

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

EXAMINATION REPORT  
OF  
INTERNATIONAL SCHOOL OF COLUMBUS  
BARTHOLOMEW COUNTY, INDIANA  
July 1, 2008 to June 30, 2010



**FILED**  
09/19/2011



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Business Manager	Monica Christian	05-18-09 to 02-25-11
Treasurer	Tim McConnell	02-28-11 to 06-30-12
Head of School	Connie Nobbe	08-11-09 to 11-01-09
	Rachel Staggs	11-02-09 to 03-11-10
	Committee (Note)	03-12-10 to 06-30-10
	Jonah Sims	07-01-10 to 06-30-13
Chair of the School Board	Swadesh Kalsi	01-14-09 to 06-30-12
Treasurer of the School Board	Surekha DiOrio	01-14-09 to 06-30-12
Note: Committee	Swadesh Kalsi Arlette Tinsley Guy Platter	



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF INTERNATIONAL SCHOOL OF COLUMBUS,  
BARTHOLOMEW COUNTY, INDIANA

We have examined the financial statements presented herein of International School of Columbus (School Corporation), for the period of July 1, 2008 to June 30, 2010. The School Corporation's management is responsible for the financial statements presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial statements presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial statements of the School Corporation for the years ended June 30, 2009 and 2010, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial statements. It has not been subjected to the examination procedures applied to the basic financial statements and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

May 11, 2011

INTERNATIONAL SCHOOL OF COLUMBUS  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
	<u>Totals</u>	
Governmental activities:		
Support services	23,639	(23,639)
Facilities acquisition and construction	<u>53,020</u>	<u>(53,020)</u>
Total governmental activities	<u>\$ 76,659</u>	<u>(76,659)</u>
General receipts:		
Bonds and loans		60,000
Grants and contributions not restricted to specific programs		149,018
Investment earnings		<u>2</u>
Total general receipts		<u>209,020</u>
Change in net assets		132,361
Net assets - beginning		<u>-</u>
Net assets - ending		<u>\$ 132,361</u>
<u>Assets</u>		
Cash and investments		<u>\$ 132,361</u>
Total assets		<u>\$ 132,361</u>
<u>Net Assets</u>		
Unrestricted		<u>\$ 132,361</u>
Total net assets		<u>\$ 132,361</u>

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

INTERNATIONAL SCHOOL OF COLUMBUS  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>	<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Totals</u>
Governmental activities:			
Instruction	\$ 311,848	\$ -	\$ (311,848)
Support services	283,463	1,273	(282,190)
Noninstructional services	7,590	-	(7,590)
Facilities acquisition and construction	268,814	-	(268,814)
Debt service	75,766	-	(75,766)
	<u>\$ 947,481</u>	<u>\$ 1,273</u>	<u>(946,208)</u>
General receipts:			
Other local sources			1,900
State aid			226,401
Bonds and loans			441,643
Grants and contributions not restricted to specific programs			373,749
Investment earnings			85
Total general receipts			<u>1,043,778</u>
Change in net assets			97,570
Net assets - beginning			<u>132,361</u>
Net assets - ending			<u>\$ 229,931</u>
 <u>Assets</u>			
Cash and investments			<u>\$ 229,931</u>
Total assets			<u>\$ 229,931</u>
 <u>Net Assets</u>			
Unrestricted			<u>\$ 229,931</u>
Total net assets			<u>\$ 229,931</u>

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

INTERNATIONAL SCHOOL OF COLUMBUS  
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	Public Charter School, Title V, Part B, Subpart 1	Totals
Receipts:			
Local sources	\$ 2	\$ -	\$ 2
Federal sources	-	149,018	149,018
Temporary loans	60,000	-	60,000
	<u>60,002</u>	<u>149,018</u>	<u>209,020</u>
Total receipts			
	<u>60,002</u>	<u>149,018</u>	<u>209,020</u>
Disbursements:			
Current:			
Support services	-	23,639	23,639
Facilities acquisition and construction	37,766	15,254	53,020
	<u>37,766</u>	<u>38,893</u>	<u>76,659</u>
Total disbursements			
	<u>37,766</u>	<u>38,893</u>	<u>76,659</u>
Excess of receipts over disbursements	<u>22,236</u>	<u>110,125</u>	<u>132,361</u>
Cash and investments - beginning	-	-	-
Cash and investments - ending	<u>\$ 22,236</u>	<u>\$ 110,125</u>	<u>\$ 132,361</u>
<u>Cash and Investment Assets - Ending</u>			
Cash and investments	<u>\$ 22,236</u>	<u>\$ 110,125</u>	<u>\$ 132,361</u>
Total cash and investment assets - ending	<u>\$ 22,236</u>	<u>\$ 110,125</u>	<u>\$ 132,361</u>
<u>Cash and Investment Fund Balance - Ending</u>			
Unrestricted	<u>\$ 22,236</u>	<u>\$ 110,125</u>	<u>\$ 132,361</u>
Total cash and investment fund balance - ending	<u>\$ 22,236</u>	<u>\$ 110,125</u>	<u>\$ 132,361</u>

