

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

EXAMINATION REPORT  
OF  
GARY LIGHTHOUSE CHARTER SCHOOL  
LAKE COUNTY, INDIANA  
March 14, 2005 to June 30, 2006



**FILED**  
02/26/2007



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials .....	2
Independent Accountant's Report .....	3
Financial Information:	
Government-Wide Financial Statements:	
Statement of Cash and Investments .....	4-5
Statement of Cash Activities .....	6-7
Fund Financial Statements:	
Governmental Funds:	
Statement of Receipts, Disbursements, and Cash and Investment Balances – Governmental Funds .....	8-9
Notes to Financial Information.....	10-12
Examination Results and Comments:	
Condition of Records .....	13
Federal and State Agencies – Compliance Requirements .....	13
Service and Time Records .....	13
Receipt Issuance .....	13
Overdrawn Cash Balances .....	14
School Lunch Receipts .....	14
Exit Conference .....	15
Official Response .....	16-17

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Chris Hirschfield Dr. Douglas Thaman Robert V. Stearns	03-14-05 to 05-02-06 05-03-05 to 07-27-06 07-28-06 to 06-30-07
Principal of Schools	Dr. Patricia Miller Karen Poplawski	03-01-05 to 07-22-05 07-23-05 to 06-30-07
President of the School Board	Michael Ronan	12-13-04 to 06-30-07



**STATE OF INDIANA**  
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE GARY LIGHTHOUSE CHARTER SCHOOL, LAKE COUNTY, INDIANA

We have examined the financial information presented herein of the Gary Lighthouse Charter School (School Corporation), for the period of March 14, 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, 2005 and 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 13, 2006

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

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ <u>164,362</u>
<u>Net Assets</u>	
Unrestricted	\$ <u>164,362</u>

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

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

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ <u>90,333</u>
<u>Net Assets</u>	
Unrestricted	\$ <u>90,333</u>

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

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

Functions/Programs	Net (Disbursement) Receipts
Total	Total
Governmental activities:	
Instruction	\$ (653)
Support services	(96,798)
Debt service	<u>(10,000)</u>
Total governmental activities	<u>(107,451)</u>
General receipts:	
Grants and contributions not restricted	31,813
Bonds and loans	<u>240,000</u>
Total general receipts	<u>271,813</u>
Change in cash and investments	164,362
Net assets - beginning	<u>-</u>
Net assets - ending	<u>\$ 164,362</u>

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

GARY 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	\$ 833,957	\$ -	\$ 7,744	\$ (826,213)
Support services	2,531,997	18,785	130,477	(2,382,735)
Community services	20	-	-	(20)
Debt service	39,343	-	-	(39,343)
Total governmental activities	\$ 3,405,317	\$ 18,785	\$ 138,221	(3,248,311)
General receipts:				
Other local sources				2,508
State aid				865,891
Grants and contributions not restricted				270,818
Bonds and loans				2,001,541
Sale of property, adjustments, and refunds				6,727
Investment earnings				26,797
Total general receipts				3,174,282
Change in cash and investments				(74,029)
Net assets - beginning				164,362
Net assets - ending				\$ 90,333

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

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

	<u>General</u>	<u>Textbook Rental</u>	<u>Federal Programs</u>	<u>Totals</u>
Receipts:				
Federal sources	\$ -	\$ -	\$ 31,813	\$ 31,813
Bonds and loans	<u>240,000</u>	<u>-</u>	<u>-</u>	<u>240,000</u>
Total receipts	<u>240,000</u>	<u>-</u>	<u>31,813</u>	<u>271,813</u>
Disbursements:				
Current:				
Instruction	29	624	-	653
Support services	64,985	-	31,813	96,798
Debt services	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Total disbursements	<u>75,014</u>	<u>624</u>	<u>31,813</u>	<u>107,451</u>
Excess (deficiency) of total receipts over (under) total disbursements	164,986	(624)	-	164,362
Cash and investments - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 164,986</u>	<u>\$ (624)</u>	<u>\$ -</u>	<u>\$ 164,362</u>

