

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

GALILEO CHARTER SCHOOL
WAYNE COUNTY, INDIANA

July 1, 2009 to June 30, 2011



FILED

03/12/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chief Financial Officer	Paul H. Runyon	07-01-09 to 12-31-12
Chief Academic Officer	Kevin L. Handley, Sr.	07-01-09 to 12-31-12
President of the School Board	Kenneth Christmon Sabrina Pennington	07-01-09 to 03-25-10 03-26-10 to 12-31-12



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

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

We have audited the accompanying financial statement of the Galileo Charter School (School Corporation), for the years ended June 30, 2010 and 2011. This financial statement is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinion.

As discussed in Note 1, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting noted above is a different basis than that used in the prior year.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the years ended June 30, 2010 and 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated February 9, 2012, 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 integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the 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 financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis, 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 financial statement and, accordingly, we express no opinion on them.

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

This report is intended solely for the information and use of the School Corporation's management, School Board, others within the entity, 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 9, 2012



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

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

We have audited the financial statement of the Galileo Charter School (School Corporation), for the years ended June 30, 2010 and 2011, and have issued our report thereon dated February 9, 2012. 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 opinion on the financial statement, 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, which are described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1, that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
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 statement is 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as item Finding 2011-1.

The School Corporation's response to the findings identified in our audit is described in the accompanying section of the report entitled Official Response and 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, School Board, others within the entity, 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 9, 2012

FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

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GALILEO CHARTER SCHOOL
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2010 and 2011

	Cash and Investments 07-01-09	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-10	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-11
General	\$ 171,689	\$ 1,728,097	\$ 1,805,286	\$ 633	\$ 95,133	\$ 1,861,809	\$ 1,898,648	\$ 3,141	\$ 61,435
School Lunch	-	137,136	137,136	-	-	142,571	139,157	-	3,414
Textbook Rental	-	45,602	-	-	45,602	22,266	10,620	-	57,248
School Administration	171	2,536	5,707	3,000	-	2,092	2,092	-	-
Non-English Speaking Programs P.L. 273-1999	-	-	-	-	-	2,545	2,545	-	-
School Technology	-	-	-	-	-	1,200	800	-	400
Title I 2008-09	18,341	10,000	28,341	-	-	-	-	-	-
Title I 2009-10	-	133,221	114,366	-	18,855	9,200	33,855	5,800	-
Title I 2010-11	-	-	-	-	-	110,401	105,091	(5,800)	(490)
IDEA, P.L. 101-476	11,291	14,500	25,791	-	-	-	-	-	-
Federal Special Education	-	39,338	35,608	-	3,730	19,124	15,230	(7,624)	-
Special Education 2010-11	-	-	-	-	-	-	10,702	7,626	(3,076)
Improving Teaching Quality, No Child Left, Title II, Part A	-	19,844	19,844	-	-	49,751	47,501	-	2,250
Facilities Grant	-	-	-	-	-	279,616	263,436	-	16,180
Fiscal Stabilization - Education	-	50,286	50,286	-	-	-	-	-	-
Title I - Grants to LEAs	-	55,195	47,110	-	8,085	36,465	44,779	-	(229)
Special Education - Part B	-	13,000	-	-	13,000	57,449	71,429	-	(980)
Education Jobs	-	-	-	-	-	49,346	49,788	-	(442)
Totals	\$ 201,492	\$ 2,248,755	\$ 2,269,475	\$ 3,633	\$ 184,405	\$ 2,643,835	\$ 2,695,673	\$ 3,143	\$ 135,710

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

GALILEO CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENT

Note 1. 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 accompanying financial statement presents the financial information for the School Corporation (primary government).

B. Basis of Accounting

The financial statement is reported on the regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The regulatory 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.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Local sources which include taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, school corporation activities, revenue from community services activities, and other revenue from local sources.

Intermediate sources which include distributions from the County for fees collected for or on behalf of the School Corporation including educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

State sources which include distributions from the State of Indiana to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

GALILEO CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENT
(Continued)

Federal sources which include distributions from the federal government to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Temporary loans which include money received from a loan obtained to pay current expenses prior to the receipt of revenue from taxes levied for that purpose. These loans, sometimes designated tax anticipation warrants, must be repaid from the next semiannual distribution of local property taxes levied for such fund.

