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

AUDIT REPORT

OF

ANDREW J. BROWN ACADEMY

MARION COUNTY, INDIANA

July 1, 2006 to June 30, 2008

FILED

06/29/2009

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SCHEDULE OF OFFICIALS

Office	Official	Term
Treasurer	Joseph Davis	07-01-06 to 08-20-07
	Kathleen Schmidt	08-21-07 to 06-30-09
President of the School Board	Thomas Brown	07-01-06 to 06-30-09

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE ANDREW J. BROWN ACADEMY, 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 Andrew J. Brown Academy (School Corporation), as of and for the years ended June 30, 2007 and 2008, 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, 2007 and 2008, 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 June 8, 2009, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

The Management's Discussion and Analysis, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The School Corporation has not presented 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, and Schedule of Capital Assets 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 has 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 it.

STATE BOARD OF ACCOUNTS

June 8, 2009

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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 ANDREW J. BROWN ACADEMY, MARION COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Andrew J. Brown Academy (School Corporation), as of and for the years ended June 30, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated June 8, 2009. 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 Official Response. 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, school board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 8, 2009

ANDREW J. BROWN ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2008

The discussion and analysis of Andrew J. Brown's (the "School Corporation") financial performance provides an overall review of the School Corporation's financial activities through June 30, 2008. The intent of this discussion and analysis is to look at the School Corporation's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School Corporation's financial performance.

The Management's Discussion and Analysis ("MD&A") is an element of the reporting model adopted by the Governmental Accounting Standards Board ("GASB") in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June, 1999.

Financial Highlights

For the fiscal years ended June 30, 2007 and 2008, total unrestricted net assets, representing cash and investments, were $72,284 and $788,781, respectively.

Using this Financial Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Cash and Investments, a Statement of Activities and Net Assets, and a Statement of Receipts, Disbursements, and Cash and Investment Balances.

Reporting the Academy as a Whole

One of the most important questions asked about the School Corporation is, "As a whole, what is the School Corporation's financial condition as a result of the year's activities?" The Statement of Cash and Investments and the Statement of Activities and Net Assets, which appear first in the School Corporation's financial statements, report information on the School Corporation as a whole and its activities in a way that helps you answer this question. We prepare these statements using the cash basis of accounting.

These two statements report the School Corporation's net assets – as one way to measure the School Corporation's financial health or financial position. Over time, increases or decreases in the School Corporation's cash and net assets – as reported in the Statement of Cash and Investments – are indicators of whether its financial health is improving or deteriorating. The relationship between receipts and disbursements is the School Corporation's operating results. However, the School Corporation's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the school, to assess the overall health of the School Corporation.

The Statement of Cash and Investments and the Statement of Activities and Net Assets report the activities for the School Corporation, which encompass all the School Corporation's services, including instruction, support services, community services, and food services. Unrestricted state aid and state and federal grants finance most of these activities.

The School Corporation has entered into a management agreement (the "agreement") with National Heritage Academies, Inc. ("NHA") which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facility in which the School Corporation operates. Under the terms of the agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the School Corporation from all revenue sources.

The table below provides a summary of the School Corporation's cash and investments for fiscal years ended June 30:

	2008	**2007**
Assets:		
Current assets	$ 788,781	$ 72,284
Capital assets, net of accumulated depreciation	7,738	13,472
Total assets	796,519	85,756
Net assets:		
Invested in capital assets	7,738	13,472
Unrestricted	788,781	72,284
Total net assets	$ 796,519	$ 85,756

The results of the current year operations for the School Corporation as a whole are reported in the Statement of Activities and Net Assets, which shows the change in net assets.

Statement of Activities and Net Assets

The table below shows the changes in net assets as well as a listing of receipts and disbursements for the fiscal years ending June 30:

	2008	2007
Receipts:		
Property taxes	$ 2,049,061	$ 629,902
Other local sources	110,674	81,380
Operating grants and contributions	663,875	325,152
State aid	2,662,753	2,580,296
Grants and contributions not restricted to specific programs	147,296	63,572
Total Receipts	5,633,659	3,680,302
Disbursements:		
Contracted service fee	4,897,961	4,332,228
Support Services	19,201	37,483
Total Disbursements	4,917,162	4,369,711
Change in net assets	$ 716,497	$ (689,409)

As reported in the Statement of Activities and Net Assets, the cost of business activities for the years ended June 30, 2008 and 2007 was $4,917,162 and $4,369,711, respectively. These activities were primarily funded by the School Corporation's state aid (based on student count), property taxes and governments and organizations that subsidized certain programs with grants.

