

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

AUDIT REPORT
OF
IMAGINE MASTER ACADEMY
ALLEN COUNTY, INDIANA
July 1, 2007 to June 30, 2009



FILED
03/11/2010

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Business Manager (Treasurer)	Jody Winterrowd	07-01-07 to 06-30-10
Regional Business Manager	Amy Williams	07-01-07 to 06-30-10
Principal	Guy Platter Bruce Greening James Huth	07-01-07 to 03-15-08 03-16-08 to 11-06-08 11-07-08 to 06-30-10
Regional Director	Guy Platter	03-16-08 to 06-30-10
President of the School Board	Donald Willis Vincent Robinson	07-01-07 to 02-15-10 02-16-10 to 12-31-10



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE IMAGINE MASTER ACADEMY, ALLEN COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Imagine Master Academy (School Corporation), as of and for the years ended June 30, 2008 and 2009, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2008 and 2009, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated February 23, 2010, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The School Corporation has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Combining Schedule, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedule, as listed in the Table of Contents, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

February 23, 2010



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

TO: THE OFFICIALS OF THE IMAGINE MASTER ACADEMY, ALLEN COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Imagine Master Academy (School Corporation), as of and for the years ended June 30, 2008 and 2009, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated February 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the School Corporation's management, the School Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

February 23, 2010

IMAGINE MASTER ACADEMY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		Charges for Services	Operating Grants and Contributions	<u>Totals</u>
Governmental activities:				
Instruction	\$ 1,161,658	\$ -	\$ 52,007	\$ (1,109,651)
Support services	902,851	113,515	131,839	(657,497)
Noninstructional services	235,670	-	-	(235,670)
Facilities acquisition and construction	527,746	-	-	(527,746)
Debt service	70,127	-	-	(70,127)
Total government activities	\$ 2,898,052	\$ 113,515	\$ 183,846	(2,600,691)
General receipts:				
Property taxes				70,000
Other local sources				118,548
State aid				883,328
Bonds and loans				1,310,417
Grants and contributions not restricted to specific programs				269,260
Investment earnings				14,813
Total general receipts				2,666,366
Change in net assets				65,675
Net assets - beginning				-
Net assets - ending				\$ 65,675
<u>Assets</u>				
Cash and investments				\$ 65,675
<u>Net Assets</u>				
Unrestricted				\$ 65,675

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

IMAGINE MASTER ACADEMY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<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	\$ 2,267,555	\$ -	\$ 145,040	\$ (2,122,515)
Support services	1,827,975	138,739	224,978	(1,464,258)
Noninstructional services	370,921	-	-	(370,921)
Facilities acquisition and construction	678,746	-	-	(678,746)
Debt service	498,903	-	-	(498,903)
Total governmental activities	<u>\$ 5,644,100</u>	<u>\$ 138,739</u>	<u>\$ 370,018</u>	<u>(5,135,343)</u>
General receipts:				
Property taxes				752,804
Other local sources				301,854
State aid				2,650,899
Bonds and loans				867,799
Grants and contributions not restricted to specific programs				1,057,733
Investment earnings				4,228
Other				30,941
Total general receipts				<u>5,666,258</u>
Change in net assets				530,915
Net assets - beginning				<u>65,675</u>
Net assets - ending				<u>\$ 596,590</u>
<u>Assets</u>				
Cash and investments				<u>\$ 596,590</u>
<u>Net Assets</u>				
Unrestricted				<u>\$ 596,590</u>

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

IMAGINE MASTER ACADEMY
 STATEMENT 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, 2008

