

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

EXAMINATION REPORT  
OF  
GALILEO CHARTER SCHOOL  
WAYNE COUNTY, INDIANA  
July 1, 2006 to June 30, 2007



**FILED**  
02/29/2008



## TABLE OF CONTENTS

| <u>Description</u>  | <u>Page</u> |
|---|-------------|
| Officials .....   | 2           |
| Independent Accountant's Report.....  | 3           |
| Financial Information:  |             |
| Government-Wide Financial Information:  |             |
| Schedule of Activities and Net Assets - Cash and Investment Basis .....   | 4           |
| Fund Financial Information:   |             |
| Governmental Funds:   |             |
| Schedule of Assets and Fund Balances and Receipts, Disbursements,<br>and Changes in Fund Balances - Cash and Investment Basis<br>- Governmental Funds .....                 | 5           |
| Notes to Financial Information .....  | 6-9         |
| Supplementary Information:  |             |
| Combining Schedule of Assets and Fund Balances and Receipts, Disbursements,<br>and Changes in Fund Balances - Cash and Investment Basis -<br>Other Governmental Funds ..... | 10          |
| Schedule of Capital Assets.....   | 11          |
| Schedule of Long-Term Debt .....  | 12          |
| Schedule of Investments .....   | 13          |
| Examination Results and Comments:   |             |
| Payroll Deductions.....   | 14          |
| School Lunch Collections .....  | 14          |
| Exit Conference.....  | 15          |
| Official Response .....   | 16          |

OFFICIALS

| <u>Office</u>                    | <u>Official</u>                         | <u>Term</u>                                  |
|----------------------------------|---|--|
| Treasurer                        | Paul H. Runyon                          | 07-01-06 to 06-30-08                         |
| Chief Academic<br>Officer        | Kevin L. Handley                        | 07-01-06 to 06-30-08                         |
| President of the<br>School Board | Norman Goldback<br>Kenneth A. Christmon | 07-01-06 to 10-17-06<br>10-18-06 to 06-30-08 |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF GALILEO CHARTER SCHOOL, WAYNE COUNTY, INDIANA

We have examined the financial information presented herein of Galileo Charter School (School Corporation), for the period of July 1, 2006 to June 30, 2007. 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 year ended June 30, 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Supplementary Information, as listed in the Table of Contents, was presented for additional analysis and is not a required part of the basic financial information. The Supplementary Information has not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on the Supplementary Information.

STATE BOARD OF ACCOUNTS

November 14, 2007

GALILEO CHARTER SCHOOL  
SCHEDULE OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2007

| Functions/Programs   | Disbursements | Program Receipts        |  | Totals       | Net<br>(Disbursement)<br>Receipts and<br>Changes in<br>Net Assets |
|--|---------------|-------------------------|--|--------------|---|
|  |               | Charges for<br>Services | Operating<br>Grants and<br>Contributions |              |   |
| Governmental activities:                                     |               |                         |  |              |   |
| Instruction  | \$ 474,181    | \$ -                    | \$ 30,028                                | \$ (444,153) |   |
| Support services   | 687,981       | 5,565                   | 66,656                                   | (615,760)    |   |
| Debt service   | 228,185       | -                       | -  | (228,185)    |   |
| Total governmental activities                                | \$ 1,390,347  | \$ 5,565                | \$ 96,684                                | (1,288,098)  |   |
| General receipts:  |               |                         |  |              |   |
| Property taxes   |               |                         |  | 260,886      |   |
| Other local sources  |               |                         |  | 31,576       |   |
| State aid  |               |                         |  | 680,375      |   |
| Bonds and loans  |               |                         |  | 152,592      |   |
| Grants and contributions not restricted to specific programs |               |                         |  | 232,507      |   |
| Sale of property, adjustments, and refunds                   |               |                         |  | 881          |   |
| Investment earnings  |               |                         |  | 6,105        |   |
| Total general receipts                                       |               |                         |  | 1,364,922    |   |
| Change in net assets   |               |                         |  | 76,824       |   |
| Net assets - beginning                                       |               |                         |  | 33,506       |   |
| Net assets - ending  |               |                         |  | \$ 110,330   |   |
| <br><u>Assets</u>  |               |                         |  |              |   |
| Cash and investments   |               |                         |  | \$ 110,330   |   |
| <br><u>Net Assets</u>  |               |                         |  |              |   |
| Unrestricted   |               |                         |  | \$ 110,330   |   |

