

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

EXAMINATION REPORT
OF
THEA BOWMAN LEADERSHIP ACADEMY
LAKE COUNTY, INDIANA
July 1, 2008 to June 30, 2010



FILED
04/27/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Vito Bianco	07-01-08 to 06-30-11
Director of the School	Dr. Gwendolyn Adell	07-01-08 to 06-30-11
Chair of the School Board	Raymond Davis Dr. Dale Cudjoe	07-01-08 to 06-30-09 07-01-09 to 06-30-11



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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 ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE THEA BOWMAN LEADERSHIP ACADEMY, LAKE COUNTY, INDIANA

We have examined the financial statements presented herein of the Thea Bowman Leadership 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 statements 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 presents 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 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 Long-Term Debt has not been subjected to the examination procedures applied to the basic financial statements and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

February 16, 2011

THEA BOWMAN LEADERSHIP 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 (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 5,990,648	\$ -	\$ 48,037	\$ (5,942,611)
Support services	3,286,712	233,171	570,124	(2,483,417)
Noninstructional services	916,026	-	-	(916,026)
Facilities acquisition and construction	8,147,066	-	-	(8,147,066)
Debt service	962,425	-	-	(962,425)
Total governmental activities	\$ 19,302,877	\$ 233,171	\$ 618,161	(18,451,545)
General receipts:				
Property taxes				1,806,290
Other local sources				94,046
State aid				6,437,869
Bonds and loans				12,316,718
Grants and contributions not restricted to specific programs				1,589,381
Investment earnings				27,554
Total general receipts				22,271,858
Change in net assets				3,820,313
Net assets - beginning				938,245
Net assets - ending				\$ 4,758,558
<u>Assets</u>				
Cash and investments				\$ 4,758,558
<u>Net Assets</u>				
Unrestricted				\$ 4,758,558

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

THEA BOWMAN LEADERSHIP 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>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 6,749,005	\$ -	\$ 138,479	\$ (6,610,526)
Support services	4,202,358	250,262	638,723	(3,313,373)
Noninstructional services	802,646	-	-	(802,646)
Facilities acquisition and construction	1,788,782	-	-	(1,788,782)
Debt service	19,220,064	-	-	(19,220,064)
Total governmental activities	<u>\$ 32,762,855</u>	<u>\$ 250,262</u>	<u>\$ 777,202</u>	<u>(31,735,391)</u>
General receipts:				
Property taxes				2,902
Other local sources				146,084
State aid				10,601,156
Bonds and loans				19,296,244
Grants and contributions not restricted to specific programs				2,255,641
Investment earnings				28,760
Total general receipts				<u>32,330,787</u>
Change in net assets				595,396
Net assets - beginning				<u>4,758,558</u>
Net assets - ending				<u>\$ 5,353,954</u>
<u>Assets</u>				
Cash and investments				\$ 3,848,647
Restricted assets:				
Cash and investments				<u>1,505,307</u>
Total assets				<u>\$ 5,353,954</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 1,505,307
Unrestricted				<u>3,848,647</u>
Total net assets				<u>\$ 5,353,954</u>

