

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

AUDIT REPORT
OF
IMAGINE SCHOOLS ON BROADWAY
ALLEN COUNTY, INDIANA
July 1, 2008 to June 30, 2010



FILED
03/02/2011

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
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	5-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis	7-8
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds	9-10
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds	11-12
Notes to Financial Statements	13-18
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds	19-20
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Agency Funds	21-22
Schedule of Capital Assets	23
Schedule of Long-Term Debt	24
Audit Results and Comments:	
Official Bond	25
Average Daily Membership (ADM) - Lack of Records	25
Supplemental Audit of Federal Awards:	
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	28-29
Schedule of Expenditures of Federal Awards	30
Note to Schedule of Expenditures of Federal Awards	31
Schedule of Findings and Questioned Costs	32
Auditee Prepared Schedule:	
Summary Schedule of Prior Audit Findings	33
Exit Conference	34

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Regional Business Manager	Amy Williams	07-01-08 to 06-30-11
Principal	James Huth	07-01-08 to 11-07-08
	Ron DelaCuesta	11-08-08 to 09-30-10
	Ra'Chelle Spearman	10-01-10 to 06-30-11
Regional Director	Guy Platter	07-01-08 to 06-30-11
President of the School Board	Gil Perry	07-01-08 to 06-30-10
	Tony Booker	07-01-10 to 06-30-11



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 FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE IMAGINE SCHOOLS ON BROADWAY, 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 Schools on Broadway (School Corporation), as of and for the years ended June 30, 2009 and 2010, 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, 2009 and 2010, 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 January 26, 2011, 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 integral part of 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 Schedules, 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 Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are 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

January 26, 2011



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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 SCHOOLS ON BROADWAY, 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 Schools on Broadway (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated January 26, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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, 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

January 26, 2011

IMAGINE SCHOOLS ON BROADWAY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	Program Receipts			Net (Disbursement) Receipts and Changes in Net Assets
	Disbursements	Charges for Services	Operating Grants and Contributions	Totals
Governmental activities:				
Instruction	\$ 1,121,063	\$ -	\$ 149,506	\$ (971,557)
Support services	1,105,955	24,321	170,333	(911,301)
Noninstructional services	214,013	-	-	(214,013)
Facilities acquisition and construction	935,028	-	-	(935,028)
Debt service	179,053	-	-	(179,053)
Total governmental activities	\$ 3,555,112	\$ 24,321	\$ 319,839	(3,210,952)
General receipts:				
Other local sources				86,415
State aid				1,073,410
Bonds and loans				1,677,381
Grants and contributions not restricted to specific programs				866,645
Total general receipts				3,703,851
Change in net assets				492,899
Net assets - beginning				-
Net assets - ending				\$ 492,899
<u>Assets</u>				
Cash and investments				\$ 492,899
<u>Net Assets</u>				
Unrestricted				\$ 492,899

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

IMAGINE SCHOOLS ON BROADWAY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2010

<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>	
Governmental activities:				
Instruction	\$ 1,410,603	\$ -	\$ 92,124	\$ (1,318,479)
Support services	1,194,725	27,958	270,768	(895,999)
Noninstructional services	249,724	-	-	(249,724)
Facilities acquisition and construction	637,848	-	-	(637,848)
Debt service	209,935	-	-	(209,935)
	<u>\$ 3,702,835</u>	<u>\$ 27,958</u>	<u>\$ 362,892</u>	<u>(3,311,985)</u>
General receipts:				
Other local sources				82,402
State aid				2,482,768
Bonds and loans				106,105
Grants and contributions not restricted to specific programs				763,029
Total general receipts				3,434,304
Change in net assets				122,319
Net assets - beginning				492,899
Net assets - ending				\$ 615,218
<u>Assets</u>				
Cash and investments				\$ 615,218
<u>Net Assets</u>				
Unrestricted				\$ 615,218

