

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

EXAMINATION REPORT
OF
21ST CENTURY CHARTER SCHOOL OF GARY
LAKE COUNTY, INDIANA
July 1, 2006 to June 30, 2008



FILED
08/21/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Melissa Bechtel Dana Johnson	07-01-06 to 12-31-07 01-01-08 to 06-30-10
Principal	Vynesha Johnson Vacant Tamika Chambers Angela West	07-01-06 to 06-06-07 06-07-07 to 07-31-07 08-01-07 to 06-30-08 07-01-08 to 06-30-10
President of the School Board	Alyce Butler	07-01-06 to 06-30-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE 21ST CENTURY CHARTER
SCHOOL OF GARY, LAKE COUNTY, INDIANA

We have examined the financial information presented herein of the 21st Century Charter School of Gary (School Corporation), for the period of July 1, 2006 to June 30, 2008. 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, 2007 and 2008, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Combining Schedule, Schedule of Capital Assets, and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. The Combining Schedule has been subjected to the examination procedures applied to the basic financial information and, in our opinion, is fairly stated in all material respects in relation to the financial information taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

July 16, 2009

21ST CENTURY CHARTER SCHOOL OF GARY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<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	\$ 1,026,541	\$ -	\$ 16,578	\$ (1,009,963)
Support services	2,072,156	5,112	73,965	(1,993,079)
Community services	900	-	-	(900)
Debt service	95,994	-	-	(95,994)
Total governmental activities	<u>\$ 3,195,591</u>	<u>\$ 5,112</u>	<u>\$ 90,543</u>	<u>(3,099,936)</u>
General receipts:				
Property taxes				780,500
Other local sources				3,544
State aid				1,700,391
Bonds and loans				358,574
Grants and contributions not restricted to specific programs				276,074
Sale of property, adjustments, and refunds				429
Total general receipts				<u>3,119,512</u>
Change in net assets				19,576
Net assets - beginning				<u>31,469</u>
Net assets - ending				<u>\$ 51,045</u>
 <u>Assets</u>				
Cash and investments				<u>\$ 51,045</u>
 <u>Net Assets</u>				
Unrestricted				<u>\$ 51,045</u>

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

21ST CENTURY CHARTER SCHOOL OF GARY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<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	\$ 1,044,230	\$ -	\$ 51,026	\$ (993,204)
Support services	2,317,822	4,651	113,933	(2,199,238)
Community services	6,694	-	-	(6,694)
Debt service	173,420	-	-	(173,420)
Total governmental activities	<u>\$ 3,542,166</u>	<u>\$ 4,651</u>	<u>\$ 164,959</u>	<u>(3,372,556)</u>
General receipts:				
Property taxes				893,155
Other local sources				10,109
State aid				1,724,858
Bonds and loans				347,166
Grants and contributions not restricted to specific programs				<u>388,571</u>
Total general receipts				<u>3,363,859</u>
Change in net assets				(8,697)
Net assets - beginning				<u>51,045</u>
Net assets - ending				<u>\$ 42,348</u>
 <u>Assets</u>				
Cash and investments				<u>\$ 42,348</u>
 <u>Net Assets</u>				
Unrestricted				<u>\$ 42,348</u>

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

21ST CENTURY CHARTER SCHOOL OF GARY
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