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

Other receipts which include amounts received from various sources which include return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Instruction which includes outflows for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services which include outflows for food service operations and community service operations.

Facilities acquisition and construction which includes outflows for the acquisition, development, construction, and improvement of new and existing facilities.

Debt services which include fixed obligations resulting from financial transactions previously entered into by the School Corporation. It includes all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

GALILEO CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENT
(Continued)

F. Other financing sources and uses

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses include the following:

Proceeds of long-term debt which includes money received in relation to the issuance of bonds or other long-term debt issues.

Sale of capital assets which includes money received when land, buildings, or equipment owned by the School Corporation is sold.

Transfers in which includes money received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

Transfers out which includes money paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the School Corporation. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Deposits and Investments

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

State statutes authorize the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 3. Risk Management

The School Corporation may be 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, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the School Corporation to

GALILEO CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENT
(Continued)

set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the School Corporation by recording as a disbursement and replacement items purchased.

Note 4. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

B. Teachers' Retirement Fund

Plan Description

The Indiana Teachers' Retirement Fund (TRF) is a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the Indiana Public Retirement System (INPRS) 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.

GALILEO CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENT
(Continued)

The annuity savings account consists of members' contributions, set by state statute at 3 percent 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.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the TRF plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 286-3544

Funding Policy and Annual Pension Cost

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

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was prepared and/or approved by management of the School Corporation. It is presented as intended by the School Corporation.

GALILEO CHARTER SCHOOL
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010

	General	School Lunch	Textbook Rental	School Administration	Non-English Speaking Programs P.L. 273-1999	School Technology	Title I 2008-09	Title I 2009-10	Title I 2010-11	IDEA P.L. 101-476
Cash and investments - beginning	\$ 171,689	\$ -	\$ -	\$ 171	\$ -	\$ -	\$ 18,341	\$ -	\$ -	\$ 11,291
Receipts:										
Local sources	15,324	5,330	-	2,536	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	1,712,773	267	45,602	-	-	-	-	-	-	-
Federal sources	-	131,539	-	-	-	-	10,000	133,221	-	14,500
Total receipts	1,728,097	137,136	45,602	2,536	-	-	10,000	133,221	-	14,500
Disbursements:										
Current:										
Instruction	874,663	-	-	-	-	-	22,905	114,366	-	14,633
Support services	671,345	-	-	3,969	-	-	5,436	-	-	11,003
Noninstructional services	44,862	137,136	-	1,578	-	-	-	-	-	-
Facilities acquisition and construction	61,461	-	-	160	-	-	-	-	-	155
Debt services	152,955	-	-	-	-	-	-	-	-	-
Total disbursements	1,805,286	137,136	-	5,707	-	-	28,341	114,366	-	25,791
Excess (deficiency) of receipts over disbursements	(77,189)	-	45,602	(3,171)	-	-	(18,341)	18,855	-	(11,291)
Other financing sources (uses):										
Sale of capital assets	-	-	-	3,000	-	-	-	-	-	-
Transfers out	633	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	633	-	-	3,000	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(76,556)	-	45,602	(171)	-	-	(18,341)	18,855	-	(11,291)
Cash and investments - ending	\$ 95,133	\$ -	\$ 45,602	\$ -	\$ -	\$ -	\$ -	\$ 18,855	\$ -	\$ -

GALILEO CHARTER SCHOOL
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010
 (Continued)

