

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

AUDIT REPORT

OF

KIPP LEAD COLLEGE PREP CHARTER SCHOOL

LAKE COUNTY, INDIANA

July 1, 2007 to June 30, 2009



FILED
03/05/2010

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
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	5-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis	7-8
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds	9-10
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds	11-12
Notes to Financial Statements	13-20
Supplementary Information:	
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Private-Purpose Trust Funds	21
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Agency Funds	22-23
Schedule of Capital Assets	24
Schedule of Long-Term Debt	25
Audit Result and Comment:	
Average Daily Membership (ADM) – Lack of Supporting Documentation	26
Supplemental Audit of Federal Awards:	
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	28-29
Schedule of Expenditures of Federal Awards	30
Note to Schedule of Expenditures of Federal Awards	31
Schedule of Findings and Questioned Costs	32-34
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings	35
Corrective Action Plan	36
Exit Conference	37

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Pushpam Srivastava Soenda Howell Makiyah Moody	07-01-07 to 01-23-09 01-23-09 to 07-20-09 07-20-09 to 06-30-10
School Leader	April Goble Soenda Howell	07-01-07 to 06-15-09 06-15-09 to 06-30-10
President of the Board of Directors	Marty Dezelan	07-01-07 to 06-30-10
Executive Director	April Goble	06-15-09 to 06-30-10
Chief Operating Officer	Kristoffer Haines	10-12-09 to 06-30-10



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

TO: THE OFFICIALS OF THE KIPP LEAD COLLEGE PREP
CHARTER SCHOOL, LAKE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the KIPP LEAD College Prep Charter School (School Corporation), as of and for the years ended June 30, 2008 and 2009, 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, 2008 and 2009, 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 February 3, 2010, 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 School Corporation has not presented Management's Discussion and Analysis, Budgetary Comparison Schedules, or Schedule of Funding Progress 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

February 3, 2010



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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 KIPP LEAD COLLEGE PREP
CHARTER SCHOOL, LAKE COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the KIPP LEAD College Prep Charter School (School Corporation), as of and for the years ended June 30, 2008 and 2009, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated February 3, 2010. 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.

This report is intended solely for the information and use of the School Corporation's management, Board of Directors, 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

February 3, 2010

KIPP LEAD COLLEGE PREP 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>	<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	\$ 945,374	\$ -	\$ 9,434	\$ (935,940)
Support services	366,435	3,669	48,603	(314,163)
Noninstructional services	157,532	-	-	(157,532)
Facilities acquisition and construction	204,154	-	-	(204,154)
Debt service	38,057	-	-	(38,057)
	<hr/>	<hr/>	<hr/>	<hr/>
Total governmental activities	\$ 1,711,552	\$ 3,669	\$ 58,037	(1,649,846)
	<hr/>	<hr/>	<hr/>	<hr/>
General receipts:				
Property taxes				239,970
Other local sources				73,939
State aid				658,521
Bonds and loans				328,829
Grants and contributions not restricted to specific programs				257,237
Investment earnings				4,026
				<hr/>
Total general receipts				1,562,522
				<hr/>
Change in net assets				(87,324)
Restated net assets - beginning (Note III. C.)				162,661
				<hr/>
Net assets - ending				\$ 75,337
				<hr/>
<u>Assets</u>				
Cash and investments				\$ 75,337
				<hr/>
<u>Net Assets</u>				
Unrestricted				\$ 75,337
				<hr/>

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

KIPP LEAD COLLEGE PREP CHARTER SCHOOL
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

