

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

AUDIT REPORT
OF
INDIANAPOLIS METROPOLITAN HIGH SCHOOL
MARION COUNTY, INDIANA
July 1, 2007 to June 30, 2009



FILED
03/25/2010

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Daniel J. Riley	07-01-07 to 06-30-10
Chairman of the Board of Directors	Fred C. Tucker III	07-01-07 to 06-30-10
Chief Operating Officer	Scott E. Bess	07-01-07 to 06-30-10
President of Goodwill Education Initiatives	Jim McClelland	07-01-07 to 06-30-10



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

TO: THE OFFICIALS OF THE INDIANAPOLIS METROPOLITAN
HIGH SCHOOL, 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 Indianapolis Metropolitan High School (School Corporation), as of and for the years ended June 30, 2008 and 2009, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

In accordance with Government Auditing Standards, we have also issued a report dated February 25, 2010, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

STATE BOARD OF ACCOUNTS

February 25, 2010



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

TO: THE OFFICIALS OF THE INDIANAPOLIS METROPOLITAN
HIGH SCHOOL, MARION COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Indianapolis Metropolitan High School (School Corporation), as of and for the years ended June 30, 2008 and 2009, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated February 25, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

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

Compliance and Other Matters

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

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 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 25, 2010

INDIANAPOLIS METROPOLITAN HIGH SCHOOL
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Totals
Governmental activities:				
Instruction	\$ 1,776,301	\$ -	\$ 23,258	\$ (1,753,043)
Support services	1,241,659	56,984	86,250	(1,098,425)
Noninstructional services	142,795	-	-	(142,795)
Facilities acquisition and construction	330,666	-	-	(330,666)
Nonprogrammed charges	3,516	-	-	(3,516)
Debt service	133,565	-	-	(133,565)
Total governmental activities	<u>\$ 3,628,502</u>	<u>\$ 56,984</u>	<u>\$ 109,508</u>	<u>(3,462,010)</u>
General receipts:				
Property taxes				886,624
Other local sources				1,320,415
State aid				1,513,212
Grants and contributions not restricted to specific programs				<u>198,880</u>
Total general receipts				<u>3,919,131</u>
Change in net assets				457,121
Net assets - beginning				<u>-</u>
Net assets - ending				<u>\$ 457,121</u>
<u>Assets</u>				
Cash and investments				<u>\$ 457,121</u>
<u>Net Assets</u>				
Unrestricted				<u>\$ 457,121</u>

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

INDIANAPOLIS METROPOLITAN HIGH SCHOOL
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Totals
Governmental activities:				
Instruction	\$ 1,743,111	\$ -	\$ 21,941	\$ (1,721,170)
Support services	1,744,195	47,868	94,335	(1,601,992)
Noninstructional services	266,055	-	-	(266,055)
Facilities acquisition and construction	270,448	-	-	(270,448)
Debt service	371,933	-	-	(371,933)
Non programend charges	3,652	-	-	(3,652)
Total governmental activities	<u>\$ 4,399,394</u>	<u>\$ 47,868</u>	<u>\$ 116,276</u>	<u>(4,235,250)</u>
General receipts:				
Property taxes				411,003
Other local sources				574,282
State aid				2,160,265
Bonds and loans				261,210
Grants and contributions not restricted to specific programs				555,221
Other				<u>1,399</u>
Total general receipts				<u>3,963,380</u>
Change in net assets				(271,870)
Net assets - beginning				<u>457,121</u>
Net assets - ending				<u>\$ 185,251</u>
<u>Assets</u>				
Cash and investments				<u>\$ 185,251</u>
<u>Net Assets</u>				
Unrestricted				<u>\$ 185,251</u>

