

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

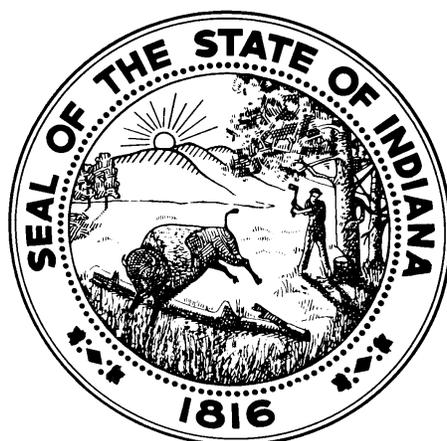
AUDIT REPORT

OF

INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL

MARION COUNTY, INDIANA

July 1, 2006 to June 30, 2008



FILED

06/30/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Douglas Thaman Robert Stearns	07-01-06 to 07-08-06 07-09-06 to 06-30-09
President of the School Board	Michael Ronan	07-01-06 to 06-30-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Indianapolis Lighthouse Charter School (School Corporation), as of and for the years ended June 30, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2007 and 2008, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated June 9, 2009, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the

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

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

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

STATE BOARD OF ACCOUNTS

June 9, 2009



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Indianapolis Lighthouse Charter School (School Corporation), as of and for the years ended June 30, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated June 9, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

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

Compliance and Other Matters

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

The School Corporation's response to the findings identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Corporation's management, School Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 9, 2009

INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 1,727,182	\$ -	\$ 7,557	\$ (1,719,625)
Support services	5,220,236	38,448	218,774	(4,963,014)
Community services	1,155	-	-	(1,155)
Nonprogrammed charges	7,181	-	-	(7,181)
Debt service	491,317	-	-	(491,317)
	<u>\$ 7,447,071</u>	<u>\$ 38,448</u>	<u>\$ 226,331</u>	<u>(7,182,292)</u>
General receipts:				
Property taxes				477,018
Other local sources				151,072
State aid				1,696,472
Loans				5,100,296
Grants and contributions not restricted to specific programs				390,699
Investment earnings				31,501
Total general receipts				<u>7,847,058</u>
Change in net assets				664,766
Net assets - beginning				<u>209,370</u>
Net assets - ending				<u>\$ 874,136</u>
 <u>Assets</u>				
Cash and investments				<u>\$ 874,136</u>
 <u>Net Assets</u>				
Unrestricted				<u>\$ 874,136</u>

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

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

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 1,395,888	\$ -	\$ 67,711	\$ (1,328,177)
Support services	2,597,845	27,026	226,216	(2,344,603)
Community services	2,182	-	-	(2,182)
Nonprogrammed charges	(402)	-	-	402
Debt service	884,109	-	-	(884,109)
	<u>\$ 4,879,622</u>	<u>\$ 27,026</u>	<u>\$ 293,927</u>	<u>(4,558,669)</u>
General receipts:				
Property taxes				1,339,675
Other local sources				442,265
State aid				1,885,825
Loans				250,000
Grants and contributions not restricted to specific programs				541,940
Investment earnings				6,786
				<u>4,466,491</u>
Change in net assets				(92,178)
Net assets - beginning				<u>874,136</u>
Net assets - ending				<u>\$ 781,958</u>
<u>Assets</u>				
Cash and investments				<u>\$ 781,958</u>
<u>Net Assets</u>				
Unrestricted				<u>\$ 781,958</u>

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

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

	General	Capital Projects	Other	Totals
Receipts:				
Local sources	\$ 681,933	\$ -	\$ 16,106	\$ 698,039
State sources	1,726,433	-	829	1,727,262
Federal sources	-	-	586,240	586,240
Loans	1,428,296	3,672,000	-	5,100,296
	<u>3,836,662</u>	<u>3,672,000</u>	<u>603,175</u>	<u>8,111,837</u>
Total receipts				
Disbursements:				
Current:				
Instruction	1,485,089	-	242,093	1,727,182
Support services	1,866,498	3,030,436	323,302	5,220,236
Community services	1,155	-	-	1,155
Nonprogrammed charges	7,181	-	-	7,181
Debt services	491,317	-	-	491,317
	<u>3,851,240</u>	<u>3,030,436</u>	<u>565,395</u>	<u>7,447,071</u>
Total disbursements				
Excess (deficiency) of receipts over disbursements	<u>(14,578)</u>	<u>641,564</u>	<u>37,780</u>	<u>664,766</u>
Other financing sources (uses):				
Transfers in	11,359	-	-	11,359
Transfers out	<u>-</u>	<u>-</u>	<u>(11,359)</u>	<u>(11,359)</u>
Total other financing sources (uses)				
	<u>11,359</u>	<u>-</u>	<u>(11,359)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,219)	641,564	26,421	664,766
Cash and investments - beginning	<u>241,440</u>	<u>-</u>	<u>(32,070)</u>	<u>209,370</u>
Cash and investments - ending	<u>\$ 238,221</u>	<u>\$ 641,564</u>	<u>\$ (5,649)</u>	<u>\$ 874,136</u>
<u>Cash and Investment Assets - Ending</u>				
Cash and investments	<u>\$ 238,221</u>	<u>\$ 641,564</u>	<u>\$ (5,649)</u>	<u>\$ 874,136</u>
<u>Cash and Investment Fund Balance - Ending</u>				
Unrestricted	<u>238,221</u>	<u>641,564</u>	<u>(5,649)</u>	<u>874,136</u>

