

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

EXAMINATION REPORT
OF
DR. ROBERT H. FAULKNER ACADEMY
GRANT COUNTY, INDIANA
July 1, 2008 to June 30, 2010



FILED
01/07/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	(Vacant) Rogina Banks	07-01-08 to 08-07-08 08-08-08 to 06-30-11
School Leader	(Vacant) Jean Taylor Joe Chambers Jeremy Tucker Janice Adams	07-01-08 to 07-31-08 08-01-08 to 08-24-08 08-25-08 to 12-31-08 01-01-09 to 07-31-09 08-01-09 to 06-30-11
President of the School Board	Dr. Jeremy Case Dr. Jeffrey Breckenridge	07-01-08 to 10-12-09 10-13-09 to 06-30-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE DR. ROBERT H. FAULKNER ACADEMY, GRANT COUNTY, INDIANA

We have examined the financial statements presented herein of the Dr. Robert H. Faulkner Academy (School Corporation), for the period of July 1, 2008 to June 30, 2010. The School Corporation's management is responsible for the financial statements 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 statement 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 statements referred to above present fairly, in all material respects, the financial statements of the School Corporation for the years ended June 30, 2009 and 2010, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Combining Schedules, 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 statements. The Combining Schedules have been subjected to the examination procedures applied in the examination 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 examination procedures applied to the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

December 7, 2010

DR. ROBERT H. FAULKNER ACADEMY
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 (Disbursements) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 551,080	\$ -	\$ 1,462	\$ (549,618)
Support services	475,215	16,407	16,380	(442,428)
Noninstructional services	31,060	-	-	(31,060)
Facilities acquisition and construction	250,741	-	-	(250,741)
Total governmental activities	\$ 1,308,096	\$ 16,407	\$ 17,842	(1,273,847)
General receipts:				
Other local sources				3,297
State aid				476,475
Bonds and loans				615,882
Grants and contributions not restricted to specific programs				546,473
Total general receipts				1,642,127
Change in net assets				368,280
Net assets - beginning				-
Net assets - ending				\$ 368,280
<u>Assets</u>				
Cash and investments				\$ 368,280
<u>Net Assets</u>				
Unrestricted				\$ 368,280

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

DR. ROBERT H. FAULKNER ACADEMY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 742,911	\$ -	\$ 43,441	\$ (699,470)
Support services	516,719	19,374	47,370	(449,975)
Noninstructional services	110,771	-	-	(110,771)
Facilities acquisition and construction	190,039	-	-	(190,039)
Debt service	42	-	-	(42)
Total governmental activities	<u>\$ 1,560,482</u>	<u>\$ 19,374</u>	<u>\$ 90,811</u>	<u>(1,450,297)</u>
General receipts:				
Other local sources				2,787
State aid				1,144,523
Grants and contributions not restricted to specific programs				<u>362,480</u>
Total general receipts				<u>1,509,790</u>
Change in net assets				59,493
Net assets - beginning				<u>368,280</u>
Net assets - ending				<u>\$ 427,773</u>
 <u>Assets</u>				
Cash and investments				<u>\$ 427,773</u>
 <u>Net Assets</u>				
Unrestricted				<u>\$ 427,773</u>