Capital Assets—At June 30, 2008, the School Corporation had $7,738 invested in capital assets with purchases utilizing Board funds, primarily technology-related assets. Capital assets are substantially provided as part of the agreement with NHA.

General Economic Factors

The School Corporation depends on legislative and governmental support to fund its operations. Based on information currently available, no significant changes are expected to occur in the nature of the funding or operations of the School Corporation in 2009.

Contacting the School Corporation's Financial Management

The financial report is designed to provide users of the report with a general overview of the School Corporation's finances and to demonstrate the School Corporation's accountability for the money it receives. If you have questions about this report, contact the Chief Financial Officer of National Heritage Academies, Inc., 3850 Broadmoor SE, Ste. 201, Grand Rapids, MI 49512.

ANDREW J. BROWN ACADEMY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

		Program Receipts		Net (Disbursement) Receipts and Changes in Net Assets
Functions/Programs	Disbursements	Charges for Services	Operating Grants and Contributions	Totals
Governmental activities:				
Contract service fee	$ 4,332,228	$ 22,746	$ 325,152	$ (3,984,330)
Support services	37,483	-	-	(37,483)
Total governmental activities	$ 4,369,711	$ 22,746	$ 325,152	(4,021,813)
General receipts:				
Property taxes				629,902
Other local sources				58,634
State aid				2,580,296
Grants and contributions not restricted to specific programs				63,572
Total general receipts				3,332,404
Change in net assets				(689,409)
Net assets - beginning				761,693
Net assets - ending				$ 72,284

Assets	
Cash and investments	$ 72,284
Net Assets	
Unrestricted	$ 72,284

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

ANDREW J. BROWN ACADEMY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

Functions/Programs	Disbursements	Program Receipts: Charges for Services	Program Receipts: Operating Grants and Contributions	Net (Disbursement) Receipts and Changes in Net Assets: Totals
Governmental activities:				
Contract service fee	$ 4,897,961	$ 26,120	$ 663,875	$ (4,207,966)
Support services	19,201	-	-	(19,201)
Total governmental activities	$ 4,917,162	$ 26,120	$ 663,875	(4,227,167)
General receipts:				
Property taxes				2,049,061
Other local sources				84,554
State aid				2,662,753
Grants and contributions not restricted to specific programs				147,296
Total general receipts				4,943,664
Change in net assets				716,497
Net assets - beginning				72,284
Net assets - ending				$ 788,781
Assets				
Cash and investments				$ 788,781
Net Assets				
Unrestricted				$ 788,781

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

ANDREW J. BROWN ACADEMY
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	General	Other	Totals
Receipts:			
Local sources	$ 688,536	$ 22,746	$ 711,282
State sources	2,643,868	1,888	2,645,756
Federal sources	-	323,264	323,264
Total receipts	3,332,404	347,898	3,680,302
Disbursements:			
Current:			
Contract service fee	3,962,974	369,254	4,332,228
Support services	37,483	-	37,483
Total disbursements	4,000,457	369,254	4,369,711
Deficiency of receipts over disbursements	(668,053)	(21,356)	(689,409)
Cash and investments - beginning	740,155	21,538	761,693
Cash and investments - ending	$ 72,102	$ 182	$ 72,284
Cash and Investment Assets - Ending			
Cash and investments	$ 72,102	$ 182	$ 72,284
Cash and Investment Fund Balance - Ending			
Unrestricted	$ 72,102	$ 182	$ 72,284

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

ANDREW J. BROWN ACADEMY
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	General	Other	Totals
Receipts:			
Local sources	$ 2,133,615	$ 26,120	$ 2,159,735
State sources	2,810,049	1,330	2,811,379
Federal sources	-	662,545	662,545
Total receipts	4,943,664	689,995	5,633,659
Disbursements:			
Current:			
Contract service fee	4,207,784	690,177	4,897,961
Support services	19,201	-	19,201
Total disbursements	4,226,985	690,177	4,917,162
Excess (deficiency) of receipts over disbursements	716,679	(182)	716,497
Cash and investments - beginning	72,102	182	72,284
Cash and investments - ending	$ 788,781	$ -	$ 788,781
Cash and Investment Assets - Ending			
Cash and investments	$ 788,781	$ -	$ 788,781
Cash and Investment Fund Balance - Ending			
Unrestricted	$ 788,781	$ -	$ 788,781

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

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: Andrew J. Brown Academy

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

Nature of Operation

The charter for the School Corporation was granted on May 20, 2003. The Board of Directors entered into a Management Agreement (Agreement) with National Heritage Academies, Inc. (NHA) which requires NHA to provide management, operation, administration, accounting, strategic planning and all labor, materials, equipment and supervision necessary for the provision of educational services to students. Per the Agreement, NHA leases the facility in which the school operates to the School Corporation. NHA is subject to the oversight and authority of the School Corporation's Board of Directors.