	Federal Special Education	Special Education 2010-11	Improving Teaching Quality No Child Left Title II, Part A	Facilities Grant	Fiscal Stabilization Education	Title I Grants to LEAs	Special Education Part B	Education Jobs	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 201,492
Receipts:									
Local sources	-	-	-	-	-	-	-	-	23,190
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	1,758,642
Federal sources	39,338	-	19,844	-	50,286	55,195	13,000	-	466,923
Total receipts	39,338	-	19,844	-	50,286	55,195	13,000	-	2,248,755
Disbursements:									
Current:									
Instruction	26,127	-	19,844	-	-	33,423	-	-	1,105,961
Support services	9,481	-	-	-	30,914	-	-	-	732,148
Noninstructional services	-	-	-	-	12,398	-	-	-	195,974
Facilities acquisition and construction	-	-	-	-	6,974	13,687	-	-	82,437
Debt services	-	-	-	-	-	-	-	-	152,955
Total disbursements	35,608	-	19,844	-	50,286	47,110	-	-	2,269,475
Excess (deficiency) of receipts over disbursements	3,730	-	-	-	-	8,085	13,000	-	(20,720)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	3,000
Transfers out	-	-	-	-	-	-	-	-	633
Total other financing sources (uses)	-	-	-	-	-	-	-	-	3,633
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,730	-	-	-	-	8,085	13,000	-	(17,087)
Cash and investments - ending	\$ 3,730	\$ -	\$ -	\$ -	\$ -	\$ 8,085	\$ 13,000	\$ -	\$ 184,405

GALILEO CHARTER SCHOOL
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011

	General	School Lunch	Textbook Rental	School Administration	Non-English Speaking Programs P.L. 273-1999	School Technology	Title I 2008-09	Title I 2009-10	Title I 2010-11	IDEA P.L. 101-476
Cash and investments - beginning	\$ 95,133	\$ -	\$ 45,602	\$ -	\$ -	\$ -	\$ -	\$ 18,855	\$ -	\$ -
Receipts:										
Local sources	6,064	439	-	2,092	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	1,697,523	66	22,266	-	2,545	1,200	-	-	-	-
Federal sources	-	142,066	-	-	-	-	-	9,200	110,401	-
Temporary loans	158,222	-	-	-	-	-	-	-	-	-
Total receipts	1,861,809	142,571	22,266	2,092	2,545	1,200	-	9,200	110,401	-
Disbursements:										
Current:										
Instruction	898,046	-	4,025	-	2,545	-	-	33,855	105,091	-
Support services	749,834	-	-	2,092	-	800	-	-	-	-
Noninstructional services	43,802	139,157	-	-	-	-	-	-	-	-
Facilities acquisition and construction	(64,051)	-	6,595	-	-	-	-	-	-	-
Debt services	271,017	-	-	-	-	-	-	-	-	-
Total disbursements	1,898,648	139,157	10,620	2,092	2,545	800	-	33,855	105,091	-
Excess (deficiency) of receipts over disbursements	(36,839)	3,414	11,646	-	-	400	-	(24,655)	5,310	-
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	5,800	-	-
Transfers out	3,141	-	-	-	-	-	-	-	(5,800)	-
Total other financing sources (uses)	3,141	-	-	-	-	-	-	5,800	(5,800)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(33,698)	3,414	11,646	-	-	400	-	(18,855)	(490)	-
Cash and investments - ending	\$ 61,435	\$ 3,414	\$ 57,248	\$ -	\$ -	\$ 400	\$ -	\$ -	\$ (490)	\$ -