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

DR. ROBERT H. FAULKNER ACADEMY
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	Public Charter School ESEA Grant	Other	Totals
Receipts:				
Local sources	\$ 8,499	\$ -	\$ 11,205	\$ 19,704
State sources	477,937	-	-	477,937
Federal sources	-	386,350	176,503	562,853
Total receipts	486,436	386,350	187,708	1,060,494
Disbursements:				
Current:				
Instruction	457,357	71,381	22,342	551,080
Support services	312,244	106,492	56,479	475,215
Noninstructional services	3,397	78	27,585	31,060
Facilities acquisition and construction	57,938	148,996	43,807	250,741
Total disbursements	830,936	326,947	150,213	1,308,096
Excess (deficiency) of receipts over disbursements	(344,500)	59,403	37,495	(247,602)
Other financing sources (uses):				
Proceeds of long-term debt	615,882	-	-	615,882
Excess of receipts and other financing sources over disbursements and other financing uses	271,382	59,403	37,495	368,280
Cash and investments - beginning	-	-	-	-
Cash and investments - ending	<u>\$ 271,382</u>	<u>\$ 59,403</u>	<u>\$ 37,495</u>	<u>\$ 368,280</u>
<u>Cash and Investment Assets - Ending</u>				
Cash and investments	<u>\$ 271,382</u>	<u>\$ 59,403</u>	<u>\$ 37,495</u>	<u>\$ 368,280</u>
<u>Cash and Investment Fund Balance - Ending</u>				
Unrestricted	<u>\$ 271,382</u>	<u>\$ 59,403</u>	<u>\$ 37,495</u>	<u>\$ 368,280</u>

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

DR. ROBERT H. FAULKNER ACADEMY
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, 2010

	General	Public Charter School ESEA Grant	Other	Totals
Receipts:				
Local sources	\$ 2,787	\$ -	\$ 19,374	\$ 22,161
State sources	1,187,964	-	400	1,188,364
Federal sources	-	210,185	199,265	409,450
	<hr/>	<hr/>	<hr/>	<hr/>
Total receipts	1,190,751	210,185	219,039	1,619,975
Disbursements:				
Current:				
Instruction	556,660	90,142	96,109	742,911
Support services	472,489	28,311	15,919	516,719
Noninstructional services	43,563	-	67,208	110,771
Facilities acquisition and construction	68,767	87,402	33,870	190,039
Debt services	42	-	-	42
	<hr/>	<hr/>	<hr/>	<hr/>
Total disbursements	1,141,521	205,855	213,106	1,560,482
Excess of receipts over disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	49,230	4,330	5,933	59,493
Other financing sources (uses):				
Transfers in	-	-	25,680	25,680
Transfers out	-	-	(25,680)	(25,680)
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-	-
Excess of receipts and other financing sources over disbursements and other financing uses	<hr/>	<hr/>	<hr/>	<hr/>
	49,230	4,330	5,933	59,493
Cash and investments - beginning	<hr/>	<hr/>	<hr/>	<hr/>
	271,382	59,403	37,495	368,280
Cash and investments - ending	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 320,612	\$ 63,733	\$ 43,428	\$ 427,773
<u>Cash and Investment Assets - Ending</u>				
Cash and investments	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 320,612	\$ 63,733	\$ 43,428	\$ 427,773
<u>Cash and Investment Fund Balance - Ending</u>				
Unrestricted	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 320,612	\$ 63,733	\$ 43,428	\$ 427,773

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

DR. ROBERT H. FAULKNER ACADEMY
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2009

	Private-Purpose Trust Funds
Additions:	
Contributions:	
Other	\$ 4,037
Deductions:	
Administrative and general	1,672
Excess of total additions over total deductions	2,365
Cash and investment fund balance - beginning	-
Cash and investment fund balance - ending	\$ 2,365
Net assets:	
Cash and investments	\$ 2,365
Total net assets - cash and investment basis held in trust	\$ 2,365

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

DR. ROBERT H. FAULKNER ACADEMY
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2010

	Private-Purpose Trust Funds
Additions:	
Contributions:	
Other	\$ 13,988
Deductions:	
Administrative and general	5,316
Excess of total additions over total deductions	8,672
Cash and investment fund balance - beginning	2,365
Cash and investment fund balance - ending	\$ 11,037
Net assets:	
Cash and investments	\$ 11,037
Total net assets - cash and investment basis held in trust	\$ 11,037

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

DR. ROBERT H. FAULKNER ACADEMY
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: Dr. Robert H. Faulkner Academy

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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The public charter school esea grant fund is used to account for receipts and disbursements concerning grant monies for the implementation of a new public charter school.