<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	\$ 1,392,161	\$ -	\$ 11,064	\$ (1,381,097)
Support services	735,095	1,675	92,046	(641,374)
Noninstructional services	237,671	-	-	(237,671)
Facilities acquisition and construction	339,879	-	-	(339,879)
Debt service	434,096	-	-	(434,096)
Total governmental activities	<u>\$ 3,138,902</u>	<u>\$ 1,675</u>	<u>\$ 103,110</u>	<u>(3,034,117)</u>
General receipts:				
Property taxes				426,149
Other local sources				125,950
State aid				1,174,648
Bonds and loans				686,010
Grants and contributions not restricted to specific programs				629,690
Investment earnings				19
Total general receipts				<u>3,042,466</u>
Change in net assets				8,349
Net assets - beginning				<u>75,337</u>
Net assets - ending				<u>\$ 83,686</u>
<u>Assets</u>				
Cash and investments				<u>\$ 83,686</u>
<u>Net Assets</u>				
Unrestricted				<u>\$ 83,686</u>

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

KIPP LEAD COLLEGE PREP 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	School Lunch	Title I 2006/2007	Title I 2007/2008	Planning and Implementation Grant	Totals
Receipts:						
Local sources	\$ 321,604	\$ -	\$ -	\$ -	\$ -	\$ 321,604
State sources	667,954	212	-	-	-	668,166
Federal sources	-	48,392	56,114	81,123	120,000	305,629
Temporary loans	328,829	-	-	-	-	328,829
Total receipts	<u>1,318,387</u>	<u>48,604</u>	<u>56,114</u>	<u>81,123</u>	<u>120,000</u>	<u>1,624,228</u>
Disbursements:						
Current:						
Instruction	806,676	-	667	2,261	135,770	945,374
Support services	327,340	-	48	130	38,917	366,435
Noninstructional services	137,503	14,752	-	-	5,277	157,532
Facilities acquisition and construction	132,123	-	42,756	-	29,275	204,154
Debt services	38,057	-	-	-	-	38,057
Total disbursements	<u>1,441,699</u>	<u>14,752</u>	<u>43,471</u>	<u>2,391</u>	<u>209,239</u>	<u>1,711,552</u>
Excess (deficiency) of receipts over disbursements	<u>(123,312)</u>	<u>33,852</u>	<u>12,643</u>	<u>78,732</u>	<u>(89,239)</u>	<u>(87,324)</u>
Other financing sources (uses):						
Transfers in	-	-	-	12,643	-	12,643
Transfers out	-	-	(12,643)	-	-	(12,643)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(12,643)</u>	<u>12,643</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(123,312)</u>	<u>33,852</u>	<u>-</u>	<u>91,375</u>	<u>(89,239)</u>	<u>(87,324)</u>
Restated cash and investments - beginning (Note III. C.)	<u>4,295</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>158,366</u>	<u>162,661</u>
Cash and investments - ending	<u>\$ (119,017)</u>	<u>\$ 33,852</u>	<u>\$ -</u>	<u>\$ 91,375</u>	<u>\$ 69,127</u>	<u>\$ 75,337</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ (119,017)</u>	<u>\$ 33,852</u>	<u>\$ -</u>	<u>\$ 91,375</u>	<u>\$ 69,127</u>	<u>\$ 75,337</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ (119,017)</u>	<u>\$ 33,852</u>	<u>\$ -</u>	<u>\$ 91,375</u>	<u>\$ 69,127</u>	<u>\$ 75,337</u>

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

KIPP LEAD COLLEGE PREP 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, 2009