Under the terms of the Agreement, NHA receives all School Corporation revenue from all sources as their contracted service fee. NHA is entitled to any difference between the gross management fee and the operating costs of the school as compensation for management services rendered. The Agreement is effective through June 2010, unless at least 90 days written notice of intent to terminate or renegotiate is given by either the School Corporation or NHA.

Joint Venture

During the audit period, the School Corporation was a participant with 21st Century Charter School, 21st Century Charter School at Fountain Square, 21st Century Charter School of Gary, Campagna Academy, Charles A. Tindley Accelerated School, Charter School of the Dunes, Christel House Academy, Community Montessori, East Chicago Urban Enterprise, Flanner House Elementary School, Galileo Charter School, Gary Lighthouse Charter School, Indianapolis Lighthouse Charter School, Indianapolis Metropolitan Career Academy #1, Indianapolis Metropolitan Career Academy #2, Irvington Community School, Joshua Academy, KIPP Indianapolis College Preparatory, New Community School, Options Charter School of Carmel, Rural Community Academy, Signature School, Southeast Neighborhood School of Excellence, Thea Bowman Leadership Academy, Timothy L. Johnson Academy, and Veritas Academy in a joint venture to operate the Virtual Special Education Cooperative (Cooperative) which was created to provide needed special programs and services, supplies, materials and equipment, and facilities for identified students with disabilities. The School Corporation was obligated by contract to remit annually the federal allocation received for special education assistance to supplement the Cooperative. Complete financial statements for the Cooperative can be obtained from Ball State University, Muncie, Indiana.

Effective June 30, 2008, the School Corporation withdrew from the cooperative.

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. However, at this time, the School Corporation has no business-type activities.

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.

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. Cash and Investments

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

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance).

3. Capital Assets

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

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as receipts 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.

b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

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. Indiana Code 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, 2008, the School Corporation had deposit balances in the amount of $788,781. 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.

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.

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

B. Contracted Service Fee

NHA received as remuneration for its services an amount equal to the total revenue received by the School Corporation from all revenue sources per the Agreement (see Note IA). During the 2006-07 and 2007-08 fiscal years, NHA received $4,332,228 and $4,897,961, respectively, as their contracted service fee.

ANDREW J. BROWN ACADEMY
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	School Lunch	Title I	Totals
Receipts:			
Local sources	$ 22,746	$ -	$ 22,746
State sources	1,888	-	1,888
Federal sources	108,663	214,601	323,264
Total receipts	133,297	214,601	347,898
Disbursements:			
Current:			
Contract service fee	154,653	214,601	369,254
Total disbursements	154,653	214,601	369,254
Deficiency of receipts over disbursements	(21,356)	-	(21,356)
Cash and investments - beginning	21,538	-	21,538
Cash and investments - ending	$ 182	$ -	$ 182
Cash and Investment Assets - Ending	-		
Cash and investments	$ 182	$ -	$ 182
Cash and Investment Fund Balance - Ending			
Unrestricted	$ 182	$ -	$ 182

ANDREW J. BROWN ACADEMY
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	School Lunch	Title I	Federal Programs	Improving Teacher Quality	Totals
Receipts:					
Local sources	$ 26,120	$ -	$ -	$ -	$ 26,120
State sources	1,330	-	-	-	1,330
Federal sources	189,469	382,302	24,098	66,676	662,545
Total receipts	216,919	382,302	24,098	66,676	689,995
Disbursements:					
Current:					
Contract service fee	217,101	382,302	24,098	66,676	690,177
Total disbursements	217,101	382,302	24,098	66,676	690,177
Deficiency of receipts over disbursements	(182)	-	-	-	(182)
Cash and investments - beginning	182	-	-	-	182
Cash and investments - ending	$ -	$ -	$ -	$ -	$ -
Cash and Investment Assets - Ending					
Cash and investments	$ -	$ -	$ -	$ -	$ -
Cash and Investment Fund Balance - Ending					
Unrestricted	$ -	$ -	$ -	$ -	$ -

ANDREW J. BROWN ACADEMY
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended June 30, 2008

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.