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

INDIANAPOLIS METROPOLITAN HIGH SCHOOL
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	General	School Lunch	Gifts and Donations	Title I FY 2007-08	Other	Totals
Receipts:						
Local sources	\$ 1,253,875	\$ 24,165	\$ 703,876	\$ -	\$ 90,387	\$ 2,072,303
State sources	1,536,470	204	-	-	9,127	1,545,801
Federal sources	-	76,918	-	165,084	33,797	275,799
Other	176,482	-	-	-	15,238	191,720
Total receipts	2,966,827	101,287	703,876	165,084	148,549	4,085,623
Disbursements:						
Current:						
Instruction	1,537,503	-	51,069	122,886	64,843	1,776,301
Support services	866,609	19	329,035	-	45,996	1,241,659
Noninstructional services	64,216	49,861	27,195	402	1,121	142,795
Facilities acquisition and construction	250,785	-	79,881	-	-	330,666
Nonprogrammed charges	3,516	-	-	-	-	3,516
Debt services	93,737	-	39,828	-	-	133,565
Total disbursements	2,816,366	49,880	527,008	123,288	111,960	3,628,502
Excess (deficiency) of receipts over disbursements	150,461	51,407	176,868	41,796	36,589	457,121
Cash and investments - beginning	-	-	-	-	-	-
Cash and investments - ending	\$ 150,461	\$ 51,407	\$ 176,868	\$ 41,796	\$ 36,589	\$ 457,121
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 150,461	\$ 51,407	\$ 176,868	\$ 41,796	\$ 36,589	\$ 457,121
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ 150,461	\$ 51,407	\$ 176,868	\$ 41,796	\$ 36,589	\$ 457,121

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

INDIANAPOLIS METROPOLITAN HIGH SCHOOL
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	General	School Lunch	Gifts and Donations	Title I FY 2007-08	Title I FY 2008-09	Other	Totals
Receipts:							
Local sources	\$ 535,056	\$ 30,861	\$ 444,964	\$ -	\$ -	\$ 22,271	\$ 1,033,152
State sources	2,182,206	368	-	-	-	6,924	2,189,498
Federal sources	-	87,043	-	21,000	189,001	345,220	642,264
Temporary loans	261,210	-	-	-	-	-	261,210
Other	1,399	-	-	-	-	-	1,399
Total receipts	2,979,871	118,272	444,964	21,000	189,001	374,415	4,127,523
Disbursements:							
Current:							
Instruction	1,204,768	-	111,943	49,755	172,568	204,077	1,743,111
Support services	1,472,096	145	110,460	-	3,600	157,894	1,744,195
Noninstructional services	65,388	157,422	22,436	-	528	20,281	266,055
Facilities acquisition and construction	1,889	-	268,559	-	-	-	270,448
Debt services	338,778	-	33,155	-	-	-	371,933
Nonprogrammed charges	3,651	-	-	-	-	-	3,651
Total disbursements	3,086,570	157,567	546,553	49,755	176,696	382,252	4,399,393
Excess (deficiency) of receipts over disbursements	(106,699)	(39,295)	(101,589)	(28,755)	12,305	(7,837)	(271,870)
Other financing sources (uses):							
Transfers in	-	-	-	-	13,041	-	13,041
Transfers out	-	-	-	(13,041)	-	-	(13,041)
Total other financing sources (uses)	-	-	-	(13,041)	13,041	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(106,699)	(39,295)	(101,589)	(41,796)	25,346	(7,837)	(271,870)
Cash and investments - beginning	150,461	51,407	176,868	41,796	-	36,589	457,121
Cash and investments - ending	<u>\$ 43,762</u>	<u>\$ 12,112</u>	<u>\$ 75,279</u>	<u>\$ -</u>	<u>\$ 25,346</u>	<u>\$ 28,752</u>	<u>\$ 185,251</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 43,762</u>	<u>\$ 12,112</u>	<u>\$ 75,279</u>	<u>\$ -</u>	<u>\$ 25,346</u>	<u>\$ 28,752</u>	<u>\$ 185,251</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 43,762</u>	<u>\$ 12,112</u>	<u>\$ 75,279</u>	<u>\$ -</u>	<u>\$ 25,346</u>	<u>\$ 28,752</u>	<u>\$ 185,251</u>