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

IMAGINE SCHOOLS ON BROADWAY
 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	Title I FY 08/09	Public Charter School Grant	Other	Totals
Receipts:					
Local sources	\$ 89,180	\$ -	\$ -	\$ 21,556	\$ 110,736
State sources	1,222,916	-	-	26,235	1,249,151
Federal sources	-	168,861	481,600	360,282	1,010,743
Temporary loans	329,934	-	-	-	329,934
Total receipts	1,642,030	168,861	481,600	408,073	2,700,564
Disbursements:					
Current:					
Instruction	956,215	60,236	21,720	82,892	1,121,063
Support services	799,910	2,546	201,668	101,831	1,105,955
Noninstructional services	52,552	1,208	-	160,253	214,013
Facilities acquisition and construction	712,611	38,083	142,584	41,750	935,028
Debt services	179,053	-	-	-	179,053
Total disbursements	2,700,341	102,073	365,972	386,726	3,555,112
Excess (deficiency) of receipts over disbursements	(1,058,311)	66,788	115,628	21,347	(854,548)
Other financing sources:					
Proceeds of long-term debt	1,347,447	-	-	-	1,347,447
Excess of receipts and other financing sources over disbursements	289,136	66,788	115,628	21,347	492,899
Cash and investments - beginning	-	-	-	-	-
Cash and investments - ending	<u>\$ 289,136</u>	<u>\$ 66,788</u>	<u>\$ 115,628</u>	<u>\$ 21,347</u>	<u>\$ 492,899</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	<u>\$ 289,136</u>	<u>\$ 66,788</u>	<u>\$ 115,628</u>	<u>\$ 21,347</u>	<u>\$ 492,899</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Unrestricted	<u>\$ 289,136</u>	<u>\$ 66,788</u>	<u>\$ 115,628</u>	<u>\$ 21,347</u>	<u>\$ 492,899</u>

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

IMAGINE SCHOOLS ON BROADWAY
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, 2010

	General	Title I FY 08/09	Public Charter School Grant	Other	Totals
Receipts:					
Local sources	\$ 62,540	\$ -	\$ -	\$ 47,820	\$ 110,360
State sources	2,574,892	-	-	40,285	2,615,177
Federal sources	-	-	409,000	584,512	993,512
Temporary loans	77,611	-	28,494	-	106,105
Total receipts	2,715,043	-	437,494	672,617	3,825,154
Disbursements:					
Current:					
Instruction	1,033,097	47,425	76,429	253,652	1,410,603
Support services	1,033,697	2,112	55,835	103,081	1,194,725
Noninstructional services	7,629	1,077	-	241,018	249,724
Facilities acquisition and construction	359,645	-	219,587	58,616	637,848
Debt services	118,693	-	83,853	7,389	209,935
Total disbursements	2,552,761	50,614	435,704	663,756	3,702,835
Excess (deficiency) of receipts over disbursements	162,282	(50,614)	1,790	8,861	122,319
Other financing sources (uses):					
Transfers in	1,657,142	-	124,500	331,214	2,112,856
Transfers out	(1,725,740)	(16,174)	(124,500)	(246,442)	(2,112,856)
Total other financing sources (uses)	(68,598)	(16,174)	-	84,772	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	93,684	(66,788)	1,790	93,633	122,319
Cash and investments - beginning	289,136	66,788	115,628	21,347	492,899
Cash and investments - ending	<u>\$ 382,820</u>	<u>\$ -</u>	<u>\$ 117,418</u>	<u>\$ 114,980</u>	<u>\$ 615,218</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	<u>\$ 382,820</u>	<u>\$ -</u>	<u>\$ 117,418</u>	<u>\$ 114,980</u>	<u>\$ 615,218</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Unrestricted	<u>\$ 382,820</u>	<u>\$ -</u>	<u>\$ 117,418</u>	<u>\$ 114,980</u>	<u>\$ 615,218</u>

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

IMAGINE SCHOOLS ON BROADWAY
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2009