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



INTERNATIONAL SCHOOL OF COLUMBUS  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2010

	General	Public Charter School, Title V, Part B, Subpart 1	Other	Totals
<b>Receipts:</b>				
Local sources	\$ 1,986	\$ -	\$ 1,273	\$ 3,259
State sources	226,401	-	-	226,401
Federal sources	-	342,964	30,785	373,749
Temporary loans	1	-	-	1
<b>Total receipts</b>	<u>228,388</u>	<u>342,964</u>	<u>32,058</u>	<u>603,410</u>
<b>Disbursements:</b>				
<b>Current:</b>				
Instruction	268,712	30,234	12,902	311,848
Support services	192,034	83,276	8,153	283,463
Noninstructional services	6,212	105	1,273	7,590
Facilities acquisition and construction	185,064	83,750	-	268,814
Debt services	75,766	-	-	75,766
<b>Total disbursements</b>	<u>727,788</u>	<u>197,365</u>	<u>22,328</u>	<u>947,481</u>
Excess (deficiency) of receipts over disbursements	<u>(499,401)</u>	<u>145,599</u>	<u>9,730</u>	<u>(344,072)</u>
<b>Other financing sources (uses):</b>				
Proceeds of long-term debt	<u>441,642</u>	-	-	<u>441,642</u>
<b>Total other financing sources (uses)</b>	<u>441,642</u>	-	-	<u>441,642</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(57,759)	145,599	9,730	97,571
Cash and investments - beginning	<u>22,235</u>	<u>110,125</u>	-	<u>132,360</u>
Cash and investments - ending	<u>\$ (35,524)</u>	<u>\$ 255,724</u>	<u>\$ 9,730</u>	<u>\$ 229,931</u>
<b><u>Cash and Investment Assets - Ending</u></b>				
Cash and investments	<u>\$ (35,524)</u>	<u>\$ 255,724</u>	<u>\$ 9,730</u>	<u>\$ 229,931</u>
Total cash and investment assets - ending	<u>\$ (35,524)</u>	<u>\$ 255,724</u>	<u>\$ 9,730</u>	<u>\$ 229,931</u>
<b><u>Cash and Investment Fund Balance - Ending</u></b>				
Unrestricted	<u>\$ (35,524)</u>	<u>\$ 255,724</u>	<u>\$ 9,730</u>	<u>\$ 229,931</u>
Total cash and investment fund balance - ending	<u>\$ (35,524)</u>	<u>\$ 255,724</u>	<u>\$ 9,730</u>	<u>\$ 229,931</u>

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

INTERNATIONAL SCHOOL OF COLUMBUS  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2009

	Private-Purpose Trust Funds - School Administration	Agency Funds
Additions:		
Contributions:		
Other	\$ 4,944	
Total additions	4,944	
Deductions:		
Administrative and general	823	
Total deductions	823	
Excess of total additions over total deductions	4,121	
Cash and investment fund balance - beginning	-	
Cash and investment fund balance - ending	\$ 4,121	\$ 403
Net assets:		
Cash and investments	\$ 4,121	\$ 403
Total net assets - cash and investment basis held in trust	\$ 4,121	\$ 403

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

INTERNATIONAL SCHOOL OF COLUMBUS  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2010

	<u>Private-Purpose Trust Funds - School Administration</u>
Additions:	
Contributions:	
Other	\$ <u>24,631</u>
Total additions	\$ <u>24,631</u>
Deductions:	
Administrative and general	<u>24,231</u>
Total deductions	<u>24,231</u>
Excess of total additions over total deductions	400
Cash and investment fund balance - beginning	<u>4,120</u>
Cash and investment fund balance - ending	<u>\$ 4,520</u>
Net assets:	
Cash and investments	\$ <u>4,520</u>
Total net assets - cash and investment basis held in trust	<u>\$ 4,520</u>

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

INTERNATIONAL SCHOOL OF COLUMBUS  
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: International School of Columbus

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

The School Corporation reports the following major governmental funds:

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

The Public Charter School, Title V, Part B, Subpart 1 Fund is used to account for the financial activity pertaining to that federal grant award.