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

THEA BOWMAN LEADERSHIP 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

	<u>General</u>	<u>Other</u>	<u>Totals</u>
Receipts:			
Local sources	\$ 1,988,947	\$ 172,115	\$ 2,161,062
State sources	6,485,628	95,924	6,581,552
Federal sources	-	2,063,858	2,063,858
Temporary loans	<u>12,125,586</u>	<u>191,132</u>	<u>12,316,718</u>
Total receipts	<u>20,600,161</u>	<u>2,523,029</u>	<u>23,123,190</u>
Disbursements:			
Current:			
Instruction	4,724,001	1,266,647	5,990,648
Support services	3,024,504	262,208	3,286,712
Noninstructional services	177,828	738,198	916,026
Facilities acquisition and construction	8,108,475	38,591	8,147,066
Debt services	<u>903,826</u>	<u>58,599</u>	<u>962,425</u>
Total disbursements	<u>16,938,634</u>	<u>2,364,243</u>	<u>19,302,877</u>
Excess (deficiency) of receipts over disbursements	<u>3,661,527</u>	<u>158,786</u>	<u>3,820,313</u>
Other financing sources (uses):			
Transfers in	-	203,457	203,457
Transfers out	<u>(195,430)</u>	<u>(8,027)</u>	<u>(203,457)</u>
Total other financing sources (uses)	<u>(195,430)</u>	<u>195,430</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,466,097	354,216	3,820,313
Cash and investments - beginning	<u>802,581</u>	<u>135,664</u>	<u>938,245</u>
Cash and investments - ending	<u>\$ 4,268,678</u>	<u>\$ 489,880</u>	<u>\$ 4,758,558</u>
<u>Cash and Investment Assets - Ending</u>			
Cash and investments	<u>\$ 4,268,678</u>	<u>\$ 489,880</u>	<u>\$ 4,758,558</u>
<u>Cash and Investment Fund Balance - Ending</u>			
Unrestricted	<u>\$ 4,268,678</u>	<u>\$ 489,880</u>	<u>\$ 4,758,558</u>

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

THEA BOWMAN LEADERSHIP 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	Debt Service	Bond Issue Proceeds	Other	Totals
Receipts:					
Local sources	\$ 197,704	\$ 54,007	\$ -	\$ 176,296	\$ 428,007
State sources	10,739,636	-	-	106,521	10,846,157
Federal sources	-	-	-	2,787,843	2,787,843
Total receipts	10,937,340	54,007	-	3,070,660	14,062,007
Disbursements:					
Current:					
Instruction	5,182,551	-	-	1,566,454	6,749,005
Support services	3,903,676	-	-	298,682	4,202,358
Noninstructional services	205,996	-	-	596,650	802,646
Facilities acquisition and construction	1,193,878	-	-	594,904	1,788,782
Debt services	129	19,134,164	-	85,771	19,220,064
Total disbursements	10,486,230	19,134,164	-	3,142,461	32,762,855
Excess (deficiency) of receipts over disbursements	451,110	(19,080,157)	-	(71,801)	(18,700,848)
Other financing sources (uses):					
Proceeds of long-term debt	-	-	19,296,244	-	19,296,244
Transfers in	-	20,585,464	-	95,969	20,681,433
Transfers out	(1,371,403)	-	(19,296,244)	(13,786)	(20,681,433)
Total other financing sources (uses)	(1,371,403)	20,585,464	-	82,183	19,296,244
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(920,293)	1,505,307	-	10,382	595,396
Cash and investments - beginning	4,268,678	-	-	489,880	4,758,558
Cash and investments - ending	\$ 3,348,385	\$ 1,505,307	\$ -	\$ 500,262	\$ 5,353,954
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ 3,348,385	\$ -	\$ -	\$ 500,262	\$ 3,848,647
Restricted assets:					
Cash and investments	-	1,505,307	-	-	1,505,307
Total cash and investment assets - ending	\$ 3,348,385	\$ 1,505,307	\$ -	\$ 500,262	\$ 5,353,954
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Debt service	\$ -	\$ 1,505,307	\$ -	\$ -	\$ 1,505,307
Unrestricted	3,348,385	-	-	500,262	3,848,647
Total cash and investment fund balance - ending	\$ 3,348,385	\$ 1,505,307	\$ -	\$ 500,262	\$ 5,353,954

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

THEA BOWMAN LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS

Note 1. Introduction

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

Note 2. Fund Accounting

A. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets - Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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 debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The bond issue proceeds capital projects fund accounts for the proceeds of the 2009 bond issue to finance the high school building, construction, and land debt.