	General	School Lunch	Title I 2007/2008	Title I 2008/2009	Improving Teacher Quality	Planning and Implementation Grant	Fiscal Stabilization	Totals
Receipts:								
Local sources	\$ 553,793	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 553,793
State sources	1,185,712	396	-	-	-	-	-	1,186,108
Federal sources	-	91,650	28,000	171,032	22,960	255,000	152,698	721,340
Temporary loans	686,010	-	-	-	-	-	-	686,010
Total receipts	2,425,515	92,046	28,000	171,032	22,960	255,000	152,698	3,147,251
Disbursements:								
Current:								
Instruction	1,223,370	-	79,339	66,089	-	13,622	9,741	1,392,161
Support services	476,670	-	16,503	73,955	8,150	58,111	101,706	735,095
Noninstructional services	105,834	125,898	-	-	-	5,888	51	237,671
Facilities acquisition and construction	65,738	-	11,243	7,590	-	214,108	41,200	339,879
Debt services	434,096	-	-	-	-	-	-	434,096
Total disbursements	2,305,708	125,898	107,085	147,634	8,150	291,729	152,698	3,138,902
Excess (deficiency) of receipts over disbursements	119,807	(33,852)	(79,085)	23,398	14,810	(36,729)	-	8,349
Other financing sources (uses):								
Transfers in	-	-	-	12,290	-	-	-	12,290
Transfers out	-	-	(12,290)	-	-	-	-	(12,290)
Total other financing sources (uses)	-	-	(12,290)	12,290	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	119,807	(33,852)	(91,375)	35,688	14,810	(36,729)	-	8,349
Cash and investments - beginning	(119,017)	33,852	91,375	-	-	69,127	-	75,337
Cash and investments - ending	\$ 790	\$ -	\$ -	\$ 35,688	\$ 14,810	\$ 32,398	\$ -	\$ 83,686
Cash and Investment Assets - Ending								
Cash and investments	\$ 790	\$ -	\$ -	\$ 35,688	\$ 14,810	\$ 32,398	\$ -	\$ 83,686
Cash and Investment Fund Balance - Ending								
Unrestricted	\$ 790	\$ -	\$ -	\$ 35,688	\$ 14,810	\$ 32,398	\$ -	\$ 83,686

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

KIPP LEAD COLLEGE PREP CHARTER SCHOOL
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	Private-Purpose Trust Fund	Agency Funds
Additions	\$ <u> -</u>	
Deductions:		
Administrative and general	<u> 37,212</u>	
Excess (deficiency) of total additions over total deductions	(37,212)	
Restated cash and investment fund balance - beginning (Note III. C.)	<u> 37,248</u>	
Cash and investment fund balance - ending	<u>\$ 36</u>	<u>\$ (159)</u>
Net assets:		
Cash and investments held in trust	<u>\$ 36</u>	

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

KIPP LEAD COLLEGE PREP CHARTER SCHOOL
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2009

	Private-Purpose Trust Fund	Agency Funds
Additions:		
Contributions:		
Other	\$ 54,055	
Investment earnings:		
Interest	1	
Total additions	54,056	
Deductions:		
Administrative and general	16,556	
Excess (deficiency) of total additions over total deductions	37,500	
Cash and investment fund balance - beginning	36	
Cash and investment fund balance - ending	\$ 37,536	\$ 6,628
Net assets:		
Cash and investments held in trust	\$ 37,536	

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

KIPP LEAD COLLEGE PREP 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: KIPP LEAD College Prep 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 are reported as separate columns in the fund financial statements.

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 school lunch fund accounts for receipts and disbursements related to the food service program.

The Title I 2006/2007, Title I 2007/2008, and Title I 2008/2009 funds account for federal grant receipts and disbursements pertaining to the Title I Grants to Local Educational Agencies program.

KIPP LEAD COLLEGE PREP CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
(Continued)

The improving teacher quality fund accounts for federal grant receipts and disbursements pertaining to the Improving Teacher Quality State Grants program.

The planning and implementation grant fund is to be used toward charter school planning activities that include professional development of staff and board members, training, supplies, evaluation, and monitoring.

The fiscal stabilization fund accounts for receipts and disbursements of cash received from the federal government to be used to supplement funding of local, state, and federal programs.

Additionally, the School Corporation reports the following fund types:

The private-purpose trust funds report trust arrangements under which principal and income benefit the drama productions, leadership training and building improvements.

The agency funds account for assets held by the School Corporation as an agent for employee payroll withholdings.

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. 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.

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.

KIPP LEAD COLLEGE PREP CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Property Taxes

Normally, 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) 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 may 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 December 31 of the year collected.