INTERNATIONAL SCHOOL OF COLUMBUS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Additionally, the School Corporation reports the following fund types:

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the students.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Restricted Assets

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

2. Cash and Investments

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

INTERNATIONAL SCHOOL OF COLUMBUS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

3. Property Taxes

Normally, property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which may become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

4. Capital Assets

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

5. Long-Term Debt

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

6. Equity Classification

Government-Wide Statements

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

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

Fund Financial Statements

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

E. Receipts and Disbursements

Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (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.

INTERNATIONAL SCHOOL OF COLUMBUS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

F. Internal and Interfund Activities

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

Fund Financial Statements

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

Government-Wide Financial Statements

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

1. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.
2. Primary government and component unit activity – Resource flows between the primary government and the discretely-presented component unit(s) are reported as if they were external transactions and are classified separately from internal activities within the primary government.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets 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.

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. Prior to November 1, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget

INTERNATIONAL SCHOOL OF COLUMBUS  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

resolution/ordinance and the advertisement for funds for which property taxes are levied or high-way use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Cash Balance Deficits

At June 30, 2010, the following fund reported a deficit in cash, which is a violation of the Uniform Compliance Guidelines as authorized by state statute:

Fund	2010
General	\$ 35,524

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. IC 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2010, the School Corporation had deposit balances in the amount of \$230,351.

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.

IV. Other Information

A. Risk Management

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

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



INTERNATIONAL SCHOOL OF COLUMBUS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

B. Subsequent Event

The School Corporation established a line of credit with a local financial institution. As of October 27, 2010, the principal balance was \$135,250. The School Corporation also signed an agreement with the State of Indiana for the Common School Funds advancement, for a maximum of \$293,579, not to exceed a 20 year repayment term.

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 percent 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

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.

INTERNATIONAL SCHOOL OF COLUMBUS  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2010

	School Lunch	Title I	ARRA Fiscal Stabilization	Totals
Receipts:				
Local sources	\$ 1,273	\$ -	\$ -	\$ 1,273
Federal sources	-	18,575	12,210	30,785
	<u>1,273</u>	<u>18,575</u>	<u>12,210</u>	<u>32,058</u>
Total receipts				
Disbursements:				
Current:				
Instruction	-	8,845	4,057	12,902
Support services	-	-	8,153	8,153
Noninstructional services	1,273	-	-	1,273
	<u>1,273</u>	<u>8,845</u>	<u>12,210</u>	<u>22,328</u>
Total disbursements				
Excess of receipts over disbursements	-	9,730	-	9,730
Cash and investments - beginning	-	-	-	-
Cash and investments - ending	<u>\$ -</u>	<u>\$ 9,730</u>	<u>\$ -</u>	<u>\$ 9,730</u>
<u>Cash and Investment Assets - Ending</u>				
Cash and investments	\$ -	\$ 9,730	\$ -	\$ 9,730
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 9,730</u>	<u>\$ -</u>	<u>\$ 9,730</u>
<u>Cash and Investment Fund Balance - Ending</u>				
Unrestricted	\$ -	\$ 9,730	\$ -	\$ 9,730
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 9,730</u>	<u>\$ -</u>	<u>\$ 9,730</u>

INTERNATIONAL SCHOOL OF COLUMBUS  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 June 30, 2010

The School has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Common School Fund Loan	\$ 293,579	\$ 29,442
IFF Leasehold Mortgage	<u>136,627</u>	<u>33,968</u>
Total governmental activities debt	<u>\$ 430,206</u>	<u>\$ 63,410</u>