	<u>General</u>	<u>Textbook Rental</u>	<u>Other</u>	<u>Totals</u>
Receipts:				
Local sources	\$ 784,751	\$ -	\$ 4,405	\$ 789,156
State sources	1,716,969	10,167	454	1,727,590
Federal sources	-	-	339,418	339,418
Bonds and loans	358,574	-	-	358,574
Sale of property, adjustments and refunds	<u>429</u>	<u>-</u>	<u>-</u>	<u>429</u>
Total receipts	<u>2,860,723</u>	<u>10,167</u>	<u>344,277</u>	<u>3,215,167</u>
Disbursements:				
Current:				
Instruction	871,299	-	155,242	1,026,541
Support services	1,835,583	-	236,573	2,072,156
Community services	900	-	-	900
Debt services	<u>95,994</u>	<u>-</u>	<u>-</u>	<u>95,994</u>
Total disbursements	<u>2,803,776</u>	<u>-</u>	<u>391,815</u>	<u>3,195,591</u>
Excess (deficiency) of receipts over disbursements	<u>56,947</u>	<u>10,167</u>	<u>(47,538)</u>	<u>19,576</u>
Other financing sources (uses):				
Transfers in	898	-	48,436	49,334
Transfers out	<u>(48,436)</u>	<u>-</u>	<u>(898)</u>	<u>(49,334)</u>
Total other financing sources (uses)	<u>(47,538)</u>	<u>-</u>	<u>47,538</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	9,409	10,167	-	19,576
Cash and investments - beginning	<u>31,469</u>	<u>-</u>	<u>-</u>	<u>31,469</u>
Cash and investments - ending	<u>\$ 40,878</u>	<u>\$ 10,167</u>	<u>\$ -</u>	<u>\$ 51,045</u>
<u>Cash and Investment Assets - Ending</u>				
Cash and investments	<u>\$ 40,878</u>	<u>\$ 10,167</u>	<u>\$ -</u>	<u>\$ 51,045</u>
<u>Cash and Investment Fund Balance - Ending</u>				
Unrestricted	<u>\$ 40,878</u>	<u>\$ 10,167</u>	<u>\$ -</u>	<u>\$ 51,045</u>

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

21ST CENTURY CHARTER SCHOOL OF GARY
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	Textbook Rental	Title I 2007-2008	Improving Teacher Quality	Other	Totals
Receipts:						
Local sources	\$ 905,671	\$ -	\$ -	\$ -	\$ 2,244	\$ 907,915
State sources	1,775,884	27,191	-	-	482	1,803,557
Federal sources	-	-	221,582	85,903	167,346	474,831
Bonds and loans	347,166	-	-	-	-	347,166
Total receipts	3,028,721	27,191	221,582	85,903	170,072	3,533,469
Disbursements:						
Current:						
Instruction	798,808	1,079	202,421	21,532	20,390	1,044,230
Support services	2,124,544	15,238	19,161	18,749	140,130	2,317,822
Community services	6,694	-	-	-	-	6,694
Debt services	173,420	-	-	-	-	173,420
Total disbursements	3,103,466	16,317	221,582	40,281	160,520	3,542,166
Excess (deficiency) of receipts over disbursements	(74,745)	10,874	-	45,622	9,552	(8,697)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(74,745)	10,874	-	45,622	9,552	(8,697)
Cash and investments - beginning	40,878	10,167	-	-	-	51,045
Cash and investments - ending	<u>\$ (33,867)</u>	<u>\$ 21,041</u>	<u>\$ -</u>	<u>\$ 45,622</u>	<u>\$ 9,552</u>	<u>\$ 42,348</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ (33,867)</u>	<u>\$ 21,041</u>	<u>\$ -</u>	<u>\$ 45,622</u>	<u>\$ 9,552</u>	<u>\$ 42,348</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ (33,867)</u>	<u>\$ 21,041</u>	<u>\$ -</u>	<u>\$ 45,622</u>	<u>\$ 9,552</u>	<u>\$ 42,348</u>

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

21ST CENTURY CHARTER SCHOOL OF GARY
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.

