

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

AUDIT REPORT

OF

IMAGINE INDIANA LIFE SCIENCES ACADEMY - EAST

MARION COUNTY, INDIANA

July 1, 2008 to June 30, 2010



**FILED**  
03/02/2011



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### SCHEDULE OF OFFICIALS

| <u>Office</u>                          | <u>Official</u>                                      | <u>Term</u>  |
|--|--|--|
| Treasurer                              | Lori Edwards<br>Jody Winterrowd                      | 07-01-08 to 02-28-10<br>03-01-10 to 06-30-11                         |
| Regional Business Manager              | Amy Williams   | 07-01-08 to 06-30-11   |
| School Principal                       | Dr. Percy Clark<br>Allison Peterkin<br>Brian Dinkins | 07-01-08 to 08-31-09<br>09-01-09 to 04-30-10<br>05-01-10 to 06-30-11 |
| School Business Manager                | Terra Brown  | 03-01-10 to 06-30-11   |
| President of the<br>Board of Directors | Dr. Theresa Wright                                   | 07-01-08 to 06-30-11   |



**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 INDIANA LIFE SCIENCES  
ACADEMY - EAST, MARION 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 Indiana Life Sciences Academy - East (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 February 10, 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, Schedules of Funding Progress, 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

February 10, 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 INDIANA LIFE SCIENCES  
ACADEMY - EAST, MARION COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Imagine Indiana Life Sciences Academy - East (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 February 10, 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.

The School Corporation's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Corporation's management, Board of Directors, 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 10, 2011

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

| <u>Functions/Programs</u>                                    | <u>Disbursements</u> | Program Receipts                |   | <u>Net<br/>(Disbursement)<br/>Receipts and<br/>Changes in<br/>Net Assets</u> |
|--|----------------------|---------------------------------|---|--|
|  |                      | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Totals</u>  |
| Governmental activities:                                     |                      |                                 |   |  |
| Instruction  | \$ 1,578,994         | \$ -                            | \$ 206,137  | \$ (1,372,857)   |
| Support services   | 1,606,596            | 44,761                          | 208,958   | (1,352,877)  |
| Noninstructional services                                    | 433,029              | -                               | -   | (433,029)  |
| Facilities acquisition and construction                      | 1,191,883            | -                               | -   | (1,191,883)  |
| Debt service   | 139,726              | -                               | -   | (139,726)  |
|  | <u>\$ 4,950,228</u>  | <u>\$ 44,761</u>                | <u>\$ 415,095</u>                                 | <u>(4,490,372)</u>   |
|  |                      |                                 |   |  |
| General receipts:  |                      |                                 |   |  |
| Other local sources  |                      |                                 |   | 111,365  |
| State aid  |                      |                                 |   | 1,550,095  |
| Bonds and loans  |                      |                                 |   | 2,553,239  |
| Grants and contributions not restricted to specific programs |                      |                                 |   | 1,217,218  |
| Total general receipts                                       |                      |                                 |   | 5,431,917  |
| Change in net assets   |                      |                                 |   | 941,545  |
| Net assets - beginning                                       |                      |                                 |   | -  |
| Net assets - ending  |                      |                                 |   | \$ 941,545   |
|  |                      |                                 |   |  |
| <u>Assets</u>  |                      |                                 |   |  |
| Cash and investments   |                      |                                 |   | \$ 941,545   |
|  |                      |                                 |   |  |
| <u>Net Assets</u>  |                      |                                 |   |  |
| Unrestricted   |                      |                                 |   | \$ 941,545   |

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

IMAGINE INDIANA LIFE SCIENCES ACADEMY - EAST  
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<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Net<br/>(Disbursement)<br/>Receipts and<br/>Changes in<br/>Net Assets</u> |
| Governmental activities:                                     |                      |                                 |   |  |
| Instruction  | \$ 2,140,605         | \$ -                            | \$ 162,096  | \$ (1,978,509)   |
| Support services   | 2,183,486            | 60,200                          | 398,322   | (1,724,964)  |
| Noninstructional services                                    | 487,767              | -                               | -   | (487,767)  |
| Facilities acquisition and construction                      | 1,915,981            | -                               | -   | (1,915,981)  |
| Debt service   | 399,722              | -                               | -   | (399,722)  |
|  | <u>\$ 7,127,561</u>  | <u>\$ 60,200</u>                | <u>\$ 560,418</u>                                 | <u>(6,506,943)</u>   |
| Total governmental activities                                |                      |                                 |   |  |
| General receipts:  |                      |                                 |   |  |
| Other local sources  |                      |                                 |   | 99,144   |
| State aid  |                      |                                 |   | 3,957,336  |
| Bonds and loans  |                      |                                 |   | 1,002,175  |
| Grants and contributions not restricted to specific programs |                      |                                 |   | 1,218,986  |
|  |                      |                                 |   | <u>6,277,641</u>   |
| Total general receipts                                       |                      |                                 |   | <u>6,277,641</u>   |
| Change in net assets   |                      |                                 |   | (229,302)  |
| Net assets - beginning                                       |                      |                                 |   | <u>941,545</u>   |
| Net assets - ending  |                      |                                 |   | <u>\$ 712,243</u>  |
| <br><u>Assets</u>  |                      |                                 |   |  |
| Cash and investments   |                      |                                 |   | <u>\$ 712,243</u>  |
| <br><u>Net Assets</u>  |                      |                                 |   |  |
| Unrestricted   |                      |                                 |   | <u>\$ 712,243</u>  |