	<u>Agency Funds</u>
Cash and investment fund balance - ending	<u>\$ 5,606</u>
Net assets:	
Cash and investments	<u>\$ 5,606</u>
Total net assets - cash and investment basis held in trust	<u>\$ 5,606</u>

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

IMAGINE SCHOOLS ON BROADWAY
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2010

	<u>Agency Funds</u>
Cash and investment fund balance - ending	<u>\$ 6,959</u>
Net assets:	
Cash and investments	<u>\$ 6,959</u>
Total net assets - cash and investment basis held in trust	<u>\$ 6,959</u>

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

IMAGINE SCHOOLS ON BROADWAY
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 Schools on Broadway

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.

Title I FY 08/09 is used to account for receipts and disbursements of the 2008/2009 Title I Grant program.

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

IMAGINE SCHOOLS ON BROADWAY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Additionally, the School Corporation reports the following fund type:

Agency funds account for assets held by the School Corporation as an agent for employee payroll withholdings and serve as control of accounts for certain cash transactions during the time they are a liability to the School Corporation.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary 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 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.

D. Assets and Cash and Investment Balances

1. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. 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.

IMAGINE SCHOOLS ON BROADWAY
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. 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. 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.

4. 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.

5. 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.

6. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

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.

IMAGINE SCHOOLS ON BROADWAY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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 except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. 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.

G. Rounding Differences

The financial statements may contain immaterial differences due to rounding of amounts when the statements were compiled. These differences are considered trivial and do not affect the overall presentation of the financial statements.

II. 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, 2010, the School Corporation had deposit balances in the amount of \$622,177.

IMAGINE SCHOOLS ON BROADWAY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Statutory Authorization for Investments

IC 5-13-9 authorizes the School Corporation to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the School Corporation to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the School Corporation and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust have a stated final maturity of one day.

Additionally, the School Corporation may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the School Corporation's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2009 and 2010, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2008-2009</u>	<u>2009-2010</u>
General Fund	General Fund	\$ -	\$ 1,657,142
Public Charter School Grant Fund	Public Charter School Grant Fund	-	124,500
General Fund	Other Governmental Funds	-	68,598
Title I FY 08/09 Fund	Other Governmental Funds	-	16,174
Other Governmental Funds	Other Governmental Funds	-	246,442
Totals		<u>\$ -</u>	<u>\$ 2,112,856</u>

IMAGINE SCHOOLS ON BROADWAY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

III. Other Information

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; medical benefits to employees, and dependents; 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; medical benefits to employees, and dependents; 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.

IMAGINE SCHOOLS ON BROADWAY
 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 Lunch	Textbook Rental	School Administration	Fiscal Stabilization	Totals
Receipts:					
Local sources	\$ 18,389	\$ 1,597	\$ 1,570	\$ -	\$ 21,556
State sources	-	26,235	-	-	26,235
Federal sources	144,098	-	-	216,184	360,282
Total receipts	162,487	27,832	1,570	216,184	408,073
Disbursements:					
Current:					
Instruction	-	11,439	-	71,453	82,892
Support services	123	-	198	101,510	101,831
Noninstructional services	157,522	-	1,260	1,471	160,253
Facilities acquisition and construction	-	-	-	41,750	41,750
Total disbursements	157,645	11,439	1,458	216,184	386,726
Excess of receipts over disbursements	4,842	16,393	112	-	21,347
Cash and investments - beginning	-	-	-	-	-
Cash and investments - ending	<u>\$ 4,842</u>	<u>\$ 16,393</u>	<u>\$ 112</u>	<u>\$ -</u>	<u>\$ 21,347</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	<u>\$ 4,842</u>	<u>\$ 16,393</u>	<u>\$ 112</u>	<u>\$ -</u>	<u>\$ 21,347</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Unrestricted	<u>\$ 4,842</u>	<u>\$ 16,393</u>	<u>\$ 112</u>	<u>\$ -</u>	<u>\$ 21,347</u>

IMAGINE SCHOOLS ON BROADWAY
 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, 2010