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

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

	General	CELL Grant	Capital Projects	Other	Totals
Receipts:					
Local sources	\$ 1,685,263	\$ 130,300	\$ -	\$ 189	\$ 1,815,752
State sources	1,980,942	-	-	17,806	1,998,748
Federal sources	-	-	-	722,944	722,944
Loans	250,000	-	-	-	250,000
	3,916,205	130,300	-	740,939	4,787,444
Total receipts					
Disbursements:					
Current:					
Instruction	1,163,502	-	-	232,386	1,395,888
Support services	1,543,376	-	641,564	412,905	2,597,845
Community services	2,182	-	-	-	2,182
Nonprogrammed charges	(402)	-	-	-	(402)
Debt services	884,109	-	-	-	884,109
	3,592,767	-	641,564	645,291	4,879,622
Total disbursements					
Excess (deficiency) of receipts over disbursements	323,438	130,300	(641,564)	95,648	(92,178)
Other financing sources (uses):					
Transfers in	-	-	-	2,389	2,389
Transfers out	-	-	-	(2,389)	(2,389)
	-	-	-	-	-
Total other financing sources (uses)					
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	323,438	130,300	(641,564)	95,648	(92,178)
Cash and investments - beginning	238,221	-	641,564	(5,649)	874,136
Cash and investments - ending	\$ 561,659	\$ 130,300	\$ -	\$ 89,999	\$ 781,958
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ 561,659	\$ 130,300	\$ -	\$ 89,999	\$ 781,958
<u>Cash and Investment Fund Balance - Ending</u>					
Unrestricted	\$ 561,659	\$ 130,300	\$ -	\$ 89,999	\$ 781,958

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

INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2007

	Private-Purpose Trust Funds
Additions:	
Contributions:	
Other	\$ -
Deductions:	
Support services	5,923
Deficiency of total additions over total deductions	(5,923)
Cash and investment fund balance - beginning	5,923
Cash and investment fund balance - ending	\$ -

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

INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

Primary Government: Indianapolis Lighthouse Charter School

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

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 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 CELL grant fund accounts for the University of Indianapolis' Center of Excellence in Leadership of Learning grant distributions and related expenditures.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL
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 benefited the students.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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. Cash and Investments

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

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date)

INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance).

3. Capital Assets

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

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as receipts and payment of principal and interest reported as disbursements.

E. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, and (2) operating grants and contributions. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

F. 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

Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity, if any, is eliminated in the government-wide financial statements.

II. Stewardship, Compliance and Accountability

Cash and Investment Balance Deficits

At June 30, 2007, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2007
Title I, FY06/07	\$ <u>10,888</u>

INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Cash and investment deficits arose primarily due to the timing of planned cash disbursements not coinciding with the timing of the actual cash receipts; these deficits were repaid when planned revenue was received.

III. Detailed Notes on All Funds

A. 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. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2008, the School Corporation had bank balances that were all insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2007 and 2008, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2007</u>	<u>2008</u>
General Fund	General Fund	\$ 11,359	\$ -
Other governmental funds	Other governmental funds	<u>-</u>	<u>2,389</u>
Totals		<u>\$ 11,359</u>	<u>\$ 2,389</u>

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

IV. Other Information

A. Risk Management

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

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and medical benefits to employees, retirees, and dependents (excluding postemployment benefits) are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Pension Plans

1. Agent Multiple-Employer Defined Benefit 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 the 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 member's 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. The 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 plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plan