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

IMAGINE INDIANA LIFE SCIENCES ACADEMY - EAST  
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

|  | <u>General</u>    | <u>Other</u>     | <u>Totals</u>     |
|--|-------------------|------------------|-------------------|
| Receipts:  |                   |                  |                   |
| Local sources  | \$ 92,182         | \$ 63,944        | \$ 156,126        |
| State sources  | 1,756,232         | 33,933           | 1,790,165         |
| Federal sources  | -                 | 1,392,243        | 1,392,243         |
| Temporary loans  | <u>2,531,179</u>  | <u>22,060</u>    | <u>2,553,239</u>  |
| Total receipts   | <u>4,379,593</u>  | <u>1,512,180</u> | <u>5,891,773</u>  |
| Disbursements:   |                   |                  |                   |
| Current:   |                   |                  |                   |
| Instruction  | 1,241,328         | 337,666          | 1,578,994         |
| Support services   | 1,196,581         | 410,015          | 1,606,596         |
| Noninstructional services  | 197,572           | 235,457          | 433,029           |
| Facilities acquisition and construction  | 768,158           | 423,725          | 1,191,883         |
| Debt services  | <u>117,666</u>    | <u>22,060</u>    | <u>139,726</u>    |
| Total disbursements  | <u>3,521,305</u>  | <u>1,428,923</u> | <u>4,950,228</u>  |
| Excess of receipts over disbursements  | <u>858,288</u>    | <u>83,257</u>    | <u>941,545</u>    |
| Other financing sources (uses):  |                   |                  |                   |
| Transfers in   | -                 | 861              | 861               |
| Transfers out  | <u>(861)</u>      | <u>-</u>         | <u>(861)</u>      |
| Total other financing sources (uses)   | <u>(861)</u>      | <u>861</u>       | <u>-</u>          |
| Excess of receipts and other financing sources over disbursements and other financing uses | 857,427           | 84,118           | 941,545           |
| Cash and investments - beginning   | <u>-</u>          | <u>-</u>         | <u>-</u>          |
| Cash and investments - ending  | <u>\$ 857,427</u> | <u>\$ 84,118</u> | <u>\$ 941,545</u> |
| <u>Cash and Investment Assets - Ending</u>   |                   |                  |                   |
| Cash and investments   | <u>\$ 857,427</u> | <u>\$ 84,118</u> | <u>\$ 941,545</u> |
| <u>Cash and Investment Fund Balance - Ending</u>   |                   |                  |                   |
| Unrestricted   | <u>\$ 857,427</u> | <u>\$ 84,118</u> | <u>\$ 941,545</u> |

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

IMAGINE INDIANA LIFE SCIENCES ACADEMY - EAST  
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

|   | <u>General</u>        | <u>Other</u>          | <u>Totals</u>         |
|---|-----------------------|-----------------------|-----------------------|
| <b>Receipts:</b>  |                       |                       |                       |
| Local sources   | \$ 81,005             | \$ 78,339             | \$ 159,344            |
| State sources   | 4,118,512             | 52,364                | 4,170,876             |
| Federal sources   | -                     | 1,565,864             | 1,565,864             |
| Temporary loans   | <u>1,024,235</u>      | <u>(22,060)</u>       | <u>1,002,175</u>      |
| <br>Total receipts  | <br><u>5,223,752</u>  | <br><u>1,674,507</u>  | <br><u>6,898,259</u>  |
| <b>Disbursements:</b>   |                       |                       |                       |
| Current:  |                       |                       |                       |
| Instruction   | 1,754,255             | 386,350               | 2,140,605             |
| Support services  | 1,865,923             | 317,563               | 2,183,486             |
| Noninstructional services   | 60,786                | 426,981               | 487,767               |
| Facilities acquisition and construction   | 1,411,618             | 504,363               | 1,915,981             |
| Debt services   | <u>398,888</u>        | <u>834</u>            | <u>399,722</u>        |
| <br>Total disbursements   | <br><u>5,491,470</u>  | <br><u>1,636,091</u>  | <br><u>7,127,561</u>  |
| <br>Excess (deficiency) of receipts over disbursements  | <br><u>(267,718)</u>  | <br><u>38,416</u>     | <br><u>(229,302)</u>  |
| <b>Other financing sources (uses):</b>  |                       |                       |                       |
| Proceeds of long-term debt  | -                     | 25,318                | 25,318                |
| Sale of capital assets  | -                     | (4,000)               | (4,000)               |
| Transfers in  | -                     | 25,318                | 25,318                |
| Transfers out   | <u>(21,318)</u>       | <u>(4,000)</u>        | <u>(25,318)</u>       |
| <br>Total other financing sources (uses)  | <br><u>(21,318)</u>   | <br><u>42,636</u>     | <br><u>21,318</u>     |
| <br>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <br><u>(289,036)</u>  | <br><u>81,052</u>     | <br><u>(207,984)</u>  |
| <br>Cash and investments - beginning  | <br><u>857,427</u>    | <br><u>84,118</u>     | <br><u>941,545</u>    |
| <br>Cash and investments - ending   | <br><u>\$ 568,391</u> | <br><u>\$ 165,170</u> | <br><u>\$ 733,561</u> |
| <u>Cash and Investment Assets - Ending</u>  |                       |                       |                       |
| Cash and investments  | <u>\$ 568,391</u>     | <u>\$ 143,852</u>     | <u>\$ 712,243</u>     |
| Total cash and investment assets - ending   | <u>\$ 568,391</u>     | <u>\$ 143,852</u>     | <u>\$ 712,243</u>     |
| <u>Cash and Investment Fund Balance - Ending</u>  |                       |                       |                       |
| Unrestricted  | <u>\$ 568,391</u>     | <u>\$ 143,852</u>     | <u>\$ 712,243</u>     |
| Total cash and investment fund balance - ending   | <u>\$ 568,391</u>     | <u>\$ 143,852</u>     | <u>\$ 712,243</u>     |