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

GALILEO CHARTER SCHOOL  
SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2007

|  | General          | Wayne<br>County<br>Foundation | Donations,<br>Gifts<br>and Trusts | Charter<br>School<br>Grant | Other            | Totals            |
|--|------------------|-------------------------------|-----------------------------------|----------------------------|------------------|-------------------|
| <b>Receipts:</b>                                   |                  |                               |                                   |                            |                  |                   |
| Local sources                                      | \$ 283,567       | \$ -                          | \$ 15,000                         | \$ -                       | \$ 5,565         | \$ 304,132        |
| State sources                                      | 710,726          | -                             | -                                 | -                          | 12,098           | 722,824           |
| Federal sources                                    | -                | -                             | -                                 | 154,125                    | 132,617          | 286,742           |
| Bonds and loans                                    | 152,592          | -                             | -                                 | -                          | -                | 152,592           |
| Sale of property, adjustments and refunds          | 881              | -                             | -                                 | -                          | -                | 881               |
| <b>Total receipts</b>                              | <b>1,147,766</b> | <b>-</b>                      | <b>15,000</b>                     | <b>154,125</b>             | <b>150,280</b>   | <b>1,467,171</b>  |
| <b>Disbursements:</b>                              |                  |                               |                                   |                            |                  |                   |
| <b>Current:</b>                                    |                  |                               |                                   |                            |                  |                   |
| Instruction  | 397,082          | -                             | -                                 | 25,999                     | 51,100           | 474,181           |
| Support services                                   | 530,440          | -                             | -                                 | 108,001                    | 49,540           | 687,981           |
| Debt services                                      | 228,185          | -                             | -                                 | -                          | -                | 228,185           |
| <b>Total disbursements</b>                         | <b>1,155,707</b> | <b>-</b>                      | <b>-</b>                          | <b>134,000</b>             | <b>100,640</b>   | <b>1,390,347</b>  |
| Excess (deficiency) of receipts over disbursements | (7,941)          | -                             | 15,000                            | 20,125                     | 49,640           | 76,824            |
| Cash and investments - beginning                   | 52,597           | 6,500                         | -                                 | -                          | (25,591)         | 33,506            |
| Cash and investments - ending                      | <u>\$ 44,656</u> | <u>\$ 6,500</u>               | <u>\$ 15,000</u>                  | <u>\$ 20,125</u>           | <u>\$ 24,049</u> | <u>\$ 110,330</u> |
| <b>Cash and Investment Assets - Ending</b>         |                  |                               |                                   |                            |                  |                   |
| Cash and investments                               | <u>\$ 44,656</u> | <u>\$ 6,500</u>               | <u>\$ 15,000</u>                  | <u>\$ 20,125</u>           | <u>\$ 24,049</u> | <u>\$ 110,330</u> |
| <b>Cash and Investment Fund Balance - Ending</b>   |                  |                               |                                   |                            |                  |                   |
| Unrestricted                                       | <u>\$ 44,656</u> | <u>\$ 6,500</u>               | <u>\$ 15,000</u>                  | <u>\$ 20,125</u>           | <u>\$ 24,049</u> | <u>\$ 110,330</u> |

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

GALILEO 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

A. Government-Wide and Fund Financial Information

Government-Wide Financial Schedules

The Schedule 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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund Financial Schedules

Fund financial schedules 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, liabilities, fund equity, receipts, and disbursements. Separate financial schedules are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial schedules. Major individual governmental funds are reported as separate columns in the fund financial schedules.