	Balance
Machinery and equipment	$ 17,000

BASIS FOR ACCOUNTING RECORDS

As stated in prior Report B30053, Andrew J. Brown Academy (School Corporation) entered into a Management Agreement with an educational management organization, National Heritage Academies (NHA) of Grand Rapids, Michigan in 2003. The Management Agreement calls for NHA to provide the operation, administration, management, and educational program at the Academy, including all aspects of the accounting operations. The Management Agreement also states NHA will maintain the accounting records of the Academy and will present financial information and reports in accordance with the uniform accounting principles prescribed by the State Board of Education and State Board of Accounts. However, the Academy's records and financial statements were maintained and reported on the accrual basis of accounting. The method of reporting for Indiana public school corporations to the Indiana Department of Education provides for fund accounting on a cash and investment basis, where receipts are recorded when received and disbursements are recorded when paid.

The system as presented herein embraces double entry accounting but is not on an accrual basis. That is, revenue is not recognized until actually received and expenditures are not recognized until the cash disbursements are made. The concept of profit accountability and the necessity to properly match revenue with the expense of generating the revenue typically present in commercial accounting systems is not pertinent to school accounting. Instead, emphasis is placed on the disclosure of dollar accountability and the matching of actual expenditures with planned expenditures as presented in the school budget.

In summary, emphasis shifts from accounting practices concerning the matching of costs and revenues toward techniques designed to account for and control the expenditure of funds in accordance with predetermined plans as shown by the budget adopted by the school board. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

IC 5-11-1-2(a) states in part: "The state board of accounts shall formulate, prescribe, and install a system of accounting and reporting in conformity with this chapter, which must comply with the following: (1) Be uniform for every public office and every public account of the same class and contain written standards that an entity that is subject to audit must observe . . ."

COLLECTION OF AMOUNTS DUE

The School Corporation did not always collect fees for textbook rental from students. Students that were not eligible to receive textbook assistance were charged a textbook rental fee based on the student's grade level. Of those students assessed a fee, based on the unit's deposit log, many did not pay anything on their account resulting in an amount owed at June 30, 2008, to be an estimated $11,061.87. No textbook rental fees were written off as NHA did not have formally documented account write-off procedures and no other attempts at collection were made. A similar comment appeared in prior Report B30053.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances. Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs. Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

PRESCRIBED FORMS

As similarly stated in prior reports, most recently Report B30053, the following prescribed forms or approved forms were not in use:

Accounts Payable Voucher - Form 523
Check in Duplicate - Form 509
Receipt in Duplicate - Form 517
Official Receipt Individual Textbook Rental List - Form TBR 2
Fund Ledger and Ledger of Receipts - Form 508

Form 517 - Receipt in Duplicate, was not used at all at the school. Instead, a generic receipt purchased from an office supply store was issued upon request.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

Records presented for audit to support the ADM claimed by the School Corporation could not be adequately verified as being from the school's system. The files provided were merely generic excel spreadsheets which were not dated or certified by a building level official.

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)

LACK OF SEPARATE FUNDS

The School Corporation received Federal and State grants and distributions; however, separate funds were not used to account for all of the monies received. On the bi-annual report, Form 9, a General Fund, School Lunch Fund, and five grant funds were reported. Separate funds for Special Education Preschool and Textbook Rental financial activities were not reported. The receipts and disbursements related to these activities were commingled in the General Fund. A similar comment appeared in the prior reports, most recently Report B30053.

As a result, commingling the financial activity of the Special Education Preschool and Textbook Rental funds in the General Fund does not allow for the determination whether these monies were spent on allowable programs or activities.

IC 20-40-4-3 states: "To implement IC 20-35-4-9 and IC 20-26-5-1, each school corporation shall establish a special education preschool fund."

IC 20-40-4-4 states: "The funds consist of the following: (1) The levy. (2) Distributions to the school corporation from the state under IC 20-20-34." The Fund may only be used for special education programs for preschool age children as required under IC 20-35-4-9."