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 a liability in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

5. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

Fund Financial Statements

Governmental fund equity is classified as fund balance.

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.

KIPP LEAD COLLEGE PREP CHARTER SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

F. Internal and 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 or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

Cash and Investment Balance Deficits

At June 30, 2008 and 2009, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

Fund	2008	2009
General	\$ 119,017	\$ -
PERF Withholding	119	399
TRF Withholding	40	-

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. 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. IC 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, 2009, the School Corporation had deposit balances in the amount of \$127,850.

KIPP LEAD COLLEGE PREP CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
(Continued)

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Statutory Authorization for Investments

Indiana Code 5-13-9 authorizes the School Corporation to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the School Corporation to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the School Corporation and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the School Corporation may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the School Corporation's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2008 and 2009, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2008</u>	<u>2009</u>
Title I 2006/2007	Title I 2007/2008	\$ 12,643	\$ -
Title I 2007/2008	Title I 2008/2009	-	12,290
		<u> </u>	<u> </u>
Totals		<u>\$ 12,643</u>	<u>\$ 12,290</u>

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

KIPP LEAD COLLEGE PREP CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Restatements and Reclassifications

For the year ended June 30, 2008, certain changes have been made to the financial statements to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning balances by opinion unit.

Opinion Unit	Balance as Reported June 30, 2007	Fund Reclassification	Balance as Restated July 1, 2007
Governmental activities	\$ 199,715	\$ (37,054)	\$ 162,661
Governmental funds	199,715	(37,054)	162,661
Fiduciary funds:			
Private-purpose trust funds	-	37,248	37,248
Agency funds	-	(194)	(194)

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; medical benefits to employees, and dependents; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, and dependents; and natural disasters are covered by commercial insurance from independent third parties.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. KIPP Foundation License Agreement

The KIPP LEAD College Prep Charter School (licensee) entered a trademark license agreement with KIPP Foundation (licensor), a California public benefit corporation. The licensor was established to create and support schools that provide educationally underserved students with the knowledge, skills, and character needed to succeed in top-quality high schools, colleges and the competitive world beyond. KIPP LEAD College Prep Charter School's educational philosophy is implemented through adherence to its five pillars: (1) High Expectations; (2) Choice and Commitment; (3) More Time on Task; (4) Power to Lead; and (5) Focus on Results.

As consideration for the licensing to it of the "Marks" (trademarks, service marks, design marks, trade names, domain names, etc.), licensee shall pay to licensor an annual fee of 1% of the state and local per pupil funding that it receives, directly or indirectly, but not to exceed \$30,000.

KIPP LEAD COLLEGE PREP CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Subsequent Events

As of December 31, 2009, the School Corporation has received American Recovery and Reinvestment Act (ARRA) funds for Title I totaling \$139,001.

As of December 31, 2009, the School Corporation has received American Recovery and Reinvestment Act (ARRA) funds for Innovative Tech totaling \$40,735.

D. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

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 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

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the School Corporation during the period were \$28,064.

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

KIPP LEAD COLLEGE PREP CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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

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.

The School Corporation's contributions to the plan during the period were \$86,754.

KIPP LEAD COLLEGE PREP CHARTER SCHOOL
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2009

	<u>Walton Grant</u>	<u>KIP Foundation Grant</u>	<u>Unrestricted Contributions</u>	<u>Totals</u>
Additions:				
Contributions:				
Other	\$ -	\$ 37,500	\$ 16,555	\$ 54,055
Investment earnings:				
Interest	-	-	1	1
Total additions	<u>-</u>	<u>37,500</u>	<u>16,556</u>	<u>54,056</u>
Deductions:				
Administrative and general	-	-	16,556	16,556
Excess (deficiency) of total additions over total deductions	-	37,500	-	37,500
Cash and investment fund balance - beginning	<u>36</u>	<u>-</u>	<u>-</u>	<u>36</u>
Cash and investments - ending	<u>\$ 36</u>	<u>\$ 37,500</u>	<u>\$ -</u>	<u>\$ 37,536</u>
Net assets:				
Cash and investments held in trust	<u>\$ 36</u>	<u>\$ 37,500</u>	<u>\$ -</u>	<u>\$ 37,536</u>