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

IMAGINE INDIANA LIFE SCIENCES ACADEMY - EAST  
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.

These financial statements present the School Corporation (primary government). There are no significant component units which require inclusion.

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 fund:

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

IMAGINE INDIANA LIFE SCIENCES ACADEMY - EAST  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 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.

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.

IMAGINE INDIANA LIFE SCIENCES ACADEMY - EAST  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 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. The School Corporation does not have any restricted net assets.
- 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.

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. 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 transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.
2. 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 in the government-wide financial statements as follows:

IMAGINE INDIANA LIFE SCIENCES ACADEMY - EAST  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Amounts reported as interfund transfers and interfund loans in the fund financial statements are 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

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 \$842,720.

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.

B. Interfund Transfers

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

| <u>Transfer From</u>     | <u>Transfer To</u>       | <u>2008</u>   | <u>2009</u>      |
|--------------------------|--------------------------|---------------|------------------|
| General Fund             | Other Governmental Funds | \$ 861        | \$ 21,318        |
| Other Governmental Funds | Other Governmental Funds | <u>-</u>      | <u>4,000</u>     |
| Totals                   |                          | <u>\$ 861</u> | <u>\$ 25,318</u> |

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

III. 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.

IMAGINE INDIANA LIFE SCIENCES ACADEMY - EAST  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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. Retirement Plan

The School Corporation makes matching contributions of up to 5.0% of the employee's income to a 401(k) retirement plan. The 401(k) retirement plan allows employees to make contributions up to limits established by the Internal Revenue Service. The employee chooses the investment options provided by the plan administrator. All 401(k) retirement plan contributions to the plan, plus any earnings they generate, are vested 100%.

IMAGINE INDIANA LIFE SCIENCES ACADEMY - EAST  
 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<br>Lunch | Textbook<br>Rental | Unrestricted<br>Contributions | Title I,<br>FY08/09 | Improving<br>Teacher<br>Quality | Charter<br>School | Fiscal<br>Stabilization -<br>Education<br>(Stimulus) | Totals           |
|--|-----------------|--------------------|-------------------------------|---------------------|---------------------------------|-------------------|--|------------------|
| <b>Receipts:</b>   |                 |                    |                               |                     |                                 |                   |  |                  |
| Local sources  | \$ 11,968       | \$ 2,727           | \$ 49,249                     | \$ -                | \$ -                            | \$ -              | \$ -   | \$ 63,944        |
| State sources  | -               | 33,933             | -                             | -                   | -                               | -                 | -  | 33,933           |
| Federal sources  | 175,025         | -                  | -                             | 432,710             | 80,448                          | 391,600           | 312,460  | 1,392,243        |
| Temporary loans  | -               | -                  | -                             | -                   | -                               | 22,060            | -  | 22,060           |
| <b>Total receipts</b>  | <b>186,993</b>  | <b>36,660</b>      | <b>49,249</b>                 | <b>432,710</b>      | <b>80,448</b>                   | <b>413,660</b>    | <b>312,460</b>                                       | <b>1,512,180</b> |
| <b>Disbursements:</b>  |                 |                    |                               |                     |                                 |                   |  |                  |
| <b>Current:</b>  |                 |                    |                               |                     |                                 |                   |  |                  |
| Instruction  | -               | 11,437             | 64                            | 205,626             | 5,933                           | 114,606           | -  | 337,666          |
| Support services   | -               | 79                 | 42,300                        | 147,287             | 37,314                          | 146,175           | 36,860   | 410,015          |
| Noninstructional services  | 186,993         | -                  | 1,449                         | 43,705              | 2,393                           | 917               | -  | 235,457          |
| Facilities acquisition and construction  | -               | -                  | 503                           | 25,857              | 996                             | 120,769           | 275,600  | 423,725          |
| Debt services  | -               | -                  | -                             | -                   | -                               | 22,060            | -  | 22,060           |
| <b>Total disbursements</b>   | <b>186,993</b>  | <b>11,516</b>      | <b>44,316</b>                 | <b>422,475</b>      | <b>46,636</b>                   | <b>404,527</b>    | <b>312,460</b>                                       | <b>1,428,923</b> |
| Excess of receipts over disbursements  | -               | 25,144             | 4,933                         | 10,235              | 33,812                          | 9,133             | -  | 83,257           |
| <b>Other financing sources (uses):</b>   |                 |                    |                               |                     |                                 |                   |  |                  |
| Transfers in   | -               | -                  | 861                           | -                   | -                               | -                 | -  | 861              |
| <b>Total other financing sources</b>   | <b>-</b>        | <b>-</b>           | <b>861</b>                    | <b>-</b>            | <b>-</b>                        | <b>-</b>          | <b>-</b>   | <b>861</b>       |
| Excess of receipts and other financing sources over disbursements and other financing uses | -               | 25,144             | 5,794                         | 10,235              | 33,812                          | 9,133             | -  | 84,118           |
| Cash and investments - beginning   | -               | -                  | -                             | -                   | -                               | -                 | -  | -                |
| Cash and investments - ending  | <u>\$ -</u>     | <u>\$ 25,144</u>   | <u>\$ 5,794</u>               | <u>\$ 10,235</u>    | <u>\$ 33,812</u>                | <u>\$ 9,133</u>   | <u>\$ -</u>  | <u>\$ 84,118</u> |
| <b>Cash and Investment Assets - Ending</b>   |                 |                    |                               |                     |                                 |                   |  |                  |
| Cash and investments   | <u>\$ -</u>     | <u>\$ 25,144</u>   | <u>\$ 5,794</u>               | <u>\$ 10,235</u>    | <u>\$ 33,812</u>                | <u>\$ 9,133</u>   | <u>\$ -</u>  | <u>\$ 84,118</u> |
| <b>Cash and Investment Fund Balance - Ending</b>   |                 |                    |                               |                     |                                 |                   |  |                  |
| Unrestricted   | <u>\$ -</u>     | <u>\$ 25,144</u>   | <u>\$ 5,794</u>               | <u>\$ 10,235</u>    | <u>\$ 33,812</u>                | <u>\$ 9,133</u>   | <u>\$ -</u>  | <u>\$ 84,118</u> |