Additionally, the School Corporation reports the following fund type:

The private-purpose trust fund is used to account for receipts and disbursements concerning student activities not related to the educational curriculum.

DR. ROBERT H. FAULKNER ACADEMY
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds or internal service funds.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. 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.

3. 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.

DR. ROBERT H. FAULKNER ACADEMY
NOTES TO FINANCIAL STATEMENTS
(Continued)

4. 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. Receipts

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.

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

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements.
3. 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. 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. The effects of interfund loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

DR. ROBERT H. FAULKNER ACADEMY
NOTES TO FINANCIAL STATEMENTS
(Continued)

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

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, 2010, the School Corporation had deposit balances in the amount of \$438,810.

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

IC 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.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2009 and 2010, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2009</u>	<u>2010</u>
Other Governmental Funds	Other Governmental Funds	\$ <u> -</u>	\$ <u> 25,680</u>

DR. ROBERT H. FAULKNER ACADEMY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

IV. Other Information

Risk Management

The School Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; 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.

DR. ROBERT H. FAULKNER ACADEMY
 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, 2009

	School Lunch	Title I 2008-2009	IDEA	Improving Teacher Quality	Fiscal Stabilization Stimulus	Totals
Receipts:						
Local sources	\$ 11,205	\$ -	\$ -	\$ -	\$ -	\$ 11,205
Federal sources	<u>16,380</u>	<u>30,822</u>	<u>29,852</u>	<u>3,670</u>	<u>95,779</u>	<u>176,503</u>
Total receipts	<u>27,585</u>	<u>30,822</u>	<u>29,852</u>	<u>3,670</u>	<u>95,779</u>	<u>187,708</u>
Disbursements:						
Current:						
Instruction	-	16,872	5,470	-	-	22,342
Support services	-	450	250	-	55,779	56,479
Noninstructional services	27,585	-	-	-	-	27,585
Facilities acquisition and construction	<u>-</u>	<u>3,807</u>	<u>-</u>	<u>-</u>	<u>40,000</u>	<u>43,807</u>
Total disbursements	<u>27,585</u>	<u>21,129</u>	<u>5,720</u>	<u>-</u>	<u>95,779</u>	<u>150,213</u>
Excess of receipts over disbursements	-	9,693	24,132	3,670	-	37,495
Cash and investments - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 9,693</u>	<u>\$ 24,132</u>	<u>\$ 3,670</u>	<u>\$ -</u>	<u>\$ 37,495</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ -</u>	<u>\$ 9,693</u>	<u>\$ 24,132</u>	<u>\$ 3,670</u>	<u>\$ -</u>	<u>\$ 37,495</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ -</u>	<u>\$ 9,693</u>	<u>\$ 24,132</u>	<u>\$ 3,670</u>	<u>\$ -</u>	<u>\$ 37,495</u>

DR. ROBERT H. FAULKNER ACADEMY
 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, 2010

	School Lunch	Title I 2008-2009	Title I 2009-2010	IDEA	Special Education 2008-2009	Special Education 2009-2010
Receipts:						
Local sources	\$ 19,374	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	400	-	-	-	-	-
Federal sources	46,970	7,500	37,582	-	-	12,120
Total receipts	66,744	7,500	37,582	-	-	12,120
Disbursements:						
Current:						
Instruction	-	9,142	44,641	6,053	18,079	1,891
Support services	78	450	-	-	-	-
Noninstructional services	66,666	-	542	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Total disbursements	66,744	9,592	45,183	6,053	18,079	1,891
Excess (deficiency) of receipts over disbursements	-	(2,092)	(7,601)	(6,053)	(18,079)	10,229
Other financing sources (uses):						
Transfers in	-	-	7,601	-	18,079	-
Transfers out	-	(7,601)	-	(18,079)	-	-
Total other financing sources (uses)	-	(7,601)	7,601	(18,079)	18,079	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(9,693)	-	(24,132)	-	10,229
Cash and investments - beginning	-	9,693	-	24,132	-	-
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,229</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,229</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,229</u>

