



STATE OF INDIANA
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March 28, 2014

Charter School Board
Damar Charter School, Inc. d/b/a
Damar Charter Academy
6067 Decatur Boulevard
Indianapolis, IN 46241

We have reviewed the Supplemental Audit Report prepared by BKD, LLP, Independent Public Accountants, for the period July 1, 2012 to June 30, 2013. In our opinion, the Supplemental Audit Report was prepared in accordance with the guidelines established by the State Board of Accounts.

We call your attention to the finding in the report. Pages 3 and 4 contain one audit result and comment. Management's response is on page 6.

In addition to the report presented herein, a Financial Statements and Independent Auditors' Report for Damar Charter School, Inc. d/b/a Damar Charter Academy was prepared in accordance with the guidelines established by the State Board of Accounts.

The Supplemental Audit Report and the Financial Statements and Independent Auditors' Report are filed in our office as a matter of public record.

State Board of Accounts

**Damar Charter School, Inc.
d/b/a Damar Charter Academy**

Supplemental Report

June 30, 2013

Damar Charter School, Inc.
d/b/a Damar Charter Academy
June 30, 2013

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Damar Charter School, Inc.
d/b/a Damar Charter Academy
Schedule of School Officials
June 30, 2013

Office	Official	Term
Board Chair	Greg Johnson gregj@damarcharteracademy.org	July 30, 2010 - July 30, 2013
Board Assistant Secretary, Board Assistant Treasurer, and School Treasurer	Rich Harcourt rich@damarcharteracademy.org	July 30, 2010 - July 30, 2013
Accounting Director/Controller	Elaine Showalter elaines@damarcharteracademy.org	July 30, 2010 - July 30, 2013
Superintendent	Dr. James Dalton jimd@damarcharteracademy.org	July 30, 2010 - July 30, 2013

Independent Auditor's Report

Board of Directors
Damar Charter School, Inc.
d/b/a Damar Charter Academy
6067 Decatur Blvd.
Indianapolis, Indiana 46241

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Damar Charter School, Inc. d/a/b Damar Charter Academy as of and for the year ended June 30, 2013, and have issued our report thereon dated December 30, 2013.

We have performed the procedures outlined in Exhibit A of the *Guidelines for the Audits of Charter Schools Performed by Private Examiners*, issued by the Indiana State Board of Accounts dated July 2012 in accordance with standards on consulting services issued by the American Institute of Certified Public Accountants. The findings for the procedures performed are included in the Audit Results and Comments section. We make no representation regarding the sufficiency of the procedures for the purpose for which the report has been requested or for any other purpose.

This report is intended solely for the information and use of the Board of Directors and management of Damar Charter School, Inc. and the Indiana State Board of Accounts, and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Indianapolis, Indiana
December 30, 2013

Damar Charter School, Inc.
d/b/a Damar Charter Academy
Audit Results and Comments
Year Ended June 30, 2013

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the Academy as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A 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 and correct misstatements of the Academy's financial statements on a timely basis. A deficiency in design exists when a control necessary to meet a control objective is missing or an existing control is not properly designed so that, even if the control operates as designed, a control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or 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.

We observed the following matter that we consider to be a material weakness.

An adjustment was proposed and recorded during the course of the audit of the financial statements of the Academy. In accordance with accounting principles generally accepted in the United States of America, revenue from exchange transactions should be recognized as the revenue is earned by the Academy. The journal entry recorded was to account for certain grants as an exchange transaction and record all amounts that were earned in the fiscal year.

Damar Charter School, Inc.
d/b/a Damar Charter Academy
Audit Results and Comments
Year Ended June 30, 2013

Charter schools shall 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, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

Damar Charter School, Inc.
d/b/a Damar Charter Academy
Exit Conference
Year Ended June 30, 2013

The contents of this report were discussed on December 26, 2013, with Doug Stewart, Board Treasurer; Rich Harcourt, Board Assistant Secretary, Board Assistant Treasurer and School Treasurer; and Elaine Showalter, Accounting Director/Controller of Damar School, Inc. The Official Response has been made part of this report and may be found on the next page.



DAMAR CHARTER ACADEMY

Where exceptional learners grow and succeed.

**Damar Charter School, Inc.
d/b/a Damar Charter Academy**

**Official Response
Year Ended June 30, 2013**

Internal Control Over Financial Reporting

Management agrees and accepts. Management has evaluated and put in place current controls related to account reconciliation procedures/detection of adjustments. Audit adjustments determined to be material to the financial statements will be recorded timely.