The Textbook Rental Fund, designated Fund Number 0900 in the prescribed accounting system when established in the school corporation account, is to be used to record all receipts of fees collected for rent of textbooks and workbooks furnished to students; also, to record all disbursements for purchase of textbooks, for repair of textbooks and for workbooks to be used with rented textbooks furnished to students for a designated fee. Disbursements from the fund may be made without appropriation or the application of other laws relating to budgets of municipal corporations. A detail of the receipt and expenditure accounts will be found in Parts 4 and 5. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 3)

IC 5-11-1-2 states in part: "The state board of accounts shall formulate, prescribe, and install a system of accounting and reporting in conformity with this chapter, which must comply with the following: (1) Be uniform for every public office and every public account of the same class and contain written standards that an entity that is subject to audit must observe."

ORIGINAL SUPPORTING DOCUMENTATION

National Heritage Academies (NHA) maintains two bank accounts related to the activity of the School Corporation. One bank account is the School Corporation's general account where the daily revenue of the school is deposited. The other is the School Board's Discretionary account where NHA deposits an amount not less than 2% of the current year's revenues according to the Management Agreement. This account can be used by the School Board at any time. We requested NHA provide us with the original supporting documentation for all disbursements.

Disbursements from the School Corporation's general account were made when NHA generated an electronic transfer into a NHA. Disbursements for the daily operations of the School Corporation were then made by NHA on behalf of the School Corporation from NHA's private bank account. Every six months, NHA generated an invoice of the contracted service fees to document the disbursements made on behalf of the School Corporation's activities. The position of NHA that the supporting documentation related to the expenditures made on behalf of the School Corporation was private records and as such, were not provided for audit.

Supporting documentation provided for five of the disbursements from the Discretionary account during the audit period, were photocopies of receipts, paid invoices or other supporting documentation.

A similar comment appeared in prior reports, most recently Report B30053.

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)

OFFICIAL BOND

The School Corporation's Treasurer was not covered by an individual surety bond. NHA had obtained a commercial crime policy on its' Treasurer in the amount of $25,000 with a $500 deductible. The policy is not payable to the State of Indiana as required for official bonds. The crime policy presented for audit contained a field to denote acceptance by the named insured, but was not signed. The crime policy was not filed with the Marion County Recorder's Office.

A similar comment appeared in prior reports, most recently Report B30053.

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 Indiana Code 20-26-4-5. All bonds must be made payable to the State of Indiana, Indiana Code 5-4-1-10; and approved by the governing body of the school corporation. (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 . . ."

DEPOSITS

From November of 2007 through the end of the audit period, officials deposited receipts collected at the school building into an account maintained by National Heritage Academies (NHA) and not the duly designated depository of the School Corporation. NHA is the contracted educational management organization of the School Corporation.

All school corporation money must be deposited in the duly designated depository not later than the business day following the receipt of funds on business days of the depository designated in the same form in which the funds were received in accordance with Indiana Code 5-13-6-1. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 4)

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

IC 20-26-4-1(d) states in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds. The treasurer shall: (1) issue a receipt for money received by the treasurer; (2) deposit money described in subdivision (1) in accordance with the laws governing the deposit of public funds . . ."

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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 ANDREW J. BROWN ACADEMY, MARION COUNTY, INDIANA

Compliance

We have audited the compliance of the Andrew J. Brown Academy (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2007 and 2008. 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, 2007 and 2008.

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.

The School Corporation's response to the findings identified in our audit is described in the accompanying Official Response. 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, school board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 8, 2009

ANDREW J. BROWN ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2007 and 2008

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 06-30-07	Total Federal Awards Expended 06-30-08
U.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	FY 2007-08	$ -	$ 26,428
National School Lunch Program	10.555			
		FY 2006-07	124,799	-
		FY 2007-08	-	148,374
Total for program			124,799	148,374
Total for federal grantor agency			124,799	174,802
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies	84.010			
		07-9615	234,764	-
		08-9615	-	263,058
Total for program			234,764	263,058
Charter Schools	84.282			
		FY 2006-07	1,240	-
State Grants for Innovative Programs	84.298			
		FY 2006-07	29,222	-
		FY 2007-08	-	19,582
Total for program			29,222	19,582
Improving Teacher Quality State Grants	84.367			
		04-052	38,104	53,646
Total for federal grantor agency			303,330	336,286
Total federal awards expended			$ 428,129	$ 511,088

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

ANDREW J. BROWN ACADEMY
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Andrew J. Brown Academy (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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.

ANDREW J. BROWN ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

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

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee?	yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

ANDREW J. BROWN ACADEMY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

ANDREW J. BROWN ACADEMY
EXIT CONFERENCE

The contents of this report were discussed on June 8, 2009, with Thomas Brown, President of the School Board; Joseph Davis, School Board Treasurer; Leslie Cummings, Director of Audits and Financial Reporting for National Heritage Academies; and Kathleen Schmidt, Treasurer. The official response has been made a part of this report and may be found on pages 35 through 37.