IMAGINE INDIANA LIFE SCIENCES ACADEMY - EAST  
 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<br>Lunch | Textbook<br>Rental | Unrestricted<br>Contributions | High<br>Ability | Non-English<br>Speaking<br>Program | Title I,<br>FY08/09 | Title I,<br>FY09/10 |
|---|-----------------|--------------------|-------------------------------|-----------------|------------------------------------|---------------------|---------------------|
| <b>Receipts:</b>  |                 |                    |                               |                 |                                    |                     |                     |
| Local sources   | \$ 11,207       | \$ 391             | \$ 62,106                     | \$ -            | \$ -                               | \$ -                | \$ -                |
| State sources   | 1,043           | 50,401             | -                             | -               | 920                                | -                   | -                   |
| Federal sources   | 346,493         | -                  | 385                           | 9,470           | -                                  | 100,000             | 288,537             |
| Temporary loans   | -               | -                  | -                             | -               | -                                  | -                   | -                   |
| <b>Total receipts</b>   | <b>358,743</b>  | <b>50,792</b>      | <b>62,491</b>                 | <b>9,470</b>    | <b>920</b>                         | <b>100,000</b>      | <b>288,537</b>      |
| <b>Disbursements:</b>   |                 |                    |                               |                 |                                    |                     |                     |
| <b>Current:</b>   |                 |                    |                               |                 |                                    |                     |                     |
| Instruction   | -               | 75,936             | 1,020                         | -               | -                                  | 53,375              | 148,670             |
| Support services  | 125             | -                  | 14,143                        | -               | -                                  | 56,759              | 96,378              |
| Noninstructional services   | 348,065         | -                  | 52,147                        | -               | -                                  | 101                 | 4,469               |
| Facilities acquisition and construction   | -               | -                  | -                             | -               | -                                  | -                   | 43,020              |
| Debt services   | -               | -                  | -                             | -               | -                                  | -                   | -                   |
| <b>Total disbursements</b>  | <b>348,190</b>  | <b>75,936</b>      | <b>67,310</b>                 | <b>-</b>        | <b>-</b>                           | <b>110,235</b>      | <b>292,537</b>      |
| Excess (deficiency) of receipts over disbursements  | 10,553          | (25,144)           | (4,819)                       | 9,470           | 920                                | (10,235)            | (4,000)             |
| <b>Other financing sources (uses):</b>  |                 |                    |                               |                 |                                    |                     |                     |
| Transfers in  | 18,293          | -                  | 3,025                         | -               | -                                  | -                   | 4,000               |
| Transfers out   | -               | -                  | (4,000)                       | -               | -                                  | -                   | -                   |
| <b>Total other financing sources (uses)</b>   | <b>18,293</b>   | <b>-</b>           | <b>(975)</b>                  | <b>-</b>        | <b>-</b>                           | <b>-</b>            | <b>4,000</b>        |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 28,846          | (25,144)           | (5,794)                       | 9,470           | 920                                | (10,235)            | -                   |
| Cash and investments - beginning  | -               | 25,144             | 5,794                         | -               | -                                  | 10,235              | -                   |
| Cash and investments - ending   | \$ 28,846       | \$ -               | \$ -                          | \$ 9,470        | \$ 920                             | \$ -                | \$ -                |
| <b>Cash and Investment Assets - Ending</b>  |                 |                    |                               |                 |                                    |                     |                     |
| Cash and investments  | \$ 28,846       | \$ -               | \$ -                          | \$ 9,470        | \$ 920                             | \$ -                | \$ -                |
| <b>Cash and Investment Fund Balance - Ending</b>  |                 |                    |                               |                 |                                    |                     |                     |
| Unrestricted  | \$ 28,846       | \$ -               | \$ -                          | \$ 9,470        | \$ 920                             | \$ -                | \$ -                |