Joint Venture

The School Corporation is a participant with Andrew J. Brown Charter School, Campagna Academy, Charles A. Tindley Accelerated School, Charter School of the Dunes, Christel House Academy, Life Skills Center of Gary School, New Community School, Options Charter School, Rural Community Academy, Signature School, Southeast Neighborhood School of Excellence, Community Montessori, Flanner House Elementary School, Flanner House Higher Learning Academy, Indianapolis Metropolitan Career Academy No. 1, Indianapolis Metropolitan Career Academy No. 2, Irvington Community School, KIPP Indianapolis College Preparatory, Thea Bowman Leadership 851 Academy, Timothy L. Johnson Academy, Urban Brightest Community Academy, and Veritas Academy in a joint venture to operate Virtual Special Education Cooperative which was created to provide needed special programs and services, supplies, materials and equipment, and facilities for identified students with disabilities. The School Corporation is obligated by contract to remit annually the federal allocation received for special education assistance to supplement the Virtual Special Education Cooperative. Complete financial statements for the Virtual Special Education Cooperative can be obtained from Ball State University, Muncie, Indiana, 47306.

Note 2. Fund Accounting

A. 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. They include all funds of the reporting entity. 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, liabilities, fund equity, receipts, and disbursements. Major individual governmental funds are reported as separate columns in the fund financial statements.

21ST CENTURY CHARTER SCHOOL OF GARY
NOTES TO FINANCIAL INFORMATION
(Continued)

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 textbook rental fund accounts for the receipt of the reimbursements from the state, and the disbursements for the purchase of textbooks for school children.

Title I 2007-2008 fund accounts for federal funds received to improve the teaching and learning of children who are at risk of not meeting challenging academic standards.

Improving Teacher Quality fund accounts for federal funds received to address challenges to teacher quality, whether they concern teacher preparation and qualifications of new teachers, recruitment and hiring, induction, professional development, teacher retention, or the need for more capable principals and assistant principals to serve as effective school leaders.

B. Measurement Focus and Basis of Accounting

The government-wide and governmental fund 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. 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.

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.

21ST CENTURY CHARTER SCHOOL OF GARY
 NOTES TO FINANCIAL INFORMATION
 (Continued)

Note 4. Cash and Investment Balance Deficit

At June 30, 2008, the General Fund reported a deficit of \$33,867 in cash and investments, which is a violation of the Uniform Compliance Guidelines and state statute. The cash and investment deficit arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; the deficit is to be repaid from future receipts.

Note 5. Deposits and Investments

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

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

Note 6. Interfund Transfers

Interfund transfers for the year ended June 30, 2007 were as follows:

Transfer From	Transfer To	2007
General Fund	Other governmental funds	\$ 48,436
Other governmental funds	General Fund	898
Total		\$ 49,334

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

Note 7. 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 (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

21ST CENTURY CHARTER SCHOOL OF GARY
NOTES TO FINANCIAL INFORMATION
(Continued)

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.

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

21ST CENTURY CHARTER SCHOOL OF GARY
NOTES TO FINANCIAL INFORMATION
(Continued)

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.

Note 8. Subsequent Event

Reassessment and Property Taxes

In accordance with state statutes, all counties were required to reassess property values prior to billing taxes in 2008. Taxes are normally billed in two installments, the first is due in May, and the second in November. Significant delays in the reassessment trending process have resulted in delays in billing taxes for 2008. Lake County 2007 pay 2008 tax rates were approved on November 14, 2008. The School Corporation received the final distribution April 6, 2009.

21ST CENTURY CHARTER SCHOOL OF GARY
 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

	School Lunch	Title I 2005-2006	Title I 2006/2007	Innovative Education Program Strategies	Public Charter School	Totals
Receipts:						
Local sources	\$ 4,405	\$ -	\$ -	\$ -	\$ -	\$ 4,405
State sources	454	-	-	-	-	454
Federal sources	63,344	10,262	129,314	1,498	135,000	339,418
Total receipts	68,203	10,262	129,314	1,498	135,000	344,277
Disbursements:						
Current:						
Instruction	-	-	128,284	600	26,358	155,242
Support services	68,203	10,262	49,466	-	108,642	236,573
Total disbursements	68,203	10,262	177,750	600	135,000	391,815
Excess of receipts over disbursements	-	-	(48,436)	898	-	(47,538)
Other financing uses:						
Transfers in	-	-	48,436	-	-	48,436
Transfers out	-	-	-	(898)	-	(898)
Total other financing sources (uses)	-	-	48,436	(898)	-	47,538
Excess of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	-	-
Cash and investments - beginning	-	-	-	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total cash and investment fund balance - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