GALILEO CHARTER SCHOOL
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	Federal Special Education	Special Education 2010-11	Improving Teaching Quality No Child Left Title II, Part A	Facilities Grant	Fiscal Stabilization Education	Title I Grants to LEAs	Special Education Part B	Education Jobs	Totals
Cash and investments - beginning	\$ 3,730	\$ -	\$ -	\$ -	\$ -	\$ 8,085	\$ 13,000	\$ -	\$ 184,405
Receipts:									
Local sources	-	-	-	-	-	-	-	-	8,595
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	1,723,600
Federal sources	19,124	-	49,751	185,321	-	36,465	57,449	49,346	659,123
Temporary loans	-	-	-	94,295	-	-	-	-	252,517
Total receipts	19,124	-	49,751	279,616	-	36,465	57,449	49,346	2,643,835
Disbursements:									
Current:									
Instruction	12,688	6,788	42,001	-	-	44,779	25,085	49,504	1,224,407
Support services	2,542	3,914	5,500	-	-	-	5,094	284	770,060
Noninstructional services	-	-	-	-	-	-	-	-	182,959
Facilities acquisition and construction	-	-	-	153,929	-	-	41,250	-	137,723
Debt services	-	-	-	109,507	-	-	-	-	380,524
Total disbursements	15,230	10,702	47,501	263,436	-	44,779	71,429	49,788	2,695,673
Excess (deficiency) of receipts over disbursements	3,894	(10,702)	2,250	16,180	-	(8,314)	(13,980)	(442)	(51,838)
Other financing sources (uses):									
Transfers in	-	7,626	-	-	-	-	-	-	13,426
Transfers out	(7,624)	-	-	-	-	-	-	-	(10,283)
Total other financing sources (uses)	(7,624)	7,626	-	-	-	-	-	-	3,143
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,730)	(3,076)	2,250	16,180	-	(8,314)	(13,980)	(442)	(48,695)
Cash and investments - ending	\$ -	\$ (3,076)	\$ 2,250	\$ 16,180	\$ -	\$ (229)	\$ (980)	\$ (442)	\$ 135,710

GALILEO CHARTER SCHOOL
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2011

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:	
Buildings	\$ 545,858
Improvements other than buildings	21,494
Machinery and equipment	<u>385,082</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 952,434</u>

GALILEO CHARTER SCHOOL
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2011

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Notes and loans payable:		
Common School loans	\$ 886,666	\$ -
Bank loan	239,782	35,136
Equipment loan	31,321	17,788
Modular buildings loan	21,001	17,223
Equipment loan	<u>11,472</u>	<u>10,838</u>
Total governmental activities debt	<u>\$ 1,190,242</u>	<u>\$ 80,985</u>

GALILEO CHARTER SCHOOL
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER COLLECTION OF SCHOOL LUNCH RECEIPTS

We noted a deficiency in the internal control system of the School Corporation related to the collection of school lunch receipts.

Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the School Corporation to improve school lunch financial reporting objectives. The School Corporation has not separated incompatible activities related to receipts and cash balances. The failure to establish these controls could enable material misstatements or irregularities to go undetected.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties is necessary for proper internal control.

Controls over the receipting, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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 GALILEO CHARTER SCHOOL, WAYNE COUNTY, INDIANA

Compliance

We have audited the compliance of the Galileo 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, 2010 and 2011. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the years ended June 30, 2010 and 2011.

Internal Control Over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

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)

A deficiency in 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 and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the School Corporation's management, School Board, others within the entity, 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 9, 2012

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying note presented were approved by management of the School Corporation. The schedule and note are presented as intended by the School Corporation.

GALILEO CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2010 and 2011

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 06-30-10	Total Federal Awards Expended 06-30-11
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553			
		FY 2009-10	\$ 43,152	\$ -
		FY 2010-11	-	47,804
			<u>43,152</u>	<u>47,804</u>
Total for program				
National School Lunch Program	10.555			
		FY 2009-10	88,387	-
		FY 2010-11	-	94,262
			<u>88,387</u>	<u>94,262</u>
Total for program				
Total for federal grantor agency			<u>131,539</u>	<u>142,066</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010			
		FY 2008-09	28,341	-
		FY 2009-10	114,366	33,855
		FY 2010-11	-	105,091
			<u>142,707</u>	<u>138,946</u>
Total for program				
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389			
		FY 2009-10	47,110	-
		FY 2010-11	-	4,779
			<u>47,110</u>	<u>4,779</u>
Total for program				
Total for cluster			<u>189,817</u>	<u>143,725</u>
Special Education Cluster				
Special Education - Grants to States	84.027			
		FY 2008-09	25,791	-
		FY 2009-10	35,608	15,230
		FY 2010-11	-	10,702
			<u>61,399</u>	<u>25,932</u>
Total for program				

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

GALILEO CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2010 and 2011
(Continued)

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 06-30-10	Total Federal Awards Expended 06-30-11
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through Indiana Department of Education (continued)				
Special Education Cluster (continued)				
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 2010-11	-	71,429
Total for cluster			61,399	97,361
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act				
	84.394	FY 2009-10	50,286	-
State Charter Schools Facilities Incentive Grants Program	84.282D	FY 2010-11	-	185,321
Improving Teacher Quality State Grants	84.367	FY 2009-10	19,844	-
		FY 2010-11	-	47,501
Total for program			19,844	47,501
ARRA - Education Jobs Fund, Recovery Act	84.410	FY 2010-11	-	49,788
Total for federal grantor agency			321,346	523,696
Total federal awards expended			\$ 452,885	\$ 665,762

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

GALILEO 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 Galileo Charter School (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. 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 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.