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 Wayne County Foundation fund is used to account for donations from the Wayne County Foundation and disbursement of those funds.

The Donations, Gifts and Trusts fund is used to account for various donations and the disbursement of those funds.

The Charter School Grant fund accounted for grant resources used for the start up expenses of the school.

GALILEO CHARTER SCHOOL  
NOTES TO FINANCIAL INFORMATION  
(Continued)

B. Measurement Focus and Basis of Accounting

The government-wide and governmental fund schedules 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.

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 schedules.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund schedules to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The School Corporation has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial schedules. Exceptions to this general rule are payments-in-lieu of taxes.

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.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and December. 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.

GALILEO CHARTER SCHOOL  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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

A. 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 (Indiana Code 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.

GALILEO CHARTER SCHOOL  
NOTES TO FINANCIAL INFORMATION  
(Continued)

B. 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 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:

Teachers' 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.

GALILEO CHARTER 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, 2007

|  | Special<br>Education | School<br>Lunch | Textbook<br>Rental | Title I<br>2005-2006 | Title I<br>2006-2007 | Charter School<br>Operating Grant | Totals           |
|--|----------------------|-----------------|--------------------|----------------------|----------------------|-----------------------------------|------------------|
| <b>Receipts:</b>                                 |                      |                 |                    |                      |                      |                                   |                  |
| Local sources                                    | \$ -                 | \$ 5,565        | \$ -               | \$ -                 | \$ -                 | \$ -                              | \$ 5,565         |
| State sources                                    | 1,701                | 348             | 10,049             | -                    | -                    | -                                 | 12,098           |
| Federal sources                                  | -                    | 55,936          | -                  | 2,000                | 54,072               | 20,609                            | 132,617          |
| <b>Total receipts</b>                            | <b>1,701</b>         | <b>61,849</b>   | <b>10,049</b>      | <b>2,000</b>         | <b>54,072</b>        | <b>20,609</b>                     | <b>150,280</b>   |
| <b>Disbursements:</b>                            |                      |                 |                    |                      |                      |                                   |                  |
| <b>Current:</b>                                  |                      |                 |                    |                      |                      |                                   |                  |
| Instruction                                      | -                    | -               | 1,322              | 1,472                | 38,179               | 10,127                            | 51,100           |
| Support services                                 | -                    | 33,195          | -                  | 528                  | 15,304               | 513                               | 49,540           |
| <b>Total disbursements</b>                       | <b>-</b>             | <b>33,195</b>   | <b>1,322</b>       | <b>2,000</b>         | <b>53,483</b>        | <b>10,640</b>                     | <b>100,640</b>   |
| Excess of receipts over disbursements            | 1,701                | 28,654          | 8,727              | -                    | 589                  | 9,969                             | 49,640           |
| Cash and investments - beginning                 | 1,375                | (28,289)        | 1,323              | -                    | -                    | -                                 | (25,591)         |
| Cash and investments - ending                    | <u>\$ 3,076</u>      | <u>\$ 365</u>   | <u>\$ 10,050</u>   | <u>\$ -</u>          | <u>\$ 589</u>        | <u>\$ 9,969</u>                   | <u>\$ 24,049</u> |
| <b>Cash and Investment Assets - Ending</b>       |                      |                 |                    |                      |                      |                                   |                  |
| Cash and investments                             | <u>\$ 3,076</u>      | <u>\$ 365</u>   | <u>\$ 10,050</u>   | <u>\$ -</u>          | <u>\$ 589</u>        | <u>\$ 9,969</u>                   | <u>\$ 24,049</u> |
| <b>Cash and Investment Fund Balance - Ending</b> |                      |                 |                    |                      |                      |                                   |                  |
| Unrestricted                                     | <u>\$ 3,076</u>      | <u>\$ 365</u>   | <u>\$ 10,050</u>   | <u>\$ -</u>          | <u>\$ 589</u>        | <u>\$ 9,969</u>                   | <u>\$ 24,049</u> |