IMAGINE INDIANA LIFE SCIENCES ACADEMY - EAST  
 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  
 (Continued)

|   | Improving<br>Teacher<br>Quality | Charter<br>School | Fiscal<br>Stabilization -<br>Education<br>(Stimulus) | Title I -<br>Improvement<br>(Stimulus) | Education<br>Technology<br>(Stimulus) | School<br>Lunch<br>Equipment | Totals           |
|---|---------------------------------|-------------------|--|--|---------------------------------------|------------------------------|------------------|
| <b>Receipts:</b>  |                                 |                   |  |  |                                       |                              |                  |
| Local sources   | \$ 4,635                        | \$ -              | \$ -   | \$ -                                   | \$ -                                  | \$ -                         | \$ 78,339        |
| State sources   | -                               | -                 | -  | -                                      | -                                     | -                            | 52,364           |
| Federal sources   | 31,000                          | 371,009           | 125,442  | 123,532                                | 147,496                               | 22,500                       | 1,565,864        |
| Temporary loans   | -                               | (22,060)          | -  | -                                      | -                                     | -                            | (22,060)         |
| <b>Total receipts</b>   | <b>35,635</b>                   | <b>348,949</b>    | <b>125,442</b>                                       | <b>123,532</b>                         | <b>147,496</b>                        | <b>22,500</b>                | <b>1,674,507</b> |
| <b>Disbursements:</b>   |                                 |                   |  |  |                                       |                              |                  |
| <b>Current:</b>   |                                 |                   |  |  |                                       |                              |                  |
| Instruction   | 14,015                          | 24,754            | 9,497  | 59,083                                 | -                                     | -                            | 386,350          |
| Support services  | 14,869                          | 8,200             | 54,508   | 40,311                                 | 32,270                                | -                            | 317,563          |
| Noninstructional services   | -                               | (301)             | -  | -                                      | -                                     | 22,500                       | 426,981          |
| Facilities acquisition and construction   | -                               | 304,374           | 38,543   | 3,200                                  | 115,226                               | -                            | 504,363          |
| Debt services   | -                               | (22,060)          | 22,894   | -                                      | -                                     | -                            | 834              |
| <b>Total disbursements</b>  | <b>28,884</b>                   | <b>314,967</b>    | <b>125,442</b>                                       | <b>102,594</b>                         | <b>147,496</b>                        | <b>22,500</b>                | <b>1,636,091</b> |
| Excess (deficiency) of receipts over disbursements  | 6,751                           | 33,982            | -  | 20,938                                 | -                                     | -                            | 38,416           |
| <b>Other financing sources (uses):</b>  |                                 |                   |  |  |                                       |                              |                  |
| Transfers in  | -                               | -                 | -  | -                                      | -                                     | -                            | 25,318           |
| Transfers out   | -                               | -                 | -  | -                                      | -                                     | -                            | (4,000)          |
| <b>Total other financing sources (uses)</b>   | <b>-</b>                        | <b>-</b>          | <b>-</b>   | <b>-</b>                               | <b>-</b>                              | <b>-</b>                     | <b>21,318</b>    |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 6,751                           | 33,982            | -  | 20,938                                 | -                                     | -                            | 59,734           |
| Cash and investments - beginning  | 33,812                          | 9,133             | -  | -                                      | -                                     | -                            | 84,118           |
| Cash and investments - ending   | \$ 40,563                       | \$ 43,115         | \$ -   | \$ 20,938                              | \$ -                                  | \$ -                         | \$ 143,852       |
| <b>Cash and Investment Assets - Ending</b>  |                                 |                   |  |  |                                       |                              |                  |
| Cash and investments  | \$ 40,563                       | \$ 43,115         | \$ -   | \$ 20,938                              | \$ -                                  | \$ -                         | \$ 143,852       |
| <b>Cash and Investment Fund Balance - Ending</b>  |                                 |                   |  |  |                                       |                              |                  |
| Unrestricted  | \$ 40,563                       | \$ 43,115         | \$ -   | \$ 20,938                              | \$ -                                  | \$ -                         | \$ 143,852       |

IMAGINE INDIANA LIFE SCIENCES ACADEMY - EAST  
 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.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

| <u>Primary Government</u>  | <u>Ending<br/>Balance</u> |
|--|---------------------------|
| Governmental activities:   |                           |
| Capital assets, not being depreciated:                                 |                           |
| Infrastructure   | \$ 59,107                 |
| Machinery and equipment  | 1,238,170                 |
| Textbooks  | <u>90,813</u>             |
| Total governmental activities, capital<br>assets not being depreciated | <u>\$ 1,388,090</u>       |

IMAGINE INDIANA LIFE SCIENCES ACADEMY - EAST  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 June 30, 2010

| Description of Debt                | Ending<br>Principal<br>Balance | Principal and<br>Interest Due<br>Within One<br>Year |
|------------------------------------|--------------------------------|---|
| Governmental activities:           |                                |   |
| Capital leases:                    |                                |   |
| Relational Equipment               | \$ 367,422                     | \$ 235,812  |
| Common School Loan                 | <u>2,758,788</u>               | <u>-</u>  |
| Total governmental activities debt | <u>\$ 3,126,210</u>            | <u>\$ 235,812</u>                                   |

IMAGINE INDIANA LIFE SCIENCES ACADEMY - EAST  
AUDIT RESULTS AND COMMENTS

OPTICAL IMAGES OF CHECKS

The financial institution did not return the physical cancelled checks nor provided an optical image with the monthly bank statements. School Corporation Officials indicated they have requested the bank include optical images of cancelled checks in future bank statements.