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

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

	General	Textbook Rental	Title I	Federal Programs	Other	Totals
<b>Receipts:</b>						
Local sources	\$ 27,085	\$ -	\$ -	\$ -	\$ 21,006	\$ 48,091
State sources	873,635	15,226	-	-	-	888,861
Federal sources	-	-	136,157	129,937	119,974	386,068
Bonds and loans	2,001,541	-	-	-	-	2,001,541
Sale of property, adjustments and refunds	<u>6,727</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,727</u>
Total receipts	<u>2,908,988</u>	<u>15,226</u>	<u>136,157</u>	<u>129,937</u>	<u>140,980</u>	<u>3,331,288</u>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	627,467	-	67,413	139,077	-	833,957
Support services	2,276,628	-	45,568	-	209,801	2,531,997
Community services	20	-	-	-	-	20
Debt services	<u>39,343</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,343</u>
Total disbursements	<u>2,943,458</u>	<u>-</u>	<u>112,981</u>	<u>139,077</u>	<u>209,801</u>	<u>3,405,317</u>
Excess (deficiency) of total receipts over (under) total disbursements	(34,470)	15,226	23,176	(9,140)	(68,821)	(74,029)
Cash and investments - beginning	<u>164,986</u>	<u>(624)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>164,362</u>
Cash and investments - ending	<u>\$ 130,516</u>	<u>\$ 14,602</u>	<u>\$ 23,176</u>	<u>\$ (9,140)</u>	<u>\$ (68,821)</u>	<u>\$ 90,333</u>

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

GARY 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. 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.

Note 4. 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.

Note 5. Pension Plans

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

GARY LIGHTHOUSE CHARTER SCHOOL  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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.

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.

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

GARY LIGHTHOUSE CHARTER SCHOOL  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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.

GARY LIGHTHOUSE CHARTER SCHOOL  
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The claims were filed alphabetically along with the duplicate checks; therefore, we were unable to determine if all claims and checks could be accounted for properly.

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)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Title I Annual Report submitted to the Indiana Department of Education did not agree with the Charter School's Fund Reports.

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. Non-compliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

SERVICE AND TIME RECORDS

Employee time, attendance, or service records were not presented for audit.

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)

RECEIPT ISSUANCE

Receipts were not written for school lunch and fundraising collections received from teachers.

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)

GARY LIGHTHOUSE CHARTER SCHOOL  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

OVERDRAWN CASH BALANCES

The cash balance of the School Lunch Fund, Title IIA Fund and Federal Programs Fund was overdrawn in 2006 as follows:

School Lunch	\$	61,614
Title IIA		14,082
Federal Programs		9,140

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)

SCHOOL LUNCH RECEIPTS

The Charter School charges a fee for lunch. The Charter School lunch student accounts were not monitored and delinquent school lunch receipts were not collected. The Charter School Management Company advised the School Office Manager not to pursue the collection of delinquent school lunch money.

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

GARY LIGHTHOUSE CHARTER SCHOOL  
EXIT CONFERENCE

The contents of this report were discussed on December 13, 2006, with Robert V. Stearns, Treasurer; Michael Ronan, President of the School Board; and Susan Burt, Indiana Regional Accountant. The official response has been made a part of this report and may be found on pages 16 and 17.

# Gary Lighthouse Charter School

Lighthouse Academies of Indiana, Inc

December 18, 2006

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

## **OFFICIAL RESPONSE for Gary Lighthouse Charter School**

### Condition of Records

Audit Comment: Duplicate checks were not maintained in numerical order from 1/1/06 to 6/30/06.

School's response: Duplicate checks were maintained in numerical order for period indicated, 1/1/06 to 6/30/06, but unavailable at time of audit due to move of records from outside contractor to school. We will be sure to have available numerical copies of all checks printed for auditor's reference during future testing

### Federal and State Agencies – Compliance Requirements

Audit Comment: Title I Annual Reports did not agree with Fund Reports

School's response: The school maintained subsidiary ledgers of detailed expenditures that agreed to the Title I annual reports. Going forward the school will reconcile the subsidiary ledgers to the fund reports.

### Service and time records

Audit Comment: Employee time, attendance or service records were not presented for audit.

School's response: The school has procedures for tracking employees service time and will maintain those records going forward.

### Receipt Issuance

Audit Comment: Receipts were not written for school lunch and fundraising collections received from teachers.

School's response: Receipts were itemized on schedules which supported receipt vouchers. Going forward, receipts will be issued to all individuals paying money to the school.

### Overdrawn Cash Balances

Audit Comment: Cash balance may not be reduced to below zero.

School's response: The school uses one main cash account for its lunch and general operations. The school's budget had the school lunch program to be funded 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.

### School Lunch Receipts

Audit Comment: The paying school student accounts were not monitored and delinquent school lunch receipts were not collected. The school management company advised the school office manager not to pursue the collection of delinquent school lunch money.

School's response: The school did monitor the individual student accounts and attempted to collect from the parents at various times during the year using correspondence such as monthly customer statements and a collection letter. After the end of the year, as we were implementing a newer computerized system we decided to have a clean start, so the school did not pursue outstanding balances from the year before.

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

Sincerely,



Robert V. Stearns

Treasurer

Lighthouse Academies of Indiana, Inc