBERSHIP (ADM) - INCORRECT REPORTING TO THE STATE

The information presented for examination indicates enrollment figures on Form 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for the school year ending June 30, 2007.

The enrollment count date for 2006-2007 was September 15, 2006. The difference between the count reported on the ADM and the verified figures are shown below:

<u>School Year</u>	<u>Grade</u>	<u>Count as Reported on Form 30A</u>	<u>Actual Enrollment Figures</u>	<u>Difference</u>
2006-2007	1 Through 12	162	164	(2)

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)

PRESCRIBED FORMS

The following prescribed or approved forms were not used:

- Accounts Payable Voucher (Form SA-1)
- Summary Collection Form (Form SA-8)
- Receipts-Textbook Rental (Form TBR-2)

Variations of the following forms are used, but they are not approved forms, do not contain the information prescribed by the State Board of Accounts, and were not always used in the manner prescribed:

- Check
- Receipts

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)

VERITAS ACADEMY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

OFFICIAL BOND

Official bonds were not available for examination. We could not determine if officials and employees were properly bonded. The Office of the County Recorder did not have any records of any surety bonds being recorded for Veritas Academy.

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)

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder . . ."

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

Officials or employees of Veritas Academy had money due from the School Corporation, but a list of such employees was not certified to the County Treasurer.

Indiana Code 6-1.1-22-14(a) states in part: "On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

VERITAS ACADEMY  
EXIT CONFERENCE

The contents of this report were discussed on January 29, 2008, with Ellen Woodruff, Treasurer; Kathleen Royer, President of the School Board; and Angela Piazza, Superintendent of Schools. The official response has been made a part of this report and may be found on pages 23 and 24.

Veritas Academy  
Response to Audit for period 7/05- 6/07

An exit interview was held on January 29, 2008 and included Alejandro Flores, SBOA field examiner; Kathleen Royer, President Board of Trustees; Ellen Woodruff, Treasurer Board of Trustees; John Anella, Finance Committee Chairperson; Angela Piazza, Director of Education; Dana Ferman, Assistant Director of Education.

The following is a response to items listed in the audit report.

Financial Report Opinion Modifications

1. Veritas Academy has worked diligently to upgrade its accounting system to meet all requirements. A meeting with Veritas finance committee representatives and its CPA – bookkeeping personnel will be scheduled in the very near future to work out a solution to the difference in balances.
2. Veritas began tracking each grant individually in 2007 which should also assist with this process.

Sale of Real Estate

This transaction took place prior to the change in accounting system. All Veritas records are now kept separate from its parent corporation Carousel Family Services.

Textbook Rental Fees

1. Veritas Academy has implemented a process for determining textbook fees with the 2008-9 school year.
2. A receipt book for the collection of textbook fees has been purchased from the appropriate company and adheres to SBOA prescribed requirements.

Condition of Records

1. Receipt books (517 and SA-8) have been ordered and procedures have been implemented so that the deposit process meets SBOA requirements.
2. SBOA forms (523) have been ordered and updated procedures have been implemented so that SBOA requirements for accounts payable are met.

Penalties, Interest, and other Charges

During the exit interview, regulations were made known to Veritas representatives indicating that some invoices can be paid as they are received contingent on the board approval of that list of bills that apply (e.g. utilities). This will alleviate this issue in the future.

**Veritas Academy**  
**Response to Audit for period 7/05- 6/07**

**Penalties, Interest, and other Charges (cont)**

Veritas Academy had issues prior to 2005 with former administrative personnel inappropriate use of school funds which left a large debt for the school to satisfy. This debt has been satisfied and as of 2008, all outstanding obligations have been met so that the school is current on all obligations.

**Sales Tax**

Appropriate administrative personnel have been reminded of this policy and will monitor the situation.

**Average Daily Membership (ADM) – Incorrect Reporting to the State**

The Director of Education will contact the IDOE on this matter.

**Prescribed Forms**

The following SBOA forms have been ordered through the authorize company after consultation with the SBOA field examiner: 100R, 517, 523, SA-8. Checks will be ordered through this company after the current supply is used up.

**Official Bond**

Documentation was requested from the insurance agent and recorded with the Office of the County Recorder.

**List of Employees not filed with County Treasurer**

List was filed with the County Treasurer on 1/30/08.

This audit has allowed the Board of Veritas Academy to acknowledge the many improvements that have been made since July 2005 and also the areas that continue to require further improvement. The Veritas Board of Directors will continue to strive to improve these processes and meet all SBOA requirements.