21ST CENTURY CHARTER SCHOOL OF GARY
 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

	School Lunch	Title I 2006/2007	Innovative Education Program Strategies	Special Education	Safe and Drug Free Schools and Communities	Enhancing Education Through Technology	Public Charter School	Totals
Receipts:								
Local sources	\$ 2,244	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,244
State sources	482	-	-	-	-	-	-	482
Federal sources	86,260	20,000	541	9,500	2,288	18,757	30,000	167,346
Total receipts	88,986	20,000	541	9,500	2,288	18,757	30,000	170,072
Disbursements:								
Current:								
Instruction	-	6,359	-	9,500	695	3,836	-	20,390
Support services	88,986	6,223	-	-	-	14,921	30,000	140,130
Total disbursements	88,986	12,582	-	9,500	695	18,757	30,000	160,520
Excess (deficiency) of receipts over disbursements	-	7,418	541	-	1,593	-	-	9,552
Cash and investments - beginning	-	-	-	-	-	-	-	-
Cash and investments - ending	\$ -	\$ 7,418	\$ 541	\$ -	\$ 1,593	\$ -	\$ -	\$ 9,552
Cash and Investment Assets - Ending								
Cash and investments	\$ -	\$ 7,418	\$ 541	\$ -	\$ 1,593	\$ -	\$ -	\$ 9,552
Cash and Investment Fund Balance - Ending								
Unrestricted	\$ -	\$ 7,418	\$ 541	\$ -	\$ 1,593	\$ -	\$ -	\$ 9,552
Total cash and investment fund balance - ending	\$ -	\$ 7,418	\$ 541	\$ -	\$ 1,593	\$ -	\$ -	\$ 9,552

21ST CENTURY CHARTER SCHOOL OF GARY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 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:	
Improvements other than buildings	\$ 52,033
Machinery and equipment	298,634
Computers	258,658
Software	<u>214,478</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 823,803</u>

21ST CENTURY CHARTER SCHOOL AT GARY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2008

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Notes and loans payable	\$ 1,681,691	\$ 156,824

21ST CENTURY CHARTER SCHOOL OF GARY
EXAMINATION RESULTS AND COMMENTS

BANK RECONCILEMENT

The reconciled bank balance as of June 30, 2008, was \$17,739 less than the annual financial report presented for examination. The difference is attributed to unidentified accrual adjustments.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OVERDRAWN FUND BALANCE

The General Fund balance had an overdrawn fund balance of \$33,867 at June 30, 2008.

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

ANNUAL REPORT

The School Corporation is to report the annual receipts and disbursements on a cash basis. Adjustments had to be made to the annual report for the 2007-2008 school year, because the ledger was maintained on the accrual basis.

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)

TEMPORARY LOAN NOT APPROVED BY GOVERNING BODY

21st Century Charter School entered into an agreement on June 10, 2008, with a financial management company to borrow \$347,166. The loan plus interest was to be repaid on or before December 31, 2008. The temporary loan was not recorded in the Board minutes or, subsequently, approved by the Board.

All business transacted by the governing body must be recorded in the minutes of the meetings. It is the duty of the secretary of the governing body to keep the minutes and the minutes of each meeting should be approved by the governing body and signed by the members attending.

Examples of school business decisions and transactions which should be recorded in the minutes are: . . .

16. Records of reasons and amounts of all emergency and temporary loans. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

21ST CENTURY CHARTER SCHOOL OF GARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

OFFICIAL BOND

An official bond was not filed in the Office of the County Recorder for the Treasurer.