IC 5-15-6-3(a) concerning optical imaging of checks states, in part:

". . . 'original records' includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

Furthermore, IC 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the audit period:

1. Claims were not presented for audit for all disbursements. The claim and supporting documentation for one disbursement in the amount of \$11,500 was not presented for audit.
2. Claims were not always adequately itemized.
3. Claims did not have board approval. No approval was noted in the minutes of the Board of Directors' meetings. Signed claim voucher registers were not presented for audit.
4. Sales tax was paid for some purchases.

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

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

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

IMAGINE INDIANA LIFE SCIENCES ACADEMY - EAST  
AUDIT RESULTS AND COMMENTS  
(Continued)

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

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

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

### CREDIT CARDS

The School Corporation was using credit cards to purchase items without an approved credit card policy. School Corporation Officials indicated they were not aware a formalized policy regarding the use of credit cards was necessary and began the process to develop such a policy.

Our examination of the credit card transactions noted that several monthly credit card statements included finance charges and/or late payment fees. Additionally, paid receipts or invoices supporting each credit card transaction were not always included with the claim for payment. Receipts or invoices supporting the payment of \$3,428 worth of credit card transactions were not presented for audit. The unsupported transactions included purchases at restaurants, home improvement centers, grocery stores, hotels, movie theaters, and car rentals. Additionally, many credit card transactions only had the signature slip to support the activity.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.

IMAGINE INDIANA LIFE SCIENCES ACADEMY - EAST  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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

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

#### FUND SOURCES AND USES

We noted the following concerning disbursements made from the General Fund.

- o Claims for two staff dinners were identified. One was a teacher appreciation dinner held at a local restaurant at the end of the 2009 school year with a total paid of \$4,309. The other dinner was held on December 18, 2009, at a local restaurant and was described on the claim as a "holiday party." The total paid for the party, including sales tax in the amount of \$255, was \$3,660.
- o Gift cards to local restaurants totaling \$350 were identified.
- o Two disbursements totaling \$118, including sales tax of \$8, were made to a local photographer for staff Christmas cards.

IMAGINE INDIANA LIFE SCIENCES ACADEMY - EAST  
AUDIT RESULTS AND COMMENTS  
(Continued)

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT 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 INDIANA LIFE SCIENCES  
ACADEMY - EAST, MARION COUNTY, INDIANA

Compliance

We have audited the compliance of the Imagine Indiana Life Sciences Academy - East (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. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2010-1, 2010-2, and 2010-3.

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

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)

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in items 2010-1, 2010-2, 2010-3 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

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. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider the issues addressed in item 2010-3, to be material weaknesses.

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Corporation's management, Board of Directors, 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 10, 2011

IMAGINE INDIANA LIFE SCIENCES ACADEMY - EAST  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2009 and 2010

| Federal Grantor Agency/Pass-Through Entity<br>Cluster Title/Program Title/Project Title | Federal<br>CFDA<br>Number | Pass-Through<br>Entity (Or Other)<br>Identifying<br>Number | Total<br>Federal Awards<br>Expended<br>06-30-09 | Total<br>Federal Awards<br>Expended<br>06-30-10 |
|---|---------------------------|--|---|---|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u>   |                           |  |   |   |
| Pass-Through Indiana Department of Education  |                           |  |   |   |
| Child Nutrition Cluster   |                           |  |   |   |
| School Breakfast Program  | 10.553                    |  |   |   |
|   |                           | FY08/09  | \$ 32,661                                       | \$ -  |
|   |                           | FY09/10  | -   | 77,758  |
| National School Lunch Program   | 10.555                    |  |   |   |
|   |                           | FY08/09  | 142,364   | -   |
|   |                           | FY09/10  | -   | 241,662   |
| Total for cluster   |                           |  | <u>175,025</u>                                  | <u>319,420</u>                                  |
| Child Nutrition Discretionary Grants Limited Availability                               | 10.579                    | FY09/10  | -   | 22,500  |
| Total for federal grantor agency  |                           |  | <u>175,025</u>                                  | <u>341,920</u>                                  |
| <u>U.S. DEPARTMENT OF EDUCATION</u>   |                           |  |   |   |
| Pass-Through Indiana Department of Education  |                           |  |   |   |
| Title I, Part A Cluster   |                           |  |   |   |
| Title I Grants to Local Educational Agencies  | 84.010                    |  |   |   |
|   |                           | 09-9815  | 422,475   | 110,235   |
|   |                           | 10-9815  | -   | 292,537   |
| Total for program   |                           |  | <u>422,475</u>                                  | <u>402,772</u>                                  |
| ARRA - Title I Grants to Local Educational Agencies                                     | 84.389                    | 10-9815  | -   | 102,593   |
| Total for cluster   |                           |  | <u>422,475</u>                                  | <u>505,365</u>                                  |
| Educational Technology State Grants Cluster   |                           |  |   |   |
| ARRA - Educational Technology State Grants  | 84.386                    | FY09/10  | -   | 147,496   |
| Total for program and cluster   |                           |  | <u>-</u>  | <u>147,496</u>                                  |
| State Fiscal Stabilization Fund Cluster   |                           |  |   |   |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants                  | 84.394                    | FY08/09  | 312,460   | 125,442   |
| Total for program and cluster   |                           |  | <u>312,460</u>                                  | <u>125,442</u>                                  |
| Charter Schools   | 84.282                    |  |   |   |
|   |                           | FY08/09  | 404,527   | -   |
|   |                           | FY09/10  | -   | 314,967   |
| Total for program   |                           |  | <u>404,527</u>                                  | <u>314,967</u>                                  |
| Improving Teacher Quality State Grants  | 84.367                    | 09-9815  | 46,636  | 28,883  |
| Total for federal grantor agency  |                           |  | <u>1,186,098</u>                                | <u>1,122,153</u>                                |
| Total federal awards expended   |                           |  | <u>\$ 1,361,123</u>                             | <u>\$ 1,464,073</u>                             |