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

INDIANAPOLIS METROPOLITAN HIGH SCHOOL
CASH AND INVESTMENT BALANCES
FIDUCIARY FUND
For the Year Ended June 30, 2008

	<u>Agency Fund</u>
Cash and investment fund balance - ending	<u>\$ 8,805</u>

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

INDIANAPOLIS METROPOLITAN HIGH SCHOOL
CASH AND INVESTMENT BALANCES
FIDUCIARY FUND
For the Year Ended June 30, 2009

	<u>Agency Fund</u>
Cash and investment fund balance - ending	<u>\$ 27,254</u>

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

INDIANAPOLIS METROPOLITAN HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

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

Primary Government: Indianapolis Metropolitan High School

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

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 #1, Indianapolis Metropolitan High School, 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.

On June 30, 2008, the School Corporation withdrew from the joint venture.

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.

INDIANAPOLIS METROPOLITAN HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. (However, at this time, the School Corporation has not established any enterprise funds.)

The School Corporation reports the following major governmental funds:

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

The school lunch fund accounts for financial resources related to the operation of the school lunch and breakfast programs.

The gifts and donations fund accounts for proceeds of various gifts and donations.

The Title I FY 2007-08 and Title I FY 2008-09 funds account for financial resources received through the federal Title I program.

Additionally, the School Corporation reports the following fund type:

Agency funds account for assets held by the School Corporation as an agent for individuals, private organizations, and other governments.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

INDIANAPOLIS METROPOLITAN HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 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.
- 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.

INDIANAPOLIS METROPOLITAN HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

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

E. Receipts and Disbursements

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 and the similar discretely presented component unit 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.

F. Internal and Interfund Balances and 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 and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

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

Government-Wide Financial Statements

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

INDIANAPOLIS METROPOLITAN HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are prepared and approved at the local level, and are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

III. Detailed Notes on All Funds

A. Deposits and Investments

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, 2009, the School Corporation had deposit balances in the amount of \$212,508. 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, 2008 and 2009, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	
Title I FY 2007-08	Title I FY 2008-09	\$ <u>13,041</u>

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

IV. Other Information

A. Risk Management

The School Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

INDIANAPOLIS METROPOLITAN HIGH SCHOOL
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; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); 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. Risk financing is not utilized for the other risks of loss.

B. Related Party Transactions

During the period in which financial statements are presented, the School Corporation had material transactions with Goodwill Industries in relation to furnishing goods, services, and facilities in the amount of \$1,475,851.

C. Pension Plan

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

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

Teachers' Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

Funding Policy and Annual Pension Costs

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

INDIANAPOLIS METROPOLITAN HIGH SCHOOL
 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

	Textbook Rental	McCabe Grant	Ruth Lilly Grant	Student Activity	Title I FY 2006-07 I	Title I FY 2006-07 II	Title II	Totals
Receipts:								
Local sources	\$ -	\$ 68,878	\$ -	\$ 21,509	\$ -	\$ -	\$ -	\$ 90,387
State sources	9,127	-	-	-	-	-	-	9,127
Federal sources	-	-	-	-	-	11,616	22,181	33,797
Other	-	-	13,790	-	1,448	-	-	15,238
Total receipts	9,127	68,878	13,790	21,509	1,448	11,616	22,181	148,549
Disbursements:								
Current:								
Instruction	9,127	17,201	-	9,379	103	6,852	22,181	64,843
Support services	-	38,080	-	1,807	1,345	4,764	-	45,996
Noninstructional services	-	753	-	368	-	-	-	1,121
Total disbursements	9,127	56,034	-	11,554	1,448	11,616	22,181	111,960
Excess of receipts over disbursements	-	12,844	13,790	9,955	-	-	-	36,589
Cash and investments - beginning	-	-	-	-	-	-	-	-
Cash and investments - ending	\$ -	\$ 12,844	\$ 13,790	\$ 9,955	\$ -	\$ -	\$ -	\$ 36,589
<u>Cash and Investment Assets - Ending</u>								
Cash and investments	\$ -	\$ 12,844	\$ 13,790	\$ 9,955	\$ -	\$ -	\$ -	\$ 36,589
<u>Cash and Investment Fund Balance - Ending</u>								
Unrestricted	\$ -	\$ 12,844	\$ 13,790	\$ 9,955	\$ -	\$ -	\$ -	\$ 36,589