National Heritage Academies®

June 5, 2009

State Board of Accounts
302 West Washington Street, Room E418
Indianapolis, Indiana 46204-2765

To Whom It May Concern:

On June 1, 2009, Doug Whitham, Auditor in Charge for the Indiana State Board of Accounts ("ISBA"), provided a preliminary draft of the "Audit Results and Comments" report regarding the audit recently concluded on the 2006-07 and 2007-08 records for the Andrew J. Brown Charter Academy ("AJB").

The purpose of this letter is to provide responses to each proposed finding in the Audit Results and Comments report.

1. Basis for Accounting Records

   The auditor is correct in stating that AJB's accounting records are maintained on a modified accrual basis of accounting. This method of accounting is required by the Government Accounting Standards Board Statement No. 34, "*Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*", but is not in accordance with the cash basis of accounting prescribed by Indiana Code 5-11-1-2(a).

   We intend to comply with the cash basis of accounting beginning with the required reporting for June 30, 2009.

2. Collection of Amounts Due

   A written policy has been adopted to establish formal procedures for writing off of bad debts related to the textbook rentals and will be utilized with any balances remaining at June 30, 2009.

   The individual balances written off for this program during the years under audit were not substantial enough to warrant collection efforts through either a collection agency or small claims court.

   Further, losses from non-payment for the textbook program are a reduction in the management fee not of services provided to the school in accordance with the Management Agreement.

3. Prescribed Forms

   Following the prior audit, we did submit the internally generated forms to Stanley Mettle at the State Board of Accounts for approval. The auditor states in the report that the forms were not approved, however, NHA was not notified that any decision had been made by the State Board of Accounts.

   While the records under audit were prepared utilizing the internally generated forms, it should be noted that accurate financial statements were prepared from these records.

4. Average Daily Membership (ADM) – Lack of Records

   The school tracks ADM records in its internal system, AtSchool. The school is required to and did extract the files from its system and submit the information in electronic format to the Indiana Department of Education.

   The school saved the extracted file in an Excel format and provided this information to the auditor at the time of the audit. The file included the student's identification number and grade level and reconciled to the total ADM count by grade level signed off on by the school's principal.

   Going forward, the school will print off copies of the ADM information submitted to the Indiana Department of Education and ensure that it includes both the student's name as well as the student's identification number. These print-outs will be signed by the principal and saved for audit purposes.

5. Lack of Separate Funds

   Separate revenue funds were maintained for all of the sources of revenue on the school's general ledger; however the auditor is correct that the Special Education and Textbook rental revenues were not reported as separate funds on the Form 9, but rather as separate sources of funding under the General Fund.

   Going forward, we will separate these revenues in the Form 9 filings.

6. Original Supporting Documentation

   For all items paid with the Board Discretionary funds, the auditor was provided with cancelled checks from the bank, copies of the original remittance stubs and other supporting documentation. The auditor noted that five of the disbursements were made from photocopies.

   In one instance, the documentation is the printout of the email received by the individual confirming registration in a fall conference, which we believe is original supporting documentation. Two of the five documents were Board reimbursements of charges made by the principal on the corporate VISA credit card. In the future, we will ensure that the corresponding original VISA documents are provided to the auditor for review. In the other two instances, the management company was provided with copies of the invoices from either the Board member or the school for reimbursement. In the future, the management company will not pay the Board Discretionary fund requests without receipt of the original invoice.

7. Official Bond

   Following the prior year audit, the School Board did appoint a Treasurer, who is not a member of the governing body and did obtain a Master Bond for this individual. However, the bond was not payable to the State of Indiana and was not properly filed with the Marion County Recorder's Office. We have remedied this situation during fiscal 2009.

8. Deposits

   The auditor is correct that beginning in November of 2007, receipts collected at the school building for lunch payments, textbook payments and other miscellaneous items were deposited directly to an account maintained by the management company. After reviewing the auditors comment, we will change this practice and begin depositing receipts collected at the school building to the School's general account.

We appreciate the opportunity to provide responses to the comments in the Audit Results and Comments report. If you have any questions or concerns, please feel free to contact me (616) 954-3532 or email at lcummings@heritageacademies.com.

Sincerely,

Leslie Cummings
Director of Audits and Financial Reporting

Cc: Mayor's Office for Indianapolis, Andrew J. Brown Authorizer