KIPP LEAD COLLEGE PREP CHARTER SCHOOL
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2008

	<u>PERF</u> <u>Withholding</u>	<u>TRF</u> <u>Withholding</u>	<u>Totals</u>
Additions:			
Agency fund additions	\$ 4,937	\$ 18,462	\$ 23,399
Deductions:			
Agency fund deductions	<u>5,024</u>	<u>18,340</u>	<u>23,364</u>
Excess (deficiency) of total additions over total deductions	(87)	122	35
Restated cash and investment fund balance - beginning	<u>(32)</u>	<u>(162)</u>	<u>(194)</u>
Cash and investment fund balance - ending	<u>\$ (119)</u>	<u>\$ (40)</u>	<u>\$ (159)</u>

KIPP LEAD COLLEGE PREP CHARTER SCHOOL
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2009

	PERF Withholding	TRF Withholding	Totals
Additions:			
Agency fund additions	\$ 9,950	\$ 25,775	\$ 35,725
Deductions:			
Agency fund deductions	10,230	18,708	28,938
Excess (deficiency) of total additions over total deductions	(280)	7,067	6,787
Cash and investment fund balance - beginning	(119)	(40)	(159)
Cash and investment fund balance - ending	\$ (399)	\$ 7,027	\$ 6,628

KIPP LEAD COLLEGE PREP CHARTER SCHOOL
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2009

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	\$ 104,797
Equipment	94,982
Computers and other tech equipment	<u>107,441</u>
 Total governmental activities, capital assets not being depreciated	 <u><u>\$ 307,220</u></u>

KIPP LEAD COLLEGE PREP CHARTER SCHOOL
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2009

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Common school loans*:		
Loan A064 for operational costs	\$ 377,089	\$ 3,074
Loan A096 for operational costs	281,613	2,189
Loan A0106 for operational costs	32,317	251
Loan A0122 for operational costs	<u>321,570</u>	<u>-</u>
Total governmental activities debt	<u>\$ 1,012,589</u>	<u>\$ 5,514</u>

* Indiana Code 20-49-7-21 section 363 allows for charter schools to defer the loan payments, due from July 1, 2009 through January 1, 2011, for two years. The School Corporation accepted the deferral, thus, repayment will not start again until July 1, 2011.

KIPP LEAD COLLEGE PREP CHARTER SCHOOL
AUDIT RESULT AND COMMENT

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF SUPPORTING DOCUMENTATION

Records presented for audit to support the September 14, 2007, ADM claimed by the School Corporation for 2007/2008 were not the original documents, nor were they certified by the CEO or treasurer/trustee. The records presented were reproduced student listings submitted by the School Corporation for the third ADM count date.

The ADM memorandum from the Indiana Department of Education dated August 13, 2007, states in part: "Supporting documentation of enrollment and attendance information by grade and school building for both the DOE-ME and Form 30A must be available in your files in the event of an audit of state distributions by the Board of Accounts. The Superintendent or, in the case of a charter school, the CEO, and treasurer/trustee are responsible for certifying the accuracy of the data reported. We encourage a thorough review of the data by these parties before certifying its accuracy."

Officials shall maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM. The building level official (Principal, Assistant Principal, etc.) is responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

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."

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 KIPP LEAD COLLEGE PREP
CHARTER SCHOOL, LAKE COUNTY, INDIANA

Compliance

We have audited the compliance of the KIPP LEAD College Prep 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, 2008 and 2009. 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 non-compliance 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, 2008 and 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2009-1 and 2009-2.