INDIANAPOLIS METROPOLITAN HIGH SCHOOL
 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

	Textbook Rental	Ruth Lilly Grant	McCabe Grant	Student Activity	Special Education	Title II	Fiscal Stabilization	Totals
Receipts:								
Local sources	\$ 35	\$ -	\$ -	\$ 22,236	\$ -	\$ -	\$ -	\$ 22,271
State sources	6,924	-	-	-	-	-	-	6,924
Federal sources	-	-	-	-	65,371	30,741	249,108	345,220
Total receipts	<u>6,959</u>	<u>-</u>	<u>-</u>	<u>22,236</u>	<u>65,371</u>	<u>30,741</u>	<u>249,108</u>	<u>374,415</u>
Disbursements:								
Current:								
Instruction	596	-	9,649	2,054	-	30,741	161,037	204,077
Support services	-	-	2,906	1,546	65,371	-	88,071	157,894
Noninstructional services	-	-	289	19,992	-	-	-	20,281
Total disbursements	<u>596</u>	<u>-</u>	<u>12,844</u>	<u>23,592</u>	<u>65,371</u>	<u>30,741</u>	<u>249,108</u>	<u>382,252</u>
Excess (deficiency) of receipts over disbursements	<u>6,363</u>	<u>-</u>	<u>(12,844)</u>	<u>(1,356)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,837)</u>
Cash and investments - beginning	<u>-</u>	<u>13,790</u>	<u>12,844</u>	<u>9,955</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,589</u>
Cash and investments - ending	<u>\$ 6,363</u>	<u>\$ 13,790</u>	<u>\$ -</u>	<u>\$ 8,599</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,752</u>
<u>Cash and Investment Assets - Ending</u>								
Cash and investments	<u>\$ 6,363</u>	<u>\$ 13,790</u>	<u>\$ -</u>	<u>\$ 8,599</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,752</u>
<u>Cash and Investment Fund Balance - Ending</u>								
Unrestricted	<u>\$ 6,363</u>	<u>\$ 13,790</u>	<u>\$ -</u>	<u>\$ 8,599</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,752</u>

INDIANAPOLIS METROPOLITAN HIGH SCHOOL
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

At June 30, 2009

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

Primary Government

Governmental activities:

Machinery and equipment	<u>\$ 1,388,763</u>
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INDIANAPOLIS METROPOLITAN HIGH SCHOOL
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
June 30, 2009

The School has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year	
Governmental Activities:			
Notes and loans payable			
Common school loan A020	\$ 181,208	\$ 18,461	
Common school loan A021	181,208	18,461	
Common school loan A029	52,286	4,837	
Common school loan A030	55,926	5,494	
Common school loan A042	68,208	6,480	
Common school loan A043	91,814	8,723	
Common school loan A073	122,206	11,610	
Common school loan A074	112,022	10,642	
Goodwill Industries Start-up Loan	<u>45,852</u>	<u>45,852</u>	[a]
Total governmental activities debt	<u>\$ 910,730</u>	<u>\$ 130,560</u>	

[a] = This is a zero interest loan.

INDIANAPOLIS METROPOLITAN HIGH SCHOOL
AUDIT RESULTS AND COMMENTS

SCHOOL BOARD APPROVAL OF ACCOUNTS PAYABLE VOUCHERS

We noted during the audit of disbursements, where the School Board is not certifying Accounts Payable Vouchers or the Accounts Payable Voucher Register. The Treasurer is certifying the Accounts Payable Voucher Register and School Board allowance of vendor claims is noted in the School Board minutes.

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:

- (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."