DR. ROBERT H. FAULKNER ACADEMY
 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, 2010
 (Continued)

	Improving Teacher Quality	Fiscal Stabilization Stimulus	Title 1 Stimulus	Special Education Stimulus	Totals
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 19,374
State sources	-	-	-	-	400
Federal sources	11,009	34,719	23,704	25,661	199,265
Total receipts	11,009	34,719	23,704	25,661	219,039
Disbursements:					
Current:					
Instruction	2,543	-	537	13,223	96,109
Support services	2,000	13,391	-	-	15,919
Noninstructional services	-	-	-	-	67,208
Facilities acquisition and construction	-	21,328	3,237	9,305	33,870
Total disbursements	4,543	34,719	3,774	22,528	213,106
Excess (deficiency) of receipts over disbursements	6,466	-	19,930	3,133	5,933
Other financing sources (uses):					
Transfers in	-	-	-	-	25,680
Transfers out	-	-	-	-	(25,680)
Total other financing sources (uses)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	6,466	-	19,930	3,133	5,933
Cash and investments - beginning	3,670	-	-	-	37,495
Cash and investments - ending	<u>\$ 10,136</u>	<u>\$ -</u>	<u>\$ 19,930</u>	<u>\$ 3,133</u>	<u>\$ 43,428</u>
Cash and Investment Assets - Ending					
Cash and investments	<u>\$ 10,136</u>	<u>\$ -</u>	<u>\$ 19,930</u>	<u>\$ 3,133</u>	<u>\$ 43,428</u>
Cash and Investment Fund Balance - Ending					
Unrestricted	<u>\$ 10,136</u>	<u>\$ -</u>	<u>\$ 19,930</u>	<u>\$ 3,133</u>	<u>\$ 43,428</u>

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 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2010

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>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Improvements other than buildings	\$ 1,130
Machinery and equipment	<u>320,916</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 322,046</u>

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 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2010

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Loan payable:		
Common School Fund Loan	\$ <u>615,882</u>	\$ <u>-</u>

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EXAMINATION RESULTS AND COMMENTS

OFFICIAL BOND

The School Corporation did not obtain an official bond for the Treasurer.

IC 20-26-4-5 states in part:

"For each school year commencing July 1, the treasurer of each governing body and the governing body's school corporation and a deputy treasurer, if so appointed, shall give a bond for the faithful performance of the treasurer's and deputy treasurer's duties written by an insurance company licensed to do business in Indiana, in an amount determined by the governing body . . ."

IC 5-4-1-10 states in part:

"All official bonds shall be payable to the state of Indiana . . ."

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 . . ."

RECEIPT ISSUANCE

The School Corporation collected money for student fees, yearbooks, shirt sales, pictures, and field trips without issuing receipts at the time of collection or providing supporting documentation for the amounts collected. An official receipt was prepared when the deposit was made and would include multiple sources.

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)

DEPOSITS

Some collections were not deposited timely. The following items were noted during the examination:

- a. A student activity fee of \$50 was collected in cash on August 14, 2008. Only one deposit made in August was made after August 14 and that deposit did not include any cash. No deposits were made in September. A deposit was made on October 1, 2008, which included cash and checks, however adequate documentation was not provided to determine the source of the monies included in that deposit.
- b. School lunch and breakfast monies were collected daily, but were only deposited once a week.

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EXAMINATION RESULTS AND COMMENTS
(Continued)

- c. During a cash count on October 21, 2010, field trip money of \$124 in cash was counted. A receipt had not been issued and no supporting documentation for the amounts collected was available. Money collected for the field trip was deposited October 21, 2010. The field trip took place October 12, 2010.

IC 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

IC 20-41-1-9 states in part:

"The receipts shall be deposited without unreasonable delay."