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

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)

federal program in order to determine our auditing procedures for the purpose of expressing our opinion 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in items 2009-1 and 2009-2 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

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. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. 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, Board of Directors, 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

February 3, 2010

KIPP LEAD COLLEGE PREP CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2008 and 2009

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-08	Total Federal Awards Expended 06-30-09
U.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Indiana Department of Education Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 15,701	\$ 33,686
National School Lunch Program	10.555		<u>30,424</u>	<u>51,891</u>
Total for cluster			<u>46,125</u>	<u>85,577</u>
Pass-Through Indiana Department of Education Child and Adult Care Food Program	10.558	After School Snack	<u>6,331</u>	<u>17,000</u>
Total for federal grantor agency			<u>52,456</u>	<u>102,577</u>
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010	07-9635	43,471	-
		08-9635	2,391	107,085
		09-9635	<u>-</u>	<u>147,634</u>
Total for cluster			<u>45,862</u>	<u>254,719</u>
Pass-Through Indiana Department of Education State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394		<u>-</u>	<u>152,698</u>
Pass-Through Indiana Department of Education Charter Schools	84.282			
Planning			78,366	-
Implementation Year 1			130,873	69,127
Implementation Year 2			<u>-</u>	<u>222,602</u>
Total for program			<u>209,239</u>	<u>291,729</u>
Pass-Through Indiana Department of Education Improving Teacher Quality State Grants	84.367	08-9635	<u>-</u>	<u>8,150</u>
Total for federal grantor agency			<u>255,101</u>	<u>707,296</u>
Total federal awards expended			<u>\$ 307,557</u>	<u>\$ 809,873</u>

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

KIPP LEAD COLLEGE PREP CHARTER SCHOOL
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the KIPP LEAD College Prep Charter School (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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.

KIPP LEAD COLLEGE PREP 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
Significant deficiencies 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
Significant deficiencies identified that are not considered to be material weaknesses?	yes

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? yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.282	Title I, Part A Cluster Charter Schools

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.

KIPP LEAD COLLEGE PREP CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III – Federal Award Findings and Questioned Costs

FINDING 2009-1, CASH MANAGEMENT

Federal Agency: U.S. Department of Education
Pass-Through Agency: Indiana Department of Education
Federal Program: Title I Grants to Local Educational Agencies, Charter Schools
CFDA Numbers: 84.010, 84.282
Program Numbers: 08-9635, 09-9635, Implementation Year 2

Amounts received by the School Corporation for the Title I Grants are drawn down in advance. School Corporation Officials are required to review needs in accordance with federal guidelines, and draw funds as needed. The drawdown requests are included in the applications for grant funds. The School Corporation received and posted \$121,766 of draw downs for the 08-9635 grant, from April to July 2008, including the transfer from the prior Title I grant. However, \$104,536 (86%) of the grant expenditures were not posted to the Title I grant fund until September 2008. The expenditures posted in September 2008 were adjusting entries reclassifying payroll and related benefits, supplies, and other contracted services originally posted to the ledger in August 2008. Therefore, the cash balance for 08-9635 Title I exceeded the following month's expenditures for 5 out of 6 months by amounts ranging from \$25,123 to \$119,375.

The School Corporation received and posted \$183,322 of draw downs from March to April 2009 for the 09-9635 Title I grant, including the transfer from the prior Title I grant. However, \$147,634 (81%) of the grant expenditures were not posted to the Title I grant fund until June 30, 2009. The expenditures posted in June 2009 were adjusting entries reclassifying payroll and related benefits from October 31, 2008 to June 30, 2009, and other contracted services from October 2008 and March 2009. Therefore, the cash balance for 09-9635 Title I exceeded the following month's expenditures for 3 out of 4 months by amounts ranging from \$35,688 to \$183,322.