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

IMAGINE INDIANA LIFE SCIENCES ACADEMY - EAST  
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 Indiana Life Sciences Academy - East (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 INDIANA LIFE SCIENCES ACADEMY - EAST  
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?  | yes |
| Significant deficiencies identified that are not considered to be material weaknesses? | yes |

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? yes

Identification of Major Programs:

| CFDA<br>Number | Name of Federal Program or Cluster   |
|----------------|--|
| 84.282         | Child Nutrition Cluster<br>Title I, Part A Cluster<br>State Fiscal Stabilization Fund Cluster<br>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 were reportable.

IMAGINE INDIANA LIFE SCIENCES ACADEMY - EAST  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Section III – Federal Award Findings and Questioned Costs

FINDING 2010-1, SIGNIFICANT DEFICIENCY - CASH MANAGEMENT

Federal Agency: U.S. Department of Education  
Federal Program: Charter Schools  
CFDA Number: 84.282  
Pass-Through Entity: Indiana Department of Education  
Award Number and Year: FY 2008/09 and FY 2009/10

EDGAR 80.20 (b)(7) states:

"Cash management. Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

We noted excessive cash balances existed in the end of the month cash balance of the fund used to account for the Charter Schools program in 13 of the 24 months examined.

Surplus cash indicates noncompliance with the Cash Management requirement as set forth by the grant agreement and the A-102 Common Rule. Additionally, failure to minimize the cash on hand may cause future funding to be reduced by the pass-through agency.

We recommended that School Corporation Officials develop and implement procedures and controls to ensure that the time between the receipt and disbursement of federal funds is minimized.

FINDING 2010-2, SIGNIFICANT DEFICIENCY - CASH MANAGEMENT

Federal Agency: U.S. Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Pass-Through Entity: Indiana Department of Education  
Award Number and Year: FY 2008/09 and FY 2009/10

EDGAR 80.20 (b)(7) states:

"Cash management. Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible

IMAGINE INDIANA LIFE SCIENCES ACADEMY - EAST  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

to the time of making disbursements. Grantees must monitor cash drawdowns by their sub-grantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

We noted excessive cash balances existed in the end of the month cash balance of the fund used to account for the Title I Grant in 4 of the 24 months examined.

Surplus cash indicates noncompliance with the Cash Management requirement as set forth by the grant agreement and the A-102 Common Rule. Additionally, failure to minimize the cash on hand may cause future funding to be reduced by the pass-through agency.

We recommended that School Corporation Officials develop and implement procedures and controls to ensure that the time between the receipt and disbursement of federal funds is minimized.

FINDING 2010-3, MATERIAL WEAKNESS – SPECIAL TESTS AND PROVISIONS

Federal Agency: U.S. Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Pass-Through Entity: Indiana Department of Education  
Award Number and Year: FY 2008/09 and FY 2009/10

34 CFR 200.55 states in part:

"(1) An LEA must ensure that all teachers hired after the first day of the 2002–2003 school year who teach core academic subjects in a program supported with funds under subpart A of this part are highly qualified as defined in § 200.56."

34 CFR 200.56 states in part:

"A teacher described in SEC.200.55 . . . is a highly qualified teacher if the teacher meets the requirements in paragraph (a) and paragraph (b), (c) or (d) of this section."

(a) In general. (1) Except as provided in paragraph (a)(3) of this section, a teacher covered under 200.55 must (i) Have obtained full State certification as a teacher, which may include certification obtained through alternative routes to certification; or (ii)(A) Have passed the State teacher licensing examination; and (B) Hold a license to teach in the State. . . . (3) A teacher teaching in a public charter school in a State must meet the certification and licensure requirements, if any, contained in the State's charter school law."

Title I, Section 1119(a)(3) of ESEA states:

"LOCAL PLAN- As part of the plan described in section 1112, each local educational agency receiving assistance under this part shall develop a plan to ensure that all teachers teaching within the school district served by the local educational agency are highly qualified not later than the end of the 2005-2006 school year."

The School Corporation did not have a plan or other internal controls in place concerning all teachers hired were highly qualified. The School Corporation did not retain proper documentation for audit that would allow us to ensure that all teachers were highly qualified. Therefore, we were unable to

IMAGINE INDIANA LIFE SCIENCES ACADEMY - EAST  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

verify that the teachers employed by the school system met the compliance requirement for the federal grant. As of the 2010-2011 school year, School Corporation Officials are taking steps to ensure compliance with the requirement.