IC 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

ANNUAL REPORT NOT PUBLISHED

The annual financial report was not published for either school year.

Not earlier than August 1 or later than August 15 of each year, the secretary of each school board shall publish an annual financial report of the school corporation. Said publication is to be made one time in accordance with IC 5-3-1-3. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 5)

STUDENT SERVICE FEE OVERPAYMENT

According to the Management Agreement between 21st Century Charter School and Greater Education Opportunities Foundation (GEO), a Student Services Fee of \$500 per student of record based on state ADM count is to be paid to GEO. Within 10 days following the close of each fiscal year a reconciliation of the Student Services Fee is to be done to determine if the total Student Service Fee paid out was correct. The School Corporation overpaid GEO in the 2007-2008 school year, by \$7,998.04. No reconciliation of the Student Service Fee was done, therefore, no credit of the overpaid fee was given to the School Corporation per the agreement.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

CONTRACTS

Payments were made to National City Bank for the purchase of a passenger van. No contract was presented for examination.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

RECEIPT ISSUANCE

Cash collections were made at the building level and then deposited into a bank account maintained by the School Corporation's management company. No receipts were issued at the time of collection at the building. Instead the management company would wait until deposit slips were received from the building and then issue a receipt.

21ST CENTURY CHARTER SCHOOL OF GARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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

DISBURSEMENT INTERNAL CONTROLS

The following deficiencies were found with the internal controls over disbursements:

1. No evidence was provided stating goods or services were received. Invoices, in some instances, were split between multiple school locations with no documentation from each school of what goods or services were received by each school. An invoice was paid in October of 2007, to Platinum Education Solutions for seven Summer School Set-up Packages. The invoice was split between three schools with no indication of how many packages each school received. Another invoice paid in October of 2007, was for Diplomas, and payment was split between four schools. There was no graduating class at 21st Century Charter School of Gary until June of 2009. According to the school they do not give out diplomas for completion of any grade other than the 12th grade.
2. All invoices are paid by the management company and then billed to 21st Century Charter School for reimbursement. Duplicate payments were made, in some cases, to the management company. The management company would then issue credit to be used on future payments. A duplicate payment of \$29,134.04 was made on May 14, 2008. According to the management company, a credit for this duplicate payment was not issued until June of 2009.
3. Adequate supporting documentation was not provided for all invoices paid. In some instances forms required for contractor payments were not completed.
4. Claims issued for disbursements did not include the amounts invoiced to the school by Greater Educational Opportunities Foundation for things such as rent and management fees.
5. Late fees billed on invoices were paid.
6. Canceled checks, or optical check images were not available for examination.

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)

IC 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

21ST CENTURY CHARTER SCHOOL OF GARY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

BOARD APPROVAL OF CLAIMS

Claim dockets were not prepared for approval by the governing board.

All business transacted by the governing body must be recorded in the minutes of the meetings. Examples of school business decisions and transactions which should be recorded in the minutes are:

- 17. Record number of claims or accounts payable vouchers approved and allowed or disallowed by the governing body at each meeting and the reasons for disallowance. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

SCHOOL LUNCH RECORDS RETENTION

Meal count forms, which are used for recording monthly lunch tallies, were not presented for 70% of the months tested.

IC 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

NEGATIVE STUDENT LUNCH BALANCES

The School Corporation allows students to receive the full-price school lunch even on days they are unable to pay. Unpaid lunches are tracked and turned into the Office Manager. The Office Manager tracks each student's amount owed. The Office Manager was dismissed. Any records or information pertaining to student amounts owed to the School Corporation were not available.

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)

IC 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

PRESCRIBED FORMS

The computer generated ledgers were not approved by the State Board of Accounts. A similar comment appeared in the prior report.

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)

21ST CENTURY CHARTER SCHOOL OF GARY
EXIT CONFERENCE

The contents of this report were discussed on July 16, 2009, with Dana Johnson, Treasurer; and Angela West, Principal.