INTERNATIONAL SCHOOL OF COLUMBUS  
EXAMINATION RESULTS AND COMMENTS

***INTERNAL CONTROLS - FINANCIAL RECORDS***

The controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient. The School contracted with a bookkeeping firm for their accounting records, payroll processing, and related activities. The records were kept at that firm, which is located in Greenfield, Indiana, and had to be sent to the School for the examination. Additional examination time was spent requesting various records for the examination. It appears that there are not adequate internal controls over the financial accounting records and processes. Although, some files were readily available in the bookkeeping firm's files and some originals and/or copies were kept at the school, other files were not located and not presented for examination. The Business Manager communicates with the bookkeeping firm by phone, emails, faxes, courier, and delivery services. There were numerous instances noted of emails from the Business Manager instructing the firm to pay specific bills. As a result, checks were written by the firm without the actual claim vouchers. There was no internal control process in place to ensure that a claim voucher, with the appropriate information and attached documentation, and signatures, existed for each expenditure. Also, in many instances, the Business Manager relied upon the bookkeeping firm to determine the appropriate fund and account number for posting of the expenditures, including the federal grant funds.

There were numerous instances (approximately 70) where expenditures were "reclassified" during the examination period. In many instances, expenditures which had originally been posted to the General Fund, were "reclassified" to the Public Charter School, Title V, Part B, Subpart 1 Fund (which is a federal grant). In most instances, there was no documentation as to why the reclassification was done.

The checking account was overdrawn multiple times during the examination period. Transfers would then subsequently be made from the other bank account. In some, but not all, instances, the bank did reverse the service charges incurred. The Business Manager said that she relied upon the information provided by the contracted bookkeepers to determine when the funds needed to be transferred from one bank account to the other bank account.

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)

***TIMELY RECORDKEEPING***

Komputrol ledgers and the month end bank reconciliations, which were prepared by the contracted bookkeeping firm, were not always available in a timely manner.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

INTERNATIONAL SCHOOL OF COLUMBUS  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

**OVERDRAWN FUND BALANCE**

The General Fund was overdrawn in 2010. The June 30, 2010 fund balance was (\$35,524).

The balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

**ERRORS ON CLAIMS**

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

1. Claims were either not prepared or not located for all disbursements. Claims were filed alphabetically, by specific periods of time, in file folders. As a result, it was difficult to find specific claims. Numerous claims paid during the spring of 2009 were not found; upon inquiry, the Business Manager did find a stack of paid claim forms with no attachments; however, many of those claims should have had attached documentation, such as invoices or other information.
2. Claims were not adequately itemized. In some instances, payments were made based on statement amounts only. Travel related claims did not usually contain sufficient information to determine the purpose of the trip, such as a reference to a conference or other information.
3. Claims were not approved by the Governing Board.
4. Claims or invoices did not have evidence to support receipt of goods or services. The certification concerning the receipt of goods or services was signed by the Business Manager, whether or not she actually received the goods or services.

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. . . ."

INTERNATIONAL SCHOOL OF COLUMBUS  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

**INTERNAL CONTROLS - CONTRACTS**

The controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient.

A contract for consulting on the implementation of guidance counseling and student services functions was signed July 20, 2009. Full payment of \$10,000 was made on July 23, 2009. This payment was made from the Public Charter School, Title V, Part B, Subpart 1 Fund. The contractual requirements included the following, including several items which would be required to be performed during the school year: Attachment 1, scope of work, included several consulting responsibilities, such as: Keep all ISTEP records and submits STN numbers to state DOE monthly; Maintain records for attendance, test scores, enrollment, . . . Coordinate and administer all testing: ISTEP, GQE, . . . Core 40 end of the year exams, . . . Maintain student honor roll data.

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)

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

**INTERNAL CONTROLS – FEDERAL GRANTS**

The controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient.

School officials did not have adequate files to document their federal grants, including grant award information, CFDA numbers, and related correspondence. Upon inquiry, various electronic documents including emails were provided; also, some paper files which included grant financial reports, were provided by the contracted bookkeeping firm. However, there was still not an adequate audit trail nor sufficient information available that would allow School officials to ensure that they were complying with the various federal regulations.

The General Fund had a negative cash balance as of June 30, 2010, and through September 30, 2010, which was the most recent accounting records available, as of November 15, 2010. The December 31, 2010 balances were obtained at a later date, for comparative purposes. Additional information was obtained. As a result, the School was, in effect, using federal grant cash balances during that time period.