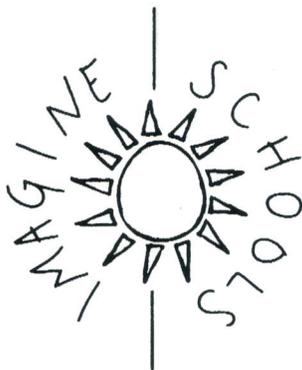
The lack of internal controls and method to ensure teachers are highly qualified indicates non-compliance with the Special Tests and Provisions requirement as set forth by the grant agreement and A-102 Common Rule. Additionally, failure to ensure teachers are highly qualified may cause future funding to be reduced by the pass-through agency.

We recommended that School Corporation Officials develop and implement procedures and controls to ensure that teachers participating in the program are highly qualified.

IMAGINE INDIANA LIFE SCIENCES ACADEMY - EAST  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters were reportable.

Imagine Schools  
2000 North Wells Street  
Fort Wayne, Indiana 46808



Phone: 260.420.8395  
Fax: 260.422.2641  
www.imagineschools.com

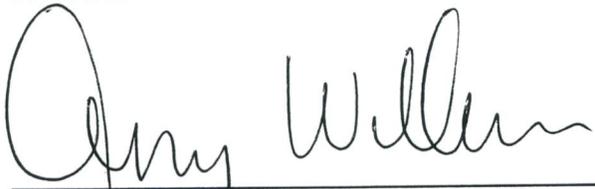
## CORRECTIVE ACTION PLAN

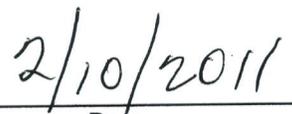
### FINDINGS 2010-1 and 2010-2 Cash Management

|                           |  |
|---------------------------|--|
| Federal Agency:           | U.S. Department of Education                                   |
| Federal Programs:         | Title I Grants to Local Educational Agencies / Charter Schools |
| CFDA Number:              | 84.010 / 84.282  |
| Auditee Contact Person:   | Amy Williams   |
| Title of Contact Person:  | Regional Business Manager                                      |
| Phone Number:             | 260-494-1818 ext 605   |
| Expected Completion Date: | 2/8/2011   |

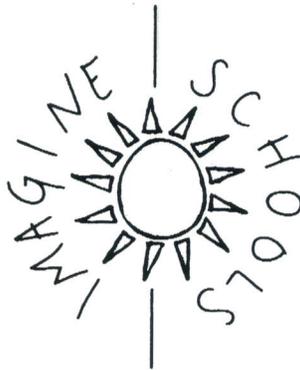
The situation occurred due to inadequately comparing the cash drawdown request prepared at the beginning of the grants with the monthly expenditures.

At the beginning of the 2010/11 school year, the grants in question passing through the Indiana Department of Education are reimbursement programs. Therefore, because we now have to disburse the monies prior to receiving the reimbursement, excessive cash balances will no longer be an issue.

  
\_\_\_\_\_  
Name, title {sign on line above}

  
\_\_\_\_\_  
Date

Imagine Schools  
2000 North Wells Street  
Fort Wayne, Indiana 46808



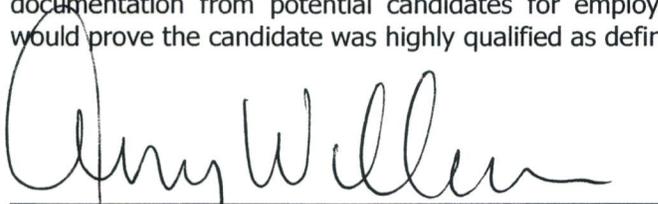
Phone: 260.420.8395  
Fax: 260.422.2641  
www.imagineschools.com

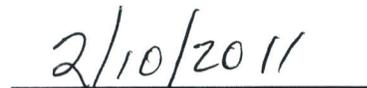
## CORRECTIVE ACTION PLAN

### FINDINGS 2010-3 SIGNIFICANT DEFICIENCY – SPECIAL TESTS AND PROVISIONS

|                           |  |
|---------------------------|--|
| Federal Agency:           | U.S. Department of Education                 |
| Federal Programs:         | Title I Grants to Local Educational Agencies |
| CFDA Number:              | 84.010                                       |
| Auditee Contact Person:   | Amy Williams                                 |
| Title of Contact Person:  | Regional Business Manager                    |
| Phone Number:             | 260-494-1818 ext 605                         |
| Expected Completion Date: | 2/8/2011                                     |

This situation has been corrected in the current school year. We currently obtain the necessary documentation from potential candidates for employment prior to an offer being made that would prove the candidate was highly qualified as defined by the CFRs.

  
\_\_\_\_\_  
Name, title {sign on line above}

  
\_\_\_\_\_  
Date

IMAGINE INDIANA LIFE SCIENCES ACADEMY - EAST  
EXIT CONFERENCE

The contents of this report were discussed on February 10, 2011, with Dr. Theresa Wright, President of the Board of Directors; Brain Dinkins, School Principal; Terra Brown, School Business Manager; Jane Brunner, Title I Director; Amy Williams, Regional Business Manager; and Jody Winterrowd, Treasurer.