	General	School Lunch	Textbook Rental	Title I FY 2008	Public Charter School Grant	Totals
Receipts:						
Local sources	\$ 265,888	\$ 38,137	\$ 12,851	\$ -	\$ -	\$ 316,876
State sources	935,335	-	25,355	-	-	960,690
Federal sources	-	106,484	-	82,160	187,100	375,744
Temporary loans	70,000	-	-	-	-	70,000
Total receipts	<u>1,271,223</u>	<u>144,621</u>	<u>38,206</u>	<u>82,160</u>	<u>187,100</u>	<u>1,723,310</u>
Disbursements:						
Current:						
Instruction	1,106,197	-	25,045	30,416	-	1,161,658
Support services	854,819	95	-	2,967	44,970	902,851
Noninstructional services	103,400	132,270	-	-	-	235,670
Facilities acquisition and construction	505,859	-	-	2,546	19,341	527,746
Debt services	70,127	-	-	-	-	70,127
Total disbursements	<u>2,640,402</u>	<u>132,365</u>	<u>25,045</u>	<u>35,929</u>	<u>64,311</u>	<u>2,898,052</u>
Excess (deficiency) of receipts over disbursements	<u>(1,369,179)</u>	<u>12,256</u>	<u>13,161</u>	<u>46,231</u>	<u>122,789</u>	<u>(1,174,742)</u>
Other financing sources:						
Proceeds of long-term debt	1,240,417	-	-	-	-	1,240,417
Excess (deficiency) of receipts and other financing sources over disbursements	<u>(128,762)</u>	<u>12,256</u>	<u>13,161</u>	<u>46,231</u>	<u>122,789</u>	<u>65,675</u>
Cash and investments - beginning	-	-	-	-	-	-
Cash and investments - ending	<u>\$ (128,762)</u>	<u>\$ 12,256</u>	<u>\$ 13,161</u>	<u>\$ 46,231</u>	<u>\$ 122,789</u>	<u>\$ 65,675</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ (128,762)</u>	<u>\$ 12,256</u>	<u>\$ 13,161</u>	<u>\$ 46,231</u>	<u>\$ 122,789</u>	<u>\$ 65,675</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ (128,762)</u>	<u>\$ 12,256</u>	<u>\$ 13,161</u>	<u>\$ 46,231</u>	<u>\$ 122,789</u>	<u>\$ 65,675</u>

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

IMAGINE MASTER ACADEMY
STATEMENT 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, 2009

	General	School Lunch	Textbook Rental	Title I FY 2008	Public Charter School Grant	Other	Totals
Receipts:							
Local sources	\$ 1,074,239	\$ 51,076	\$ 12,963	\$ -	\$ -	\$ 59,346	\$ 1,197,624
State sources	2,793,091	1,355	32,778	-	-	2,848	2,830,072
Federal sources	-	190,846	-	12,000	275,150	770,583	1,248,579
Temporary loans	185,000	-	-	-	-	-	185,000
Other	-	-	-	-	-	30,941	30,941
Total receipts	<u>4,052,330</u>	<u>243,277</u>	<u>45,741</u>	<u>12,000</u>	<u>275,150</u>	<u>863,718</u>	<u>5,492,216</u>
Disbursements:							
Current:							
Instruction	1,742,135	-	25,476	26,480	109,985	363,479	2,267,555
Support services	1,668,508	296	-	10,330	-	148,841	1,827,975
Noninstructional services	112,724	255,237	-	261	908	1,791	370,921
Facilities acquisition and construction	271,087	-	-	21,160	105,056	281,443	678,746
Debt services	354,997	-	-	-	143,906	-	498,903
Total disbursements	<u>4,149,451</u>	<u>255,533</u>	<u>25,476</u>	<u>58,231</u>	<u>359,855</u>	<u>795,554</u>	<u>5,644,100</u>
Excess (deficiency) of receipts over disbursements	<u>(97,121)</u>	<u>(12,256)</u>	<u>20,265</u>	<u>(46,231)</u>	<u>(84,705)</u>	<u>68,164</u>	<u>(151,884)</u>
Other financing sources (uses):							
Proceeds of long-term debt	682,799	-	-	-	-	-	682,799
Transfers in	-	-	-	-	-	26,132	26,132
Transfers out	<u>(26,132)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,132)</u>
Total other financing sources (uses)	<u>656,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,132</u>	<u>682,799</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	559,546	(12,256)	20,265	(46,231)	(84,705)	94,296	530,915
Cash and investments - beginning	<u>(128,762)</u>	<u>12,256</u>	<u>13,161</u>	<u>46,231</u>	<u>122,789</u>	<u>-</u>	<u>65,675</u>
Cash and investments - ending	<u>\$ 430,784</u>	<u>\$ -</u>	<u>\$ 33,426</u>	<u>\$ -</u>	<u>\$ 38,084</u>	<u>\$ 94,296</u>	<u>\$ 596,590</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 430,784</u>	<u>\$ -</u>	<u>\$ 33,426</u>	<u>\$ -</u>	<u>\$ 38,084</u>	<u>\$ 94,296</u>	<u>\$ 596,590</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 430,784</u>	<u>\$ -</u>	<u>\$ 33,426</u>	<u>\$ -</u>	<u>\$ 38,084</u>	<u>\$ 94,296</u>	<u>\$ 596,590</u>

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

IMAGINE MASTER ACADEMY
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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.

The School Corporation's financial reporting entity is composed of the following:

Primary Government: Imagine Master Academy

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements 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 statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

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 school lunch fund is used to account for receipts and disbursements of the school lunch program.

The textbook rental fund is used to account for receipts and disbursements of the textbook rental program.

IMAGINE MASTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
(Continued)

The title I fy 2008 fund is used to account for receipts and disbursements of the 2008 title I grant program.