Amounts received by the School Corporation for the Charter Schools grants are drawn down in advance. School Officials are required to review needs in accordance with federal guidelines, and draw funds as needed. The pass-through entity requires the School Corporation to complete a cash request form to schedule the draw downs based on the funds needed for a certain month. School officials certify that procedures have been put into place to minimize the time elapsing between receipt of funds requested and their subsequent disbursement. The cash request form for Implementation Year 2 requested the \$255,000 grant award in full in July 2008. The School Corporation actually received \$127,500 each in August and September 2008; however, disbursements totaling only \$36,113, \$63,273, and \$82,542 were posted for August, September, and October 2008, respectively. Therefore, the cash balance for the Charter School Implementation Year 2 grant exceeded the following month's expenditures for 11 out of 12 months by amounts ranging from \$32,398 to \$164,277.

EDGAR § 80.20(b)(7) states in part: "Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursements by grantees and subgrantees must be followed whenever advance payment procedures are used . . . Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

Failure to adhere to cash management requirements may cause the School Corporation to be determined to be ineligible for future federal funding.

We recommended that School Corporation Officials establish internal controls over grant funds to ensure the disbursements are timely posted to the grant fund so cash management requirements can be monitored.

KIPP LEAD COLLEGE PREP CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2009-2, REPORTING

Federal Agency: U.S. Department of Education
Pass-Through Agency: Indiana Department of Education
Federal Program: Charter Schools
CFDA Numbers: 84.282
Program Numbers: Implementation Year 1, Implementation Year 2

The School Corporation was to submit an Expenditure Report for Year 1 Implementation Activities in order to request Year 2 implementation funds. The Expenditure Report for Year 1 Implementation Activities was not provided for audit.

EDGAR § 80.20(b)(1) states: "Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant."

Failure to adhere to reporting requirements may cause the School Corporation to be determined to be ineligible for future federal funding.

We recommended that School Officials retain the financial reports required by the pass-through agency.

KIPP LEAD COLLEGE PREP CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

Leadership | Empathy
Achievement | Determination

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BOARD OF DIRECTORS

Benjamin D. Chereskin
Madison Dearborn Partners,
LLC *Advisory Board Member

Barbara Cope
Member
Gary Educational
Development Foundation

Mary Cossey
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Level One Consulting LLC

Marty Dezelan
Dezelan-GDM Insurance

Cynthia Pruitt
Indiana Economic
Development Corporation

Michael Suggs
Northern Indiana Public
Service Corporation

Guadalupe Valtierra
Ivy Tech Community
College

Tony Walker
Walker Law Group

**Knowledge
Is
Power
Program**

Corrective Action PlanFinding 2009-1: Cash Management

Auditee Contact Person: Makiyah Moody
Title of Contact Person: Managing Director, Finance & Operations
Phone Number: 219.979.9236

Briefly describe action to be taken to correct finding:

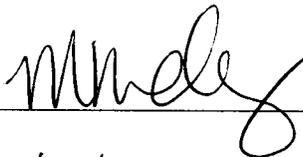
KIPP LEAD College Prep will closely monitor and actively re-align its Title I cash draw-downs each quarter to meet the expected cash management guidelines as defined by EDGAR 80.20(b)(7). In order to achieve more thorough monitoring, the treasurer will receive anticipated Title I grant activities and changes to the timing of those activities with the Title I Director. That information will be used to make cash draw-down adjustments, when necessary, to minimize the amount of cash on hand at the end of each quarter.

Finding 2009-2: Reporting

Auditee Contact Person: Makiyah Moody
Title of Contact Person: Managing Director, Finance & Operations
Phone Number: 219.979.9236

Briefly describe action to be taken to correct finding:

KIPP LEAD College Prep will take greater care in maintaining records for all grants, public and private, and ensure that final reports are kept for at least five years, and that expenditures are properly reported to the state and federal governments, as defined by EDGAR 80.20(b)(1).

Signed: 

Date: 2/4/2010

KIPP LEAD COLLEGE PREP CHARTER SCHOOL
EXIT CONFERENCE

The contents of this report were discussed on February 4, 2010, with Barbara Cope, Board member; April Goble, Executive Director; Makiyah Moody, Treasurer; and Soenda Howell, School Leader.