THEA BOWMAN LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Measurement Focus and Basis of Accounting

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

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

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

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

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

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

Note 4. Deposits and Investments

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

THEA BOWMAN LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Note 5. 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>
General Fund	Debt Service Fund	\$ -	\$ 1,289,220
	Other Governmental Funds	195,430	82,183
Bond Issue Proceeds Fund	Debt Service Fund	-	19,296,244
Other Governmental Funds	Other Governmental Funds	8,027	13,786
Totals		<u>\$ 203,457</u>	<u>\$ 20,681,433</u>

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

THEA BOWMAN LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Cost

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

B. Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teacher's Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system, and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

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

Teachers' Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

Funding Policy and Annual Pension Cost

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school 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.

THEA BOWMAN LEADERSHIP 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	Textbook Rental	Title I 07/08	Title I 08/09	Title V Innovative Education
Receipts:					
Local sources	\$ 164,500	\$ 7,615	\$ -	\$ -	\$ -
State sources	-	95,924	-	-	-
Federal sources	474,200	-	-	479,120	277
Temporary loans	191,132	-	-	-	-
	<u>829,832</u>	<u>103,539</u>	<u>-</u>	<u>479,120</u>	<u>277</u>
Disbursements:					
Current:					
Instruction	-	308,126	42,165	467,915	277
Support services	-	-	-	4,093	-
Noninstructional services	728,233	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-
Debt services	58,599	-	-	-	-
	<u>786,832</u>	<u>308,126</u>	<u>42,165</u>	<u>472,008</u>	<u>277</u>
Excess (deficiency) of receipts over disbursements	<u>43,000</u>	<u>(204,587)</u>	<u>(42,165)</u>	<u>7,112</u>	<u>-</u>
Other financing sources (uses):					
Transfers in	-	195,430	-	8,027	-
Transfers out	-	-	(8,027)	-	-
	<u>-</u>	<u>195,430</u>	<u>(8,027)</u>	<u>8,027</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	43,000	(9,157)	(50,192)	15,139	-
Cash and investments - beginning	<u>49,394</u>	<u>9,157</u>	<u>50,192</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 92,394</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,139</u>	<u>\$ -</u>
Cash and Investment Assets - Ending					
Cash and investments	<u>\$ 92,394</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,139</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending					
Unrestricted	<u>\$ 92,394</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,139</u>	<u>\$ -</u>

THEA BOWMAN LEADERSHIP 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
 (Continued)

	Title II A	ARRA Fiscal Stabilization	ARRA Title I	ARRA Special Education	Totals
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 172,115
State sources	-	-	-	-	95,924
Federal sources	41,000	881,564	90,912	96,785	2,063,858
Temporary loans	-	-	-	-	191,132
Total receipts	<u>41,000</u>	<u>881,564</u>	<u>90,912</u>	<u>96,785</u>	<u>2,523,029</u>
Disbursements:					
Current:					
Instruction	50,754	350,625	-	46,785	1,266,647
Support services	24,235	192,406	-	41,474	262,208
Noninstructional services	-	9,965	-	-	738,198
Facilities acquisition and construction	-	38,591	-	-	38,591
Debt services	-	-	-	-	58,599
Total disbursements	<u>74,989</u>	<u>591,587</u>	<u>-</u>	<u>88,259</u>	<u>2,364,243</u>
Excess (deficiency) of receipts over disbursements	<u>(33,989)</u>	<u>289,977</u>	<u>90,912</u>	<u>8,526</u>	<u>158,786</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	203,457
Transfers out	-	-	-	-	(8,027)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>195,430</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(33,989)</u>	<u>289,977</u>	<u>90,912</u>	<u>8,526</u>	<u>354,216</u>
Cash and investments - beginning	<u>26,921</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,664</u>
Cash and investments - ending	<u>\$ (7,068)</u>	<u>\$ 289,977</u>	<u>\$ 90,912</u>	<u>\$ 8,526</u>	<u>\$ 489,880</u>
Cash and Investment Assets - Ending					
Cash and investments	<u>\$ (7,068)</u>	<u>\$ 289,977</u>	<u>\$ 90,912</u>	<u>\$ 8,526</u>	<u>\$ 489,880</u>
Cash and Investment Fund Balance - Ending					
Unrestricted	<u>\$ (7,068)</u>	<u>\$ 289,977</u>	<u>\$ 90,912</u>	<u>\$ 8,526</u>	<u>\$ 489,880</u>