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

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

AVERAGE DAILY MEMBERSHIP (ADM) – CERTIFICATION

The lists of students supporting the Average Daily Membership counts reported to the state were not certified by the building level official as required.

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. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

INDIANAPOLIS METROPOLITAN HIGH SCHOOL
AUDIT RESULTS AND COMMENTS
(Continued)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

Coordinated and Program Reviews of the National School Lunch Program were performed by the Indiana Department of Education on May 29 and 30, 2008. The following findings were noted:

Due to errors, incorrect eligibility status of students resulted in incorrect meals being recorded. All of the applications on file at the school were reviewed to determine whether households provided required information and whether the School Food Authority (SFA) properly approved applications.

Each type of food service line did not provide accurate point of service counts by type for breakfast and lunch meals served.

There was not sufficient evidence that the claim review process (edit check) was performed.

School Officials responded on August 21, 2008, to the findings describing corrective measures to be taken. The Indiana Department of Education responded on September 8, 2008, stating that all corrective actions outlined were acceptable and should correct the findings noted during the review.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

PUBLIC RECORDS RETENTION

The School received a distribution for textbook assistance from the State for the 2007-2008 school year. However, the Financial Assistance for Students Textbook Reimbursement claim form and related supporting documentation was not presented for audit.

School lunch verification summary reports and related supporting documentation were not presented for audit for the 2007-2008 and 2008-2009 school years. Additionally, monthly school lunch reimbursement claim reports and related supporting documentation were not presented for audit for the period July 1, 2007 through June 30, 2009.

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."

INDIANAPOLIS METROPOLITAN HIGH SCHOOL
AUDIT RESULTS AND COMMENTS
(Continued)

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)

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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 INDIANAPOLIS METROPOLITAN
HIGH SCHOOL, MARION COUNTY, INDIANA

Compliance

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

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

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

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of

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)

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.

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 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 25, 2010

INDIANAPOLIS METROPOLITAN HIGH SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2008 and 2009

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-08	Total Federal Awards Expended 06-30-09
<u>U.S. Department of Agriculture</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	FY 2007-2008 FY 2008-2009	\$ 3,277 -	\$ - 17,787
Total for program			3,277	17,787
National School Lunch Program	10.555	FY 2007-2008 FY 2008-2009	73,606 -	- 69,256
Total for program			73,606	69,256
Total for cluster			76,883	87,043
Total for federal grantor agency			76,883	87,043
<u>U.S. Department of Education</u>				
Pass-Through Indiana Department of Education				
Title I Cluster				
Title I Grants to Local Educational Agencies	84.010	08-9645 09-9645	136,351 -	- 226,451
Total for cluster			136,351	226,451
Special Education Cluster				
Special Education Grants to States	84.027	09-9645	-	65,371
Total for cluster			-	65,371
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF)				
Education State Grants	84.394	09-9645	-	249,108
Total for cluster			-	249,108
Improving Teacher Quality State Grants - Title II	84.367	08-9645 09-9645	22,181 -	- 30,741
Total for program			22,181	30,741
Total for federal grantor agency			158,532	571,671
Total federal awards expended			\$ 235,415	\$ 658,714

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

INDIANAPOLIS METROPOLITAN HIGH SCHOOL
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 Indianapolis Metropolitan High School (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.

INDIANAPOLIS METROPOLITAN HIGH SCHOOL
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
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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:

Name of Cluster

Title I Cluster
State Fiscal Stabilization Fund Cluster

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

Auditee qualified as low-risk auditee?	no
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Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

INDIANAPOLIS METROPOLITAN HIGH SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

INDIANAPOLIS METROPOLITAN HIGH SCHOOL
EXIT CONFERENCE

The contents of this report were discussed on February 25, 2010, with Scott E. Bess, Chief Operating Officer; Daniel J. Riley, Treasurer; and, Jim McClelland, President of Goodwill Education Initiatives. The official response has been made a part of this report and may be found on pages 35 through 38.