The public charter school grant fund accounts for receipts and disbursements for the public charter school grant program.

C. Measurement Focus and Basis of Accounting

The government-wide and governmental fund financial statements 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 statements.

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 statements 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 statements.

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 enterprise funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Property Taxes

Normally, property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in 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 may 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.

IMAGINE MASTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as a liability in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

5. Equity Classification

Government-Wide Statements

Equity is classified as net assets.

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts and Disbursements

Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

F. Internal and Interfund Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.
4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

IMAGINE MASTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Government-Wide Financial Statements

Interfund activity, if any, is eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis. The effects of interfund loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Cash and Investment Balance Deficits

At June 30, 2008, the following fund reported a deficit in cash and investments, which is a violation of the Uniform Compliance Guidelines as authorized by state statute:

<u>Fund</u>	<u>2008</u>
General	<u>\$ (128,762)</u>

The cash and investment deficit arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; this deficit is to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. IC 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2009, the School Corporation had deposit balances in the amount of \$596,590.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13.

IMAGINE MASTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Interfund Transfers

Interfund transfers for the year ended June 30, 2008 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2009</u>
General Fund	Other governmental funds	<u>\$ 26,132</u>

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

IV. Other Information

A. Risk Management

The School Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Subsequent Events

On November 19, 2009, the School Corporation entered into a loan agreement to borrow \$389,214 from the Indiana Common School Fund. The terms of the loan are 20 years at four percent interest.

IMAGINE MASTER 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, 2009

	School Administration	Non-English Speaking Program	Title I FY 2009	IDEA Grant	ARRA Grant	Totals
Receipts:						
Local sources	\$ 59,346	\$ -	\$ -	\$ -	\$ -	\$ 59,346
State sources	-	2,848	-	-	-	2,848
Federal sources	-	-	154,164	280,752	335,667	770,583
Other	<u>30,941</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,941</u>
Total receipts	<u>90,287</u>	<u>2,848</u>	<u>154,164</u>	<u>280,752</u>	<u>335,667</u>	<u>863,718</u>
Disbursements:						
Current:						
Instruction	10,264	2,787	125,948	224,480	-	363,479
Support services	52,099	-	3,475	-	93,267	148,841
Noninstructional services	1,730	61	-	-	-	1,791
Facilities acquisition and construction	<u>246</u>	<u>-</u>	<u>24,741</u>	<u>14,056</u>	<u>242,400</u>	<u>281,443</u>
Total disbursements	<u>64,339</u>	<u>2,848</u>	<u>154,164</u>	<u>238,536</u>	<u>335,667</u>	<u>795,554</u>
Excess (deficiency) of receipts over disbursements	<u>25,948</u>	<u>-</u>	<u>-</u>	<u>42,216</u>	<u>-</u>	<u>68,164</u>
Other financing sources:						
Transfers in	<u>26,132</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,132</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	52,080	-	-	42,216	-	94,296
Cash and investments - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 52,080</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,216</u>	<u>\$ -</u>	<u>\$ 94,296</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ 52,080</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,216</u>	<u>\$ -</u>	<u>\$ 94,296</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ 52,080</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,216</u>	<u>\$ -</u>	<u>\$ 94,296</u>

IMAGINE MASTER ACADEMY
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
For The Year Ended June 30, 2009

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:	
Building Improvements	\$ 13,629
Textbooks	228,554
Machinery and equipment	<u>440,938</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 683,121</u>

IMAGINE MASTER ACADEMY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2009

The Charter School has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Dell computers	\$ 19,349	\$ 17,103
Equipment, computers, textbooks	262,633	221,957
Common School Fund loans	<u>1,892,206</u>	<u>-</u>
Total governmental activities debt	<u>\$ 2,174,188</u>	<u>\$ 239,060</u>

IMAGINE MASTER ACADEMY
AUDIT RESULTS AND COMMENTS

BOARD ACTIONS AND OVERSIGHT

As of February 1, 2010, Ball State University placed Imagine Master Academy on probation because the Board was not providing satisfactory oversight, adhering to Indiana's Open Door law, or fulfilling fiduciary duties. Ball State conducted an extensive investigation into the Board's actions following a series of articles in the Fort Wayne Journal Gazette on November 1-3, 2009. The Board must implement a corrective action plan laid out by Ball State in order to be removed from probation.

All meetings shall be open to the public to the extent required by IC 5-14-1.5 (Indiana Open Door Law). (Accounting and Uniform Compliance Guidelines for Indiana Public School Corporations, Chapter 8)

All business transacted by the governing body must be recorded in the minutes of the meetings. (Accounting and Uniform Compliance Guidelines for Indiana Public School Corporations, Chapter 8)

OVERDRAWN CASH BALANCE

The cash balance of the General Fund was overdrawn as of June 30, 2008.