THEA BOWMAN LEADERSHIP 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	Textbook Rental	Title I 08/09	Title I 09/10	Title IV Drug Free Schools	Title II A
Receipts:						
Local sources	\$ 166,024	\$ 10,272	\$ -	\$ -	\$ -	\$ -
State sources	-	106,521	-	-	-	-
Federal sources	<u>532,202</u>	<u>-</u>	<u>38,519</u>	<u>963,626</u>	<u>4,876</u>	<u>116,887</u>
Total receipts	<u>698,226</u>	<u>116,793</u>	<u>38,519</u>	<u>963,626</u>	<u>4,876</u>	<u>116,887</u>
Disbursements:						
Current:						
Instruction	-	198,976	22,695	621,944	-	81,999
Support services	-	-	17,177	68,171	-	24,609
Noninstructional services	580,792	-	-	696	-	-
Facilities acquisition and construction	-	-	-	43,123	-	-
Debt services	<u>85,771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>666,563</u>	<u>198,976</u>	<u>39,872</u>	<u>733,934</u>	<u>-</u>	<u>106,608</u>
Excess (deficiency) of receipts over disbursements	<u>31,663</u>	<u>(82,183)</u>	<u>(1,353)</u>	<u>229,692</u>	<u>4,876</u>	<u>10,279</u>
Other financing sources (uses):						
Transfers in	-	82,183	-	13,786	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>(13,786)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>82,183</u>	<u>(13,786)</u>	<u>13,786</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	31,663	-	(15,139)	243,478	4,876	10,279
Cash and investments - beginning	<u>92,394</u>	<u>-</u>	<u>15,139</u>	<u>-</u>	<u>-</u>	<u>(7,068)</u>
Cash and investments - ending	<u>\$ 124,057</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 243,478</u>	<u>\$ 4,876</u>	<u>\$ 3,211</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ 124,057</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 243,478</u>	<u>\$ 4,876</u>	<u>\$ 3,211</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ 124,057</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 243,478</u>	<u>\$ 4,876</u>	<u>\$ 3,211</u>

THEA BOWMAN LEADERSHIP 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)

	Special Education	ARRA Fiscal Stabilization	ARRA Title I	ARRA Special Education	Totals
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 176,296
State sources	-	-	-	-	106,521
Federal sources	304,079	283,597	451,800	92,257	2,787,843
Total receipts	304,079	283,597	451,800	92,257	3,070,660
Disbursements:					
Current:					
Instruction	153,144	316,464	104,748	66,484	1,566,454
Support services	88,796	86,292	13,637	-	298,682
Noninstructional services	-	15,162	-	-	596,650
Facilities acquisition and construction	4,000	155,656	356,310	35,815	594,904
Debt services	-	-	-	-	85,771
Total disbursements	245,940	573,574	474,695	102,299	3,142,461
Excess (deficiency) of receipts over disbursements	58,139	(289,977)	(22,895)	(10,042)	(71,801)
Other financing sources (uses):					
Transfers in	-	-	-	-	95,969
Transfers out	-	-	-	-	(13,786)
Total other financing sources (uses)	-	-	-	-	82,183
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	58,139	(289,977)	(22,895)	(10,042)	10,382
Cash and investments - beginning	-	289,977	90,912	8,526	489,880
Cash and investments - ending	<u>\$ 58,139</u>	<u>\$ -</u>	<u>\$ 68,017</u>	<u>\$ (1,516)</u>	<u>\$ 500,262</u>
Cash and Investment Assets - Ending					
Cash and investments	<u>\$ 58,139</u>	<u>\$ -</u>	<u>\$ 68,017</u>	<u>\$ (1,516)</u>	<u>\$ 500,262</u>
Cash and Investment Fund Balance - Ending					
Unrestricted	<u>\$ 58,139</u>	<u>\$ -</u>	<u>\$ 68,017</u>	<u>\$ (1,516)</u>	<u>\$ 500,262</u>