Relationships • Relevance • Rigor

March 1, 2010

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

Dear SBOA,

Enclosed please find our written Official Response to the Biennial Audit of the Indianapolis Metropolitan High School. We appreciate the opportunity to respond to the Audit Results and Comments letter provided at the audit exit conference by Doug Whitham, the field auditor. We also appreciate the feedback Doug provided – it will help us improve our operations and provide an improved audit trail for important transactions and school records.

Regards,

A handwritten signature in dark ink, appearing to read 'Dan Riley', is written over the typed name.

Daniel J. Riley
Treasurer

enclosure

INDIANAPOLIS METROPOLITAN HIGH SCHOOL
AUDIT RESULTS AND COMMENTS and **OFFICIAL RESPONSE**
07-01-07 to 06-30-09

PSPC: Document audit results and comments

BOARD APPROVAL OF ACCOUNTS PAYABLE VOUCHERS

During an audit of disbursements we noted where the School Board is not certifying Accounts Payable Vouchers or the Accounts Payable Voucher Register as required. The Treasurer is certifying the Accounts Payable Voucher Register and School Board allowance of vendor claims is noted in the School Board minutes; however, this is not sufficient.

Indiana Code 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:

- (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."

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

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

Management's Response:

For the last two years, we have made review and approval of the voucher registers a formal board action item at each board meeting, and we have documented the same in the official board meeting minutes. The Treasurer also signed the printed voucher registers on behalf of the board. Going forward, beginning in April 2010, in addition to the steps outlined in this paragraph, the President and Board Chairman will sign the voucher registers. We believe this process will meet the SBOA's documentation requirements.

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

The lists of students supporting the Average Daily Membership counts reported to the state were not certified by the building level official as required.

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).

Management's Response:

All of the documentation for and in support of the school's ADM records are done electronically through the Indiana Department of Education (IDOE) website. All reports were submitted in a timely manner, and all ADM conflicts with other school were resolved within IDOE time requirements. While we believe we have complied with all IDOE requirements for ADM record-keeping, beginning with the 2010-11 school year, we will maintain paper copies of all final ADM count records, and our school's Chief Operating Officer will sign and file them to create a more complete audit trail.

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

On May 29 and 30, 2008, Coordinated and Program Reviews of the National School Lunch Program were performed by the Indiana Department of Education. During the course of the reviews, the following findings were noted:

Due to errors, incorrect eligibility status of students resulted in incorrect meals being recorded. All of the applications on file at the school were reviewed to determine whether households provided required information and whether the School Food Authority (SFA) properly approved applications. School Food Authorities must correctly approve applications.

Each type of food service line did not provide accurate point of service counts by type for breakfast and lunch meals served. Counts are to be correctly counted and recorded.

There was not sufficient evidence that the claim review process (edit check) was performed. A review of the breakfast and lunch count data is to be performed prior to the submission of the month's Claim for Reimbursement (CND-1).

On August 21, 2008, school officials responded to the findings describing corrective measures to be taken. On September 8, 2008, the Indiana Department of Education responded stating that all corrective actions outlined were acceptable and should correct the findings noted during the review.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Management's response:

We agree with the comments above, and as indicated by the SBOA, we have already taken the appropriate steps to address and correct these issues. We continue to work with the SFA on matters related to school food service.

PUBLIC RECORDS RETENTION

The school received a distribution for textbook assistance from the State for the 2007-08 school year. However, the Financial Assistance for Students Textbook Reimbursement claim form and related supporting documentation was not presented for audit.

School lunch Verification Summary Reports and related supporting documentation were not presented for audit for the 2007-08 and 2008-09 school years. Additionally, monthly school lunch reimbursement claim reports and related supporting documentation were not presented for audit for the period July 1, 2007 through June 30, 2009.

Indiana Code 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."

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)

Management's response:

We concur with the SBOA's findings and will continue to improve our record retention policies and processes. Over the last two years, we have enhanced our business office staff in an effort to ensure all policies and procedures regarding record retention and other administrative matters are consistently followed in accordance with IDOE and SBOA requirements.