IC 5-13-6-1(c) states in part:

"Public funds deposited . . . shall be deposited in the same form in which they were received."

FEES

The School Corporation charged a \$50 student activities fee to each enrolled student for the 2008-2009 and 2009-2010 school years which was a general fee and not based on specific costs related to individual students. The fees were receipted into the School Administration Fund. Collections from the sale of yearbooks and school shirts were also receipted into the Administration Fund. Disbursements included the purchase of yearbooks, school shirts, and refreshments for student activities.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

The Supreme Court provided in *Nagy v. Evansville-Vanderburgh School Corporation*, 844 N.E.2d 481 (Ind. 2006) where the legislature-or through delegation of its authority the State Board - has identified programs, activities, projects, services or curricula that it either mandates or permits school corporations to undertake, the legislature has made a policy decision regarding exactly what qualifies as a part of a uniform system of public education commanded by Article 8, Section 1 and thus what qualifies for funding at public expense. And of course the legislature has the authority to place appropriate conditions or limitations on any such funding. However, absent specific statutory authority, fees or charges for what are otherwise public education cost items cannot be levied directly or indirectly against students or their parents. Only programs, activities, projects, services or curricula that are outside of or expand upon those identified by the legislature-what we understand to be "extracurricular"-may be considered as not a part of a publicly-funded education. And thus a reasonable fee may be assessed, but only against those students who participate in or take advantage of them. (The School Administrator, Volume 190, Page 5)

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EXAMINATION RESULTS AND COMMENTS
(Continued)

CREDIT CARDS

The School Corporation used a credit card to purchase items without an approved credit card policy. Some purchases made with the credit card were not supported by adequate documentation such as original receipts or invoices.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

TRAVEL

The School Corporation does not have a written travel policy.

Some travel reimbursements and advances for mileage, hotel room costs, and meals were not supported by adequate documentation such as receipts or invoices.

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EXAMINATION RESULTS AND COMMENTS
(Continued)

Each governmental unit should adopt a written travel policy in conformity with applicable statutes. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Reimbursement for lodging and meals should be based upon actual receipts for amounts paid unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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 received 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)

ELECTRONIC FUNDS TRANSFER PAYMENTS

Disbursements were not always made by check. Some monthly credit card payments were made with electronic funds transfer payments.

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

COMPENSATION AND BENEFITS

Some employees received bonuses ranging from \$500 to \$3,000 for the school year 2009-2010 which were not included in a salary resolution or the employee contract. Some teachers received additional pay for duties which were not included in their contracts. No salary resolution or schedule was presented to support or provide authorization for these bonuses or additional pay.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

IC 20-28-6-2 states in part:

"A contract entered into by a teacher and a school corporation must: . . . contain the . . . total salary to be paid during the school year . . ."

PREPAID LUNCH AND BREAKFAST ACCOUNTS

Subsidiary records of individual student accounts for prepaid lunch and breakfast were not accurate. The School Lunch Director maintained computerized spreadsheets for individual student accounts. However, amounts collected from students for prepaid lunch and breakfast were not properly

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EXAMINATION RESULTS AND COMMENTS
(Continued)

posted to the students accounts and incorrect balances were sometimes carried from one month to the next month. Weekly totals from the spreadsheets did not agree with the weekly totals on the collection sheets. Additionally, a cash balance for prepaid items was not maintained for control purposes.

Subsidiary records by student should be routinely reconciled to the cash balance and at month end. The School Food Prescribed Forms and any approved computerized Forms will be required to be maintained . . . to accurately account for prepaid items. (Accounting and Uniform Compliance Guidelines Manual for Extracurricular Accounts, Chapter 3)

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)

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)

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EXIT CONFERENCE

The contents of this report were discussed on December 7, 2010, with Rogina Banks, Treasurer; Janice Adams, School Leader; Arthur W. Faulkner, School Board member; and Jason McVicker, Vice-President of the School Board. The officials concurred with our findings.