Fund Name	Balance June 30, 2010	Balance July 30, 2010	Balance August 31, 2010	Balance September 30, 2010	Balance December 31, 2010
General Fund	\$ (35,523.85)	\$ (79,212.54)	\$ (94,703.00)	\$ (89,858.93)	\$ (62,756.35)
Public Charter School, Title V, Part B, Subpart I	255,723.91	229,442.10	172,895.10	162,553.77	118,755.61

INTERNATIONAL SCHOOL OF COLUMBUS  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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)

**PAYROLL**

1. Compensation and Benefits

School officials were unable to provide written documentation of the approved salaries for school employees, including the salary of the original Head of School, Business Manager, and the teachers.

There were also bonuses paid to employees. In December 2009, a list of the employees and the amount of the bonus (\$200.00) was found in the payroll file; however, there was no evidence of Board review or approval. Other bonuses were paid at various times during the school year. Documentation reviewed had the Head of School's signature; however, there was again no evidence of Board approval. Some of the bonuses were paid from federal grant funds.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

2. Payroll Deductions

Payments to some employees were made without payroll deductions for taxes. There were two contracts for services: temporary History teacher position; temporary History teacher position and Facility Manager. Payments to both individuals were made through the accounts payable process. Included in both temporary teacher position contracts were payments of bonuses, dependent upon certain conditions specified in the agreement.

The contract for a temporary History teacher was signed by the Business Manager. The contract for the temporary History teacher and Facilities Manager was signed by the Interim Head of School.

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)

INTERNATIONAL SCHOOL OF COLUMBUS  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

3. Payroll Fund Withholdings

A Payroll Fund existed; however, the only transactions posted to it were the payroll tax withholdings. These withholdings were posted as negative amounts to a budget account within the Payroll Fund. Subsequently, a normal entry was made for the same amount, to show that the payroll taxes were paid out. The total disbursements for this budget account were zero, since the transactions netted out each pay or within a short time thereafter.

It was also noted that the other payroll withholdings (non payroll taxes) were being posted as negative amounts to the various budgetary accounts for employee insurance.

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)

***PUBLIC WORKS PROJECT***

In September 2009, the School paid \$125,452 for renovations to their leased building. There was no evidence presented for examination that sealed bids were requested or received; also, no contract was presented for examination.

During the examination period, Indiana Code 36-1-12-4(a) stated:

"This section applies whenever the cost of a public work project will be:

- (1) at least seventy-five thousand dollars (\$75,000) in:
  - (A) a consolidated city or second class city;
  - (B) a county containing a consolidated city or second class city; or
  - (C) a regional water or sewage district established under 13-26; or
- (2) at least fifty thousand dollars (\$50,000) in a political subdivision or an agency not described in subdivision (1)."

During the examination period, Indiana Code 36-1-12-4(b) stated in part:

"The board must comply with the following procedure:

- (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. . . .
- (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3).
- (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with IC 5-3-1 calling for sealed proposals for the public work needed . . ."



INTERNATIONAL SCHOOL OF COLUMBUS  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

***LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER***

Officials or employees of the School Corporation had money due from the School Corporation, but a list of such employees was not certified to the County Treasurer.

Indiana Code 6-1.1-22-14(a) states in part: "On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the name and address of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

***OFFICIAL BOND***

The Business Manager did not obtain a faithful performance of duty bond. School Officials do have a crime policy.

IC 20-26-4-1 requires the governing body each year to appoint a treasurer of the governing body and of the school corporation who is a person other than the superintendent of schools and who is not a member of the governing body. The treasurer may, with the approval of the governing body, appoint a deputy who shall also be a person other than the superintendent of schools, who is not a member of the governing body and who shall have the same powers and duties as the treasurer or such lesser duties as the governing body by rule shall provide.

IC 20-26-4-5 provides that for each school year commencing July 1, the treasurer of each governing body and the school corporation and any deputy treasurer, if so appointed, shall give a bond for the faithful performance of duties 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 his bond for the acts of any deputy treasurer appointed as provided in IC 20-26-4-1.

The State Board of Accounts often recommends school corporations review the amount of funds a treasurer or deputy treasurer accounts for in determining the amount to bond. Areas to consider based upon recent claims with surety companies would include, bids awarded and investments in addition to the normal considerations of receipts, disbursements, etc. However, the Indiana Attorney General in 1965 concluded in Official Opinion 33 that the governing body of the school corporation must determine the amount of and approve the treasurer's bond.

