

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

EXAMINATION REPORT
OF
INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL
MARION COUNTY, INDIANA
April 1, 2005 to June 30, 2006



FILED
01/26/2007

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OFFICIALS

Office

Official

Term

Treasurer

Doug Thaman
Robert Stearns

04-01-05 to 07-09-06
07-09-06 to 06-30-07

President and Director
of the School Board

Michael Ronan

04-01-05 to 06-30-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL,
MARION COUNTY, INDIANA

We have examined the financial information presented herein of Indianapolis Lighthouse Charter School (School Corporation), for the period of April 1, 2005 to June 30, 2006. The School Corporation's management is responsible for the financial information 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 information 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 information referred to above presents fairly, in all material respects, the financial information of the School Corporation for the years ended June 30, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

December 14, 2006

INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL
STATEMENT OF CASH AND INVESTMENTS
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ <u>121,037</u>
 <u>Net Assets</u>	
Unrestricted	\$ <u>121,037</u>

The accompanying notes are an integral part of the financial statements.

INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL
STATEMENT OF CASH AND INVESTMENTS
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ <u>209,370</u>
<u>Net Assets</u>	
Unrestricted	\$ <u>209,370</u>

The accompanying notes are an integral part of the financial statements.

INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Disbursements	Net (Disbursement) Receipts Total
Governmental activities:		
Instruction	\$ 18,627	\$ (18,627)
Support services	149,355	(149,355)
Debt service	5,000	(5,000)
Total governmental activities	\$ 172,982	(172,982)
General receipts:		
Other local sources		29,900
Grants and contributions not restricted		29,119
Bonds and loans		235,000
Total general receipts		294,019
Change in cash and investments		121,037
Net assets - beginning		-
Net assets - ending		\$ 121,037

The accompanying notes are an integral part of the financial statements.

INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 835,419	\$ -	\$ 7,195	\$ (828,224)
Support services	1,810,132	9,612	114,136	(1,686,384)
Community services	4,330	-	-	(4,330)
Nonprogrammed charges	200,212	-	-	(200,212)
Debt service	250,333	-	-	(250,333)
Total governmental activities	\$ 3,100,426	\$ 9,612	\$ 121,331	(2,969,483)
General receipts:				
Property taxes				316,417
Other local sources				16,198
State aid				566,488
Grants and contributions not restricted				285,256
Bonds and loans				1,653,881
Sale of property, adjustments, and refunds				212,326
Investment earnings				7,250
Total general receipts				3,057,816
Change in cash and investments				88,333
Net assets - beginning				121,037
Net assets - ending				\$ 209,370

The accompanying notes are an integral part of the financial statements.

INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General	Donation/Gifts Nessi Grant	Federal Programs	Other	Totals
Receipts:					
Local sources	\$ -	\$ 29,900	\$ -	\$ -	\$ 29,900
Federal sources	-	-	29,119	-	29,119
Bonds and loans	235,000	-	-	-	235,000
Total receipts	235,000	29,900	29,119	-	294,019
Disbursements:					
Current:					
Instruction	18,000	-	-	627	18,627
Support services	120,236	-	29,119	-	149,355
Debt services	5,000	-	-	-	5,000
Total disbursements	143,236	-	29,119	627	172,982
Excess (deficiency) of total receipts over total disbursements	91,764	29,900	-	(627)	121,037
Cash and investments - beginning	-	-	-	-	-
Cash and investments - ending	\$ 91,764	\$ 29,900	\$ -	\$ (627)	\$ 121,037

The accompanying notes are an integral part of the financial statements.

INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2006

	General	Donation/Gifts Nessi Grant	Federal Programs	Other	Totals
Receipts:					
Local sources	\$ 339,584	\$ 281	\$ -	\$ 9,612	\$ 349,477
State sources	573,684	-	-	13,633	587,317
Federal sources	-	-	136,181	249,577	385,758
Bonds and loans	1,653,881	-	-	-	1,653,881
Sale of property, adjustments and refunds	212,326	-	-	-	212,326
Total receipts	<u>2,779,475</u>	<u>281</u>	<u>136,181</u>	<u>272,822</u>	<u>3,188,759</u>
Disbursements:					
Current:					
Instruction	757,346	-	-	78,073	835,419
Support services	1,417,578	10,109	144,604	237,841	1,810,132
Community services	4,330	-	-	-	4,330
Nonprogrammed charges	200,212	-	-	-	200,212
Debt services	250,333	-	-	-	250,333
Total disbursements	<u>2,629,799</u>	<u>10,109</u>	<u>144,604</u>	<u>315,914</u>	<u>3,100,426</u>
Excess (deficiency) of total receipts over total disbursements	149,676	(9,828)	(8,423)	(43,092)	88,333
Cash and investments - beginning	<u>91,764</u>	<u>29,900</u>	<u>-</u>	<u>(627)</u>	<u>121,037</u>
Cash and investments - ending	<u><u>\$ 241,440</u></u>	<u><u>\$ 20,072</u></u>	<u><u>\$ (8,423)</u></u>	<u><u>\$ (43,719)</u></u>	<u><u>\$ 209,370</u></u>

The accompanying notes are an integral part of the financial statements.

INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2006

	Private-Purpose Trust Funds
Additions:	
Local sources	\$ 11,003
Deductions:	
Support services	5,080
Excess of total additions over total deductions	5,923
Cash and investments - beginning	-
Cash and investments - ending	\$ 5,923

The accompanying notes are an integral part of the financial statements.

INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2006

<u>Assets</u>	Private-Purpose <u>Trust Funds</u>
Cash and investments	\$ <u>5,923</u>
<u>Net Assets</u>	
Held in trust for employee benefits and other purposes	\$ <u>5,923</u>

The accompanying notes are an integral part of the financial statements.

INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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.

Note 2. Fund Accounting

The School Corporation uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and 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). Taxes may be paid in two equal installments which 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.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the School Corporation authority to contribute to the plan. The PERF 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 members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and 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:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF. The unit did not contribute to PERF until April 2006 therefore the values for the funding information are not yet available.

Teacher's Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teacher's 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 members' 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.

INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL
NOTES TO FINANCIAL INFORMATION
(Continued)

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:

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

Funding Policy and Annual Pension Cost

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 LIGHTHOUSE CHARTER SCHOOL
EXAMINATION RESULTS AND COMMENTS

SALES TAX

We found several instances where sales tax was paid.

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

ERRORS ON CLAIMS

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

- (1) Claims were not prepared for all disbursements.
- (2) Audit evidence was not provided that indicated all claims received board approval.

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."

OVERDRAWN FUND BALANCES

The cash balance of the Textbook Rental Fund was overdrawn at June 30, 2005. The cash balance of the School Lunch Fund, Title I Fund, and the Federal Program Fund were overdrawn at June 30, 2006.

The cash 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)

INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL
EXIT CONFERENCE

The contents of this report were discussed on December 20, 2006, with Susan Burt, Bookkeeper, and Robert Stearns, Corporation Treasurer (via conference call). The official response has been made a part of this report and may be found on pages 17 and 18.

Indianapolis Lighthouse Charter School

Lighthouse Academies of Indiana, Inc

December 26, 2006

State Board of Accounts
302 West Washington St, Room 418
Indianapolis, IN 46204-2765

OFFICIAL RESPONSE for Indianapolis Lighthouse Charter School

Sales Tax

Audit Comment: Of claims sampled, we found several instances where sales tax was paid.

School's response: School acknowledges some instances of sales tax were paid. School will do a better job in reviewing the invoices and following up with vendors to ensure the school is invoiced as a tax-exempt organization.

Errors on Claims

Audit Comment: Claims were not prepared for all disbursements.

School's response: The school prepares accounts payable vouchers for all checks written. In some cases claims may not have been prepared for transfers between bank accounts.

Audit Comment: All Claims did not have board approval

School's response: The school did have board approval on claims. The board met monthly and on each board agenda was a schedule of bills to approve. The schedule was sent to the board one week in advance of the monthly meeting for their chance to review and bring up comments or questions. At each monthly meeting that covered the audit period, the board approved without question the schedule of bills that was presented at that meeting. The approval was mentioned in the minutes. In discussion with the auditor at the exit conference, it was agreed that the school would improve the document trail that evidences the board approval by referencing the total amounts from the schedule of bills in the minutes.

Overdrawn Fund Balances

Audit Comment: Cash balance of the textbook fund, Title I and Lunch Fund were overdrawn at June 30, 2006.

School's response: The school uses one main cash account for its lunch and general operations. In the case of Title I, the overdrawn amount was a receivable from the Title I office. In the case of textbook and lunch funds, the school's budget had planned to fund those activities partly from the general fund. The school did not make the necessary journal entry at the end of the period to transfer the fund balance used from the general fund. Going forward the school will make the transfer entry to balance the fund account.

Please do not hesitate to contact me if you have any questions.

Sincerely,



Robert V. Stearns

Treasurer

Lighthouse Academies of Indiana, Inc