Annual required contribution	\$	30,005
Interest on net pension obligation		(914)
Adjustment to annual required contribution		1,042
Annual pension cost		30,133
Contributions made		35,252
Increase (decrease) in net pension obligation		(5,119)
Net pension obligation, beginning of year		(12,607)
Net pension obligation, end of year	\$	(17,726)

INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Contribution rates:	
School Corporation	6.5%
Plan members	3%
Actuarial valuation date	07-01-08
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06-30-06	\$ N/A	N/A	\$ N/A
06-30-07	14,122	189%	(12,607)
06-30-08	30,133	117%	(17,726)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

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

INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
(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:

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

Funding Policy and Annual Pension Costs

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

Plan members are required to contribute 3% of their salary and the School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2008, 2007, and 2006, were \$71,963, \$90,554, and \$50,131, respectively. The School Corporation actually contributed 70% of the required contribution for each of the fiscal years.

INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 6,754	\$ 4,451	\$ 2,303	152%	\$ 226,998	1%
07-01-07	29,245	35,876	(6,631)	82%	448,828	(1%)
07-01-08	71,050	62,464	8,586	114%	492,267	2%

INDIANAPOLIS LIGHTHOUSE 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 Education Preschool	School Lunch	Textbook Rental	Donations/ Gifts/Nessi Grant	Title I FY05/06	Title I FY06/07
Receipts:						
Local sources	\$ -	\$ 16,056	\$ -	\$ 50	\$ -	\$ -
State sources	276	553	-	-	-	-
Federal sources	-	195,817	-	-	45,565	210,107
Total receipts	276	212,426	-	50	45,565	210,107
Disbursements:						
Current:						
Instruction	276	-	-	-	39,553	196,463
Support services	-	150,590	-	20,122	3,885	24,532
Total disbursements	276	150,590	-	20,122	43,438	220,995
Excess (deficiency) of receipts over disbursements	-	61,836	-	(20,072)	2,127	(10,888)
Other financing sources (uses):						
Transfers out	-	-	(11,359)	-	-	-
Total other financing sources (uses)	-	-	(11,359)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	61,836	(11,359)	(20,072)	2,127	(10,888)
Cash and investments - beginning	-	(61,836)	11,359	20,072	(2,127)	-
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,888)</u>

INDIANAPOLIS LIGHTHOUSE 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
 (Continued)

	Drug-Free Schools	Title II, Part A FY06/07	Title II, Part D	Federal Start Up Grant	Totals
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 16,106
State sources	-	-	-	-	829
Federal sources	3,561	17,650	-	113,540	586,240
Total receipts	3,561	17,650	-	113,540	603,175
Disbursements:					
Current:					
Instruction	-	-	-	5,801	242,093
Support services	3,561	20,932	364	99,316	323,302
Total disbursements	3,561	20,932	364	105,117	565,395
Excess (deficiency) of receipts over disbursements	-	(3,282)	(364)	8,423	37,780
Other financing sources (uses):					
Transfers out	-	-	-	-	(11,359)
Total other financing sources (uses)	-	-	-	-	(11,359)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(3,282)	(364)	8,423	26,421
Cash and investments - beginning	-	8,521	364	(8,423)	(32,070)
Cash and investments - ending	<u>\$ -</u>	<u>\$ 5,239</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,649)</u>

INDIANAPOLIS LIGHTHOUSE 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, 2008

	Special Education Preschool	School Lunch	Early Intervention Grant	Title I FY06/07	Title I FY07/08	Title II, Part A FY06/07	Title II, Part A FY07/08	Federal Start Up Grant	Totals
Receipts:									
Local sources	\$ -	\$ 189	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 189
State sources	1,375	694	15,737	-	-	-	-	-	17,806
Federal sources	-	198,116	-	28,095	436,647	8,826	-	51,260	722,944
Total receipts	1,375	198,999	15,737	28,095	436,647	8,826	-	51,260	740,939
Disbursements:									
Current:									
Instruction	1,375	-	-	16,665	178,064	6,282	-	30,000	232,386
Support services	-	183,634	-	542	200,419	5,394	1,656	21,260	412,905
Total disbursements	1,375	183,634	-	17,207	378,483	11,676	1,656	51,260	645,291
Excess (deficiency) of receipts over disbursements	-	15,365	15,737	10,888	58,164	(2,850)	(1,656)	-	95,648
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	2,389	-	2,389
Transfers out	-	-	-	-	-	(2,389)	-	-	(2,389)
Total other financing sources (uses)	-	-	-	-	-	(2,389)	2,389	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	15,365	15,737	10,888	58,164	(5,239)	733	-	95,648
Cash and investments - beginning	-	-	-	(10,888)	-	5,239	-	-	(5,649)
Cash and investments - ending	\$ -	\$ 15,365	\$ 15,737	\$ -	\$ 58,164	\$ -	\$ 733	\$ -	\$ 89,999

INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended June 30, 2008

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 150,000
Infrastructure	-
Buildings	3,546,984
Improvements other than buildings	-
Machinery and equipment	56,500
Construction in progress	-
	-
Total governmental activities, capital assets not being depreciated	\$ 3,753,484

INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2008

The School Corporation has entered into the following long-term debt:

Description of Asset	Ending Balance	Principal Due Within One Year
Governmental Activities:		
Capital leases:		
Building Lease of 2007	\$ 3,559,414	\$ 92,960
Notes and loans payable:		
Common School Loans:		
A-037	495,860	26,803
A-050	558,425	29,391
A-061	886,171	45,445
A-080	93,018	4,770
Line of Credit:		
Harris Bank	250,000	250,000
Interlocal Loans:		
Lighthouse Academies, Inc	230,000	-
Total - notes and loans payable	<u>2,513,474</u>	<u>356,409</u>
Total governmental activities long-term debt	<u>\$ 6,072,888</u>	<u>\$ 449,369</u>

INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL
AUDIT RESULTS AND COMMENTS

SALES TAX

Several instances were noted during the audit period where sales tax was paid. A similar comment appeared in prior Report B29409.

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)

PENALTIES, INTEREST, AND OTHER CHARGES

Late Payment Fees totaling \$128.67 were paid to Citizens Gas on January 18, 2007, for services received for the month of November.

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)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Indianapolis Lighthouse Charter School (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2007 and 2008. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2007 and 2008.

Internal Control Over Compliance

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

A control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

The School Corporation's response to the findings identified in our audit is described in the accompanying Official Response section of the report. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Corporation's management, School Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 9, 2009

INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2007 and 2008

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-07	Total Federal Awards Expended 06-30-08
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education Child Nutrition Cluster School Breakfast Program	10.553		\$ 72,939	\$ -
		FY2007	-	62,050
		FY2008	-	-
National School Lunch Program	10.555		138,924	-
		FY2007	-	-
		FY2008	-	113,258
Total for cluster			<u>211,863</u>	<u>175,308</u>
Total for federal grantor agency			<u>211,863</u>	<u>175,308</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education Title I Grants to Local Educational Agencies	84.010		43,438	-
		06-9575	-	-
		07-9575	220,995	17,207
		08-9575	-	378,483
Total for program			<u>264,433</u>	<u>395,690</u>
Safe and Drug Free Schools and Communities - State Grants	84.186		3,561	-
		9575-06	-	-
Charter Schools	84.282		105,117	-
		FY2007	-	-
		FY2008	-	51,260
Total for program			<u>105,117</u>	<u>51,260</u>
Education Technology State Grants	84.318		364	-
		FY05/07	-	-
Total for program			<u>364</u>	<u>-</u>
Improving Teacher Quality State Grants	84.367		20,932	11,676
		06-9575	-	-
		07-9575	-	1,656
Total for program			<u>20,932</u>	<u>13,332</u>
Total for federal grantor agency			<u>394,407</u>	<u>460,282</u>
Total federal awards expended			<u>\$ 606,270</u>	<u>\$ 635,590</u>

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

INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Indianapolis Lighthouse Charter School (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of School Corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL
EXIT CONFERENCE

The contents of this report were discussed on June 9, 2009, with Robert Stearns, Treasurer. The official response has been made a part of this report and may be found on page 35.

Indianapolis Lighthouse Charter School

June 9, 2009

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

OFFICIAL RESPONSE SBOA Audit July 1, 2006 to June 30, 2008

Finding: Sales Tax – Several instances were noted during the audit period where sales tax was paid.

Response: The school has been instructed to not pay sales tax. The school's office manager and bookkeeper will be aware not to pay sales tax on an on-going basis and to submit tax exemption forms to vendors as needed.

Finding: Penalties, interest and other charges – the school paid late fees totaling \$126 to Citizens Gas.

Response: The school has shortened its payment cycle to pay vendors timely. Typically utilities and phone companies allow three weeks to make payments and after accounting for the mail there are not many days for which to submit a payment by the due date. The school has been informed to expedite the processing of payable vouchers and checks for vendors who assess late fees such as utility and phone companies.

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

Sincerely,



Robert Stearns

Treasurer

Lighthouse Academies of Indiana, Inc.

We prepare our students for college through a rigorous arts-infused program.