THEA BOWMAN LEADERSHIP ACADEMY
 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:		
Notes and loans payable:		
Indiana Common School Loan A010	\$ 1,162,936	\$ 123,271
Indiana Common School Loan A0116	3,267,041	-
Bonds payable:		
Revenue bonds:		
Economic Development Revenue Bonds of 2009	<u>19,091,244</u>	<u>1,500,681</u>
Total governmental activities debt	<u>\$ 23,521,221</u>	<u>\$ 1,623,952</u>

THEA BOWMAN LEADERSHIP ACADEMY
EXAMINATION RESULTS AND COMMENTS

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The following items were requested for examination, but were not provided:

1. Copies of six contracts
2. Capital asset records and schedule as of June 30, 2010
3. Title I questionnaire
4. Other documents that we requested to be completed to be in compliance with generally accepted auditing standards

We could not verify the validity of the payments made to these six vendors because of the missing contracts.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. (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 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)

BIANNUAL FINANCIAL REPORT TO A STATE AGENCY

The Biannual Financial Report for the period January 1, 2010 to June 30, 2010, was due on August 2, 2010. The report was filed on December 8, 2010, 128 days after the due date.

A memorandum dated June 18, 2010, was sent from the Indiana Department of Education to all School Corporations concerning the Biannual Financial Report for the period January 1, 2010 to June 30, 2010. "The Biannual Financial Report is the basis for information requested by local, state, and federal educators and others for use in planning the management of school finances. Please be reminded that the Biannual Financial Report is due in our office on or before August 2, 2010."

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

THEA BOWMAN LEADERSHIP ACADEMY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

RECEIPTS

1. Receipts were not always issued for collections of money. There were 18 items posted to the 2008-2009 detail of receipts with no receipt number listed including the Common School Loan Advance of \$3,267,041.00 on October 22, 2008, posted to the General Fund.
2. Receipts were not always issued in chronological order.
3. Some receipts were completed in pencil.
4. The following deficiencies were found on the Receipts issued at the School Corporate location:
 - a. The "received from" area usually indicated what the receipt was for, not from whom the money was received.
 - b. The amount of money received written out in words was missing.
 - c. The fund and account number to be posted to the ledger was missing.
 - d. The composition of payment was not indicated.

A similar comment appeared in the prior report.

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)

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)

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, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

THEA BOWMAN LEADERSHIP ACADEMY
EXAMINATION RESULTS AND COMMENTS
(Continued)

CONDITION OF RECORDS - NEGATIVE DISBURSEMENTS

The following deficiencies relating to the recordkeeping and controls over recording for the financial activities were noted:

There were several instances of "negative" disbursements reported in nine funds.

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

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

OVERDRAWN CASH BALANCES

The cash balance of the Title II A Fund (6840) was overdrawn \$7,068 at June 30, 2009. The cash balance of the ARRA Special Education Fund (7953) was overdrawn \$1,516 at June 30, 2010. These two federal grant funds are not reimbursement type grants.

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

TRANSFERS BETWEEN FUNDS

The Thea Bowman Leadership Academy School Board did not approve the transfers between funds. There were transfers between funds of \$203,457 during 2008-2009 and \$20,681,433 during 2009-2010.

Payments or transfers which are not authorized by statute, ordinance, resolution, or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Examples of school business decisions and transactions which should be recorded in the minutes are: . . . 18. Record of Loans between funds. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

THEA BOWMAN LEADERSHIP ACADEMY
EXAMINATION RESULTS AND COMMENTS
(Continued)

OFFICIAL BONDS

The following official bonds were not filed in the Office of the County Recorder:

Treasurer for the period September 1, 2008 to September 1, 2009
Employee Dishonesty Coverage for the period July 1, 2008 to July 1, 2009

Employee Dishonesty Coverage for the period July 1, 2009 to July 1, 2010, and for the period July 1, 2010 to July 1, 2011, were not presented for review.

A similar comment appeared in the prior report.

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 . . ."