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)

BOARD MINUTES

Board minutes presented for audit did not document board approval of the following: claim allowance, Common School Fund loans, equipment leases, lunch fees charged, and textbook rental fees charged.

IC 5-14-1.5-4(b) states: "As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5."

OFFICIAL BOND

The Treasurer is covered by a crime policy but not by an individual surety bond.

The treasurer of the school corporation, and the deputy treasurer if one is appointed, for each school year commencing July 1, shall each give a bond for the faithful performance of duty, written by an insurance company licensed to do business in the State of Indiana, in an amount determined by the governing body. The treasurer shall be responsible under the treasurer's bond for the acts of any deputy treasurer appointed as provided in IC 20-26-4-5. All bonds must be made payable to the State of Indiana, IC 5-4-1-10; and approved by the governing body of the school corporation. The State Board of Accounts is of the audit position bonds should be filed and recorded in the office of the county recorder. No charge is made for recording official bonds, IC 36-2-7-10. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE IMAGINE MASTER ACADEMY, ALLEN COUNTY, INDIANA

Compliance

We have audited the compliance of the Imagine Master Academy (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2008 and 2009. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2008 and 2009.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the School Corporation's management, the School Board and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

February 23, 2010

IMAGINE MASTER ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2008 and 2009

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-08	Total Federal Awards Expended 06-30-09
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 16,123	\$ 23,816
National School Lunch Program	10.555		<u>90,361</u>	<u>167,030</u>
Total for cluster			<u>106,484</u>	<u>190,846</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Special Education Cluster				
Special Education - Grants to States	84.027			
		14209-001-DN01		153,333
		14209-202-PN01	-	<u>85,203</u>
Total for cluster			<u>-</u>	<u>238,536</u>
State Fiscal Stabilization Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394		-	<u>335,667</u>
Title I Grants to Local Educational Agencies	84.010			
		08-9695	35,929	58,231
		09-9695	<u>-</u>	<u>154,164</u>
Total for program			<u>35,929</u>	<u>212,395</u>
Charter Schools Implementation	84.282		<u>64,311</u>	<u>359,855</u>
Total for federal grantor agency			<u>100,240</u>	<u>1,146,453</u>
Total federal awards expended			<u>\$ 206,724</u>	<u>\$ 1,337,299</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

IMAGINE MASTER ACADEMY
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Imagine Master Academy (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of schools shall be conducted biennially. Such audits shall include both years within the biennial period.

IMAGINE MASTER ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weaknesses identified? no
 Significant deficiencies identified that are not considered to be material weaknesses? none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:
 Material weaknesses identified? no
 Significant deficiencies identified that are not considered to be material weaknesses? none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.282	ARRA - State Fiscal Stabilization Cluster Charter Schools

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

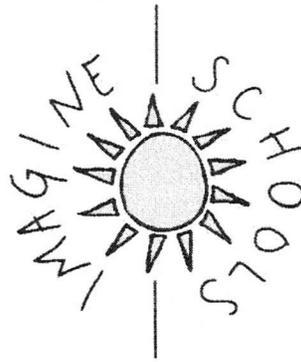
IMAGINE MASTER ACADEMY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

IMAGINE MASTER ACADEMY
EXIT CONFERENCE

The contents of this report were discussed on February 23, 2010, with Jody Winterrowd, Business Manager (Treasurer); Amy Williams, Regional Business Manager; James Huth, Principal; and Vincent Robinson, President of the School Board. The official response has been made a part of this report and may be found on page 29.

Imagine Schools
2000 North Wells Street
Fort Wayne, Indiana 46808



260.420.8395
www.imagineschoolsacademy.com

March 5, 2010

Indiana State Board of Accounts
302 W. Washington Street, Suite E418
Indianapolis, IN 46204

RE: Imagine MASTer Academy
Response to Audit Results and Comments

Board Actions and Oversight

The board has voted to comply with the corrective action plan issued by Ball State and is currently in compliance.

Overdrawn Cash Balance

The local property tax levy distribution was delayed by the Allen County Treasurers Office. We expected to receive this money in May/June of 2008 and instead received it in July/September of 2008.

Board Minutes

The board will be in compliance with the State Board of Accounts recommendations on a going forward basis. Effective with the February 2010 Board meeting, AP Voucher reports were signed. The remaining items listed by the SBOA will be board approved as they present themselves in the future.

Official Bond

The Board will approve the treasurer of the school at the next board meeting. An individual surety bond will be issued by an Indiana Insurance Company and recorded at the Allen County recorders office.

Jody Winterrowd, Business Manager

A handwritten signature in cursive script that reads "Jody Winterrowd".