The treasurer's official bond must be written for a term of one (1) year, the term of office of the treasurer; shall be payable to the State of Indiana as required by IC 5-4-1-10; and, when approved, shall be filed and recorded in the office of the recorder of the county wherein the treasurer resides as provided in IC 5-4-1-5.1. No charge shall be made by the recorder of the county for recording official bonds of any public officer, deputy, appointee or employee, IC 36-2-7-10. (School Administrator and Uniform Compliance Guidelines, Volume 171, September 2005)

***RECEIPT ISSUANCE***

Receipts were usually written when the deposit was prepared. Multiple days' checks and/or cash were accumulated and then one receipt would be written for the entire amount of the deposit. Multiple receipts were noted as received from "various."

Supporting documentation was not provided for most receipts issued during the spring of 2010. Also, the duplicate receipts for that time period did not contain all of the required information (example: name of payor, source of funds, fund and receipt account number; cash and/or check designation).

INTERNATIONAL SCHOOL OF COLUMBUS  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

***ECA DEPOSITS***

Receipts were not always deposited within a reasonable time. In one instance, funds accumulated for a fundraiser were held approximately seventy-five days for a total of \$1,672.50 before being received and deposited.

Indiana Code 20-41-1-9 states in part: ". . . receipts shall be deposited without unreasonable delay. . . ."

***AVERAGE DAILY MEMBERSHIP (ADM)***

During the examination, an attendance report was printed to support the ADM report submitted for the 2009-2010 school year; however, there was no written certification by the building level official who was responsible for reporting ADM.

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. . . ."

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 163, September 2003, and Volume 182, June 2008)

***PENALTIES, INTEREST, AND OTHER CHARGES***

Information presented for examination indicates that, in some cases, amounts payable to vendors and other suppliers of goods and services are not being paid until several months after the invoice dates. Finance charges, late fees and bank account overdraft fees of \$472.93 were noted.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

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

INTERNATIONAL SCHOOL OF COLUMBUS  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

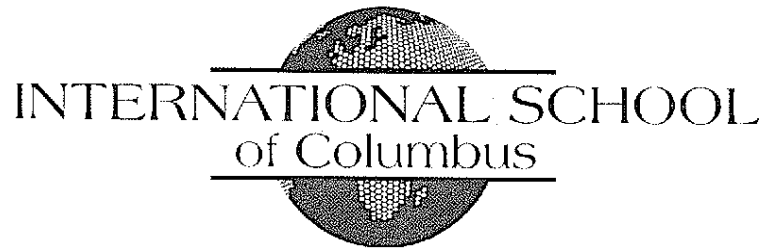
***FUND SOURCES AND USES***

There was a mix of private donations, which appeared to be intended for school purposes, and student fees for various athletic and student activities, in Fund 2990, School Administration Fund.

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

INTERNATIONAL SCHOOL OF COLUMBUS  
EXIT CONFERENCE

The contents of this report were discussed on June 28, 2011, with Tim McConnell, Treasurer; Jonah Sims, Head of School; Swadesh Kalsi, Chair of the School Board; Surekha DiOrio, Treasurer of the School Board; and Stephen Franz, Secretary of the School Board. The official response has been made a part of this report and may be found on page 27.



August 1, 2011

### Official Response to Examination Results and Comments

This response primarily acknowledges deficiencies in the prior administration as well as corrective measures. Our new Head of School took over the 2010/1011 School Year which began in August of 2011. The new Business Manager began on February 28, 2011.

Previously, checks were written by the firm without the actual claim vouchers. There are now internal control process in place to ensure that a claim voucher, with the appropriate information and attached documentation, and signatures, exist for each expenditure.

Additionally, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are in place for proper internal control. These practices will ensure that The General Fund will not be overdrawn as was the case in 2010.

During the previous audit period, payments to some employees were made without payroll deductions for taxes. This has been noted and corrected. The Business Manager/School Treasurer has obtained a faithful performance of duty bond.

Due to a lack of organization, receipts were not always deposited within a reasonable time. Care is now taken to make sure there are multiple weekly deposits where applicable. Also, in some cases, amounts payable to vendors and other suppliers of goods and services are not being paid until several months after the invoice dates. As funds are available, Finance charges and late fees have been avoided.

Unlike as was previously the case, Receipts are issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment.

We truly appreciated the patience and diligence of our Auditor. She has gone to great lengths to help us understand areas of improvement.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Sims", is written over the printed name.

Jonah Sims  
Head of School

Surheka DiOrio  
Board Treasurer