ACCOUNTS PAYABLE VOUCHERS

Claims (accounts payable vouchers) were paid prior to the allowance by the School Board for 100% of accounts payable vouchers reviewed. There was one instance of a payment for services before the services were rendered.

A similar comment appeared in the prior report.

IC 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . .

(5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

EMPLOYEE SERVICE RECORDS AND LEAVE POLICIES

The School Corporation has a sick leave policy which provides that eligible employees earn one-half day of sick leave for each full calendar month worked up to six full days of sick leave per year. However, per the service records, all six sick days are accrued at the beginning of the year.

THEA BOWMAN LEADERSHIP ACADEMY
EXAMINATION RESULTS AND COMMENTS
(Continued)

The School Corporation has a personal leave policy which provides that eligible employees earn up to two personal days for the full academic year, these days do not accumulate from year to year. However, per the service records, the personal days are combined with the sick days instead of tracked separately. Unused sick leave can accumulate from year to year.

Employee Service Record (General Payroll Form 99A) was maintained for the 2008-2009 school year. For the 2009-2010 school year, the prescribed form was replaced by another hand posted service record which had space to record leave used, but did not have a place to record earned leave or leave carried forward from a prior year.

A similar comment appeared in the prior report.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (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)

CERTIFIED REPORT OF NAMES, ADDRESSES, DUTIES AND
COMPENSATION OF PUBLIC EMPLOYEES, GENERAL FORM 100R

The Certified Report of Names, Addresses, Duties and Compensation of Public Employees, General Form 100R, was not presented for review and was not filed by January 31, 2009, and January 31, 2010.

IC 5-15-6-3(f) concerning destruction of public records, states in part:

"Original records may be disposed of only with the approval of the commission according to guidelines established by the commission. . . ."

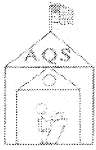
IC 5-11-13-1 concerning the personnel report, states in part:

"Every . . . school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents in their respective . . . institutions, and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts. . ."

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

THEA BOWMAN LEADERSHIP ACADEMY
EXIT CONFERENCE

The contents of this report were discussed on February 16, 2011, with Vito Bianco, Treasurer; Dr. Gwendolyn Adell, Director of the School; Dr. Dale Cudjoe, Chair of the School Board; and Kathleen Kansfield, Accounting Controller. The official response has been made a part of this report and may be found on pages 23 and 24.



Thea Bowman Leadership Academy

3401 W. 5th Avenue ♦ Gary, IN 46406

(219) 944-3100 ♦ Fax (219) 977-4780

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

February 28, 2011

Thea Bowman Leadership Academy Management Response to Examination Results and Comments

Federal and State Agencies – Compliance Requirements

Based on these new Federal Audit Requirements, officials will be sure to prepare the Schedule of Federal Financial Assistance and Schedule of Expenditures of Federal Awards at the close of each school year so it is available for the Federal Audit upon request.

Biannual Financial Report to a State Agency

School officials will be sure to file accurate and timely reports as required by federal and state agencies.

Receipts

The management company has discussed the deficiencies in the receipts generated in their offices with the State Auditors. The management company has changed procedures to ensure the receipts and fully completed and recorded in the ledgers properly.

The receipt books from the school building and the management company receipt book prior to May 14, 2009 (used in prior State Audit) were unfortunately not identified as when gathering the audit data prior to fieldwork or requested by the State Auditor as missing items. If they had they would have been provided for audit review.

Conditions of Records-Negative Disbursements

The school officials do maintain internal controls to reasonably assure accuracy and reliability of financial information. However, a disbursement may be required to be voided outside of the financial reporting period creating a negative disbursement due to timing differences. Such instances are considered to be reasonable and normal in course of the schools operations.

As a result of incorrect information and communication with Indiana Department of Education regarding proper presentation of SPED B pass through verses SPED B ARRA funding on the June 30, 2009 Form 9 financial report, the school officials were instructed to reverse the reporting, in detail from the incorrect fund code and report in detail under the correct fund code