GALILEO CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiency identified?	yes
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster
Title I, Part A Cluster

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

Auditee qualified as low-risk auditee?	no
--	----

GALILEO CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II – Financial Statement Finding

FINDING 2011-1 - INTERNAL CONTROLS OVER COLLECTION OF SCHOOL LUNCH RECEIPTS

We noted a deficiency in the internal control system of the Charter School related to the collection of school lunch receipts.

Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the School Corporation to improve school lunch financial reporting objectives. The School Corporation has not separated incompatible activities related to receipts and cash balances. The failure to establish these controls could enable material misstatements or irregularities to go undetected.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties is necessary for proper internal control.

Controls over the receipting, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

GALILEO CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



GALILEO CHARTER SCHOOL

777 North 12th Street – Richmond, IN 47374 (765) 935-5131

February 15, 2012

State Board of Accounts
302 West Washington Street
Room E418
Indianapolis, Indiana 46204-2765

TO: THE OFFICIALS OF THE STATE BOARD OF ACCOUNTS

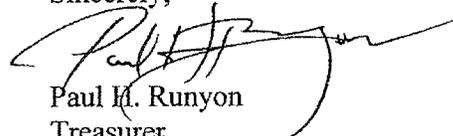
Detailed below is the CORRECTIVE ACTION PLAN to address the FEDERAL FINDING in the Results and Comments on the Examination Report of the Galileo Charter School for the period July 1, 2009 to June 30, 2011:

FINDING 2011-1, INTERNAL CONTROLS OVER COLLECTION OF SCHOOL LUNCH RECEIPTS

Report Comment: We noted a deficiency in the internal control system of the Charter School related to the collection of school lunch receipts.

Response: Galileo Charter School will improve its procedures for collecting, receipting and reporting school lunch receipts to insure acceptable segregation of duties and internal control by various levels of the school's organization. Corrective action will include informing the school's Board of Directors of the need for corrective action, presenting corrected school lunch collection and reporting procedures to the Board for their approval, and providing the Board with regular school lunch collection reports so that they can monitor the effectiveness of the school's school lunch collection and control.

Sincerely,



Paul H. Runyon
Treasurer
Galileo Charter School

GALILEO CHARTER SCHOOL
EXIT CONFERENCE

The contents of this report were discussed on February 9, 2012, with Kevin L. Handley, Sr., Chief Academic Officer; Paul H. Runyon, Chief Financial Officer; and Sabrina Pennington, President of the School Board. The Official Response has been made a part of this report and may be found on page 36.



GALILEO CHARTER SCHOOL

777 North 12th Street – Richmond, IN 47374 (765) 935-5131

February 15, 2012

State Board of Accounts
302 West Washington Street
Room E418
Indianapolis, Indiana 46204-2765

TO: THE OFFICIALS OF THE STATE BOARD OF ACCOUNTS

Detailed below is an OFFICIAL RESPONSE to the Results and Comments on the Examination Report of the Galileo Charter School for the period July 1, 2009 to June 30, 2011:

FINDING 2011-1, INTERNAL CONTROLS OVER COLLECTION OF SCHOOL LUNCH RECEIPTS

Report Comment: We noted a deficiency in the internal control system of the Charter School related to the collection of school lunch receipts.

Response: Galileo Charter School will improve its procedures for collecting, receipting and reporting school lunch receipts to insure acceptable segregation of duties and internal control by various levels of the school's organization.

Sincerely,

Paul H. Runyon
Treasurer
Galileo Charter School