	School Lunch	Textbook Rental	School Administration	Title I FY 09/10	Title II Improving Teacher Quality	Fiscal Stabilization	Title I Stimulus	School Lunch Equipment Grant	Totals
Receipts:									
Local sources	\$ 16,014	\$ 1,795	\$ 29,549	\$ -	\$ 462	\$ -	\$ -	\$ -	\$ 47,820
State sources	642	39,643	-	-	-	-	-	-	40,285
Federal sources	230,483	-	-	153,081	36,163	82,889	66,896	15,000	584,512
Total receipts	247,139	41,438	29,549	153,081	36,625	82,889	66,896	15,000	672,617
Disbursements:									
Current:									
Instruction	-	7,005	3,593	138,721	25,077	20,854	58,402	-	253,652
Support services	1,442	-	3,093	8,899	11,548	25,009	53,090	-	103,081
Noninstructional services	214,939	-	10,614	465	-	-	-	15,000	241,018
Facilities acquisition and construction	-	-	7,809	21,170	-	29,637	-	-	58,616
Debt services	-	-	-	-	-	7,389	-	-	7,389
Total disbursements	216,381	7,005	25,109	169,255	36,625	82,889	111,492	15,000	663,756
Excess (deficiency) of receipts over disbursements	30,758	34,433	4,440	(16,174)	-	-	(44,596)	-	8,861
Other financing sources (uses):									
Transfers in	134,638	39,643	-	76,174	36,163	-	44,596	-	331,214
Transfers out	(110,636)	(39,643)	-	(60,000)	(36,163)	-	-	-	(246,442)
Total other financing sources (uses)	24,002	-	-	16,174	-	-	44,596	-	84,772
Excess of receipts and other financing sources over disbursements and other financing uses	54,760	34,433	4,440	-	-	-	-	-	93,633
Cash and investments - beginning	4,842	16,392	113	-	-	-	-	-	21,347
Cash and investments - ending	\$ 59,602	\$ 50,825	\$ 4,553	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 114,980
Cash and Investment Assets - Ending									
Cash and investments	\$ 59,602	\$ 50,825	\$ 4,553	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 114,980
Cash and Investment Fund Balance - Ending									
Unrestricted	\$ 59,602	\$ 50,825	\$ 4,553	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 114,980

IMAGINE SCHOOLS ON BROADWAY
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2009

	Employee 401K	Payroll Liabilities	Totals
Additions:			
Agency fund additions	\$ 32,882	\$ 233,074	\$ 265,956
Deductions:			
Agency fund deductions	29,991	230,359	260,350
Excess of total additions over total deductions	2,891	2,715	5,606
Cash and investment fund balance - beginning	-	-	-
Cash and investment fund balance - ending	\$ 2,891	\$ 2,715	\$ 5,606

IMAGINE SCHOOLS ON BROADWAY
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2010

	<u>Employee 401K</u>	<u>Payroll Liabilities</u>	<u>Totals</u>
Additions:			
Agency fund additions	\$ 53,799	\$ 255,163	\$ 308,962
Deductions:			
Agency fund deductions	<u>54,847</u>	<u>252,762</u>	<u>307,609</u>
Excess (deficiency) of total additions over total deductions	(1,048)	2,401	1,353
Cash and investment fund balance - beginning	<u>2,891</u>	<u>2,715</u>	<u>5,606</u>
Cash and investment fund balance - ending	<u>\$ 1,843</u>	<u>\$ 5,116</u>	<u>\$ 6,959</u>

IMAGINE SCHOOLS ON BROADWAY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended June 30, 2010

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	\$ 33,000
Textbooks	96,488
Machinery and equipment	<u>558,090</u>
Total governmental activities, capital assets not being depreciated	<u><u>\$ 687,578</u></u>

IMAGINE SCHOOLS ON BROADWAY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2010

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 loan no. A0111	\$ 133,407	\$ -
Common school loan no. A0130	1,214,040	-
Temporary loan from corporate office	<u>119,028</u>	<u>88,664</u>
Total governmental activities debt	<u>\$ 1,466,475</u>	<u>\$ 88,664</u>

IMAGINE SCHOOLS ON BROADWAY
AUDIT RESULTS AND COMMENTS

OFFICIAL BOND

The Treasurer was covered by a crime policy for the period July 1, 2008 to April 1, 2010, but not by an individual surety bond. During April 2010, the School obtained a new bond; however, the bond is not filed in the Office of the County Recorder. Additionally, duties of the Regional Business Manager are similar to a Treasurer.