# GALILEO CHARTER SCHOOL

855 North 12<sup>th</sup> Street – Richmond, IN 47374 (765) 935-5131

## GALILEO CHARTER SCHOOLS SUPPLEMENTARY INFORMATION SCHEDULE OF CAPITAL ASSETS

For The Year Ended June 30, 2007

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost.

| <u>Primary Government</u>  | <u>Ending<br/>Balance</u> |
|--|---------------------------|
| Governmental activities:   |                           |
| Buildings  | \$ 644,220                |
| Improvements other than buildings                                      | 21,494                    |
| Machinery and equipment  | 171,783                   |
| Construction In Progress   | <u>2,500</u>              |
| Total governmental activities, capital<br>assets not being depreciated | <u>\$ 839,997</u>         |



# GALILEO CHARTER SCHOOL

855 North 12<sup>th</sup> Street – Richmond, IN 47374 (765) 935-5131

GALILEO CHARTER SCHOOL  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF LONG-TERM DEBT  
June 30, 2007

The School has entered into the following debt:

| <u>Description of Debt</u>                          | <u>Ending<br/>Principal<br/>Balance</u> | <u>Principal Due<br/>Within One<br/>Year</u> |
|---|---|--|
| Governmental Activities:<br>Notes and loans payable | <u>\$ 1,261,838</u>                     | <u>\$ 108,979</u>                            |

GALILEO CHARTER SCHOOL  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF INVESTMENTS  
For The Year Ended June 30, 2007

| <u>Fund</u>                                  | <u>Purchase Price<br/>of Investment</u> |
|--|---|
| Merrill Lynch Account (1,200 shs IIV-1, Inc) | <u>\$ 26,037</u>                        |

GALILEO CHARTER SCHOOL  
EXAMINATION RESULTS AND COMMENTS

PAYROLL DEDUCTIONS

Payments to substitute teachers were made without payroll deductions for taxes.

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)

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)

SCHOOL LUNCH COLLECTIONS

The school lunch and breakfast collection rate for students who do not qualify for free lunch is 50%. The school lunch and breakfast collection rate for staff and adults is 30%.

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)

GALILEO CHARTER SCHOOL  
EXIT CONFERENCE

The contents of this report were discussed on November 14, 2007, with Paul H. Runyon, Treasurer; and Kenneth A. Christmon, President of the School Board. The official response has been made a part of this report and may be found on page 16.



# GALILEO CHARTER SCHOOL

855 North 12<sup>th</sup> Street – Richmond, IN 47374 (765) 935-5131

November 21, 2007

## TO: THE OFFICIALS OF THE STATE BOARD OF ACCOUNTS

Detailed below is an official response to the results and comments on the Examination Report of the Galileo Charter School for the fiscal year ended June 30, 2007:

### PAYROLL DEDUCTIONS

**Report Comment:** Payments to substitute teachers were made without payroll deductions for taxes.

**Response:** Since June 20, 2007, the School has been paying all substitute teachers as employees and has been subtracting all required payroll deductions for taxes. This action was taken in response to an audit comment in the School's last Examination Report, which was filed on March 16, 2007.

### SCHOOL LUNCH COLLECTIONS

**Report Comment:** The school lunch and breakfast collection rate for students who do not qualify for free lunch is fifty percent. The school lunch and breakfast collection rate for staff and adults is thirty percent.

**Response:** School lunch collection is an area that has and will continue to receive the attention of the School's administration. Since the School has a high percentage of students who qualify for free or reduced meals (over 80%), the outstanding balances for remaining students on June 30, 2007 represented only 9% of total lunch and breakfast income for 2006-2007.

The total outstanding balances for adult meals totaled \$114.65 as of June 30, 2007. These balances were owed by ten staff members and will be collected.