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.

Whenever deemed necessary to bond any other employee of a school corporation, the governing body may bond or cause to be bonded such employee or employees by either individual or blanket bonds conditioned upon faithful performance of duties, and in amounts and with surety approved by the school board. We recommend bond coverage for any employee handling funds. A blanket bond should not include any officer, deputy or employee for whom an individual bond is required by statute. Individual bonds are required for the school corporation treasurer and the deputy treasurer. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

IC 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 . . ."

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

Officials did not retain original ADM records for audit to support the ADM claimed by the School Corporation for the 2008-2009 and 2009-2010 school years. They started retaining records for the current school year after being informed of the requirement to present records for audit.

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

Officials should maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM. The building level official (Principal, Assistant Principal, etc.) responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (The School Administrator and Uniform Compliance Guidelines, Volume 123, September 1993, and Volume 142, June 1998)

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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 SCHOOLS ON BROADWAY, ALLEN COUNTY, INDIANA

Compliance

We have audited the compliance of the Imagine Schools on Broadway (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, 2009 and 2010. 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, 2009 and 2010.

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, 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

January 26, 2011

IMAGINE SCHOOLS ON BROADWAY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2009 and 2010

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 06-30-09	Total Federal Awards Expended 06-30-10
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 30,062	\$ 50,545
National School Lunch Program	10.555		114,037	175,055
Summer Food Service Program for Children	10.559		-	4,582
Total for cluster			<u>144,099</u>	<u>230,182</u>
Pass-Through Indiana Department of Education ARRA - Child Nutrition Discretionary Grants	10.579		-	15,000
Total for federal grantor agency			<u>144,099</u>	<u>245,182</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education Title I Cluster				
Title I Grants to Local Educational Agencies	84.010			
		09-9820	102,073	50,614
		10-9820	-	169,255
Total for program			<u>102,073</u>	<u>219,869</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389		-	73,641
Total for cluster			<u>102,073</u>	<u>293,510</u>
Pass-Through Indiana Department of Education Special Education Cluster				
Special Education Grants to States	84.027		78,288	83,026
ARRA - Special Education Grants to States, Recovery Act	84.391		-	16,488
Total for cluster			<u>78,288</u>	<u>99,514</u>
Pass-Through Indiana Department of Education State Fiscal Stabilization Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394		216,184	82,889
Pass-Through Indiana Department of Education Charter Schools	84.282			
Planning			201,600	-
Implementation Year 1			164,372	115,628
Implementation Year 2			-	183,576
Facilities			-	136,500
Total for program			<u>365,972</u>	<u>435,704</u>
Pass-Through Indiana Department of Education Improving Teacher Quality State Grants	84.367		-	36,163
Total for federal grantor agency			<u>762,517</u>	<u>947,780</u>
Total federal awards expended			<u>\$ 906,616</u>	<u>\$ 1,192,962</u>

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

IMAGINE SCHOOLS ON BROADWAY
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 Schools on Broadway (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 school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

IMAGINE SCHOOLS ON BROADWAY
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	Child Nutrition Cluster Title I 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 SCHOOLS ON BROADWAY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

IMAGINE SCHOOLS ON BROADWAY
EXIT CONFERENCE

The contents of this report were discussed on January 26, 2011, with Amy Williams, Regional Business Manager; Ra'Chelle Spearman, Principal; Jody Winterrowd, Business Manager; and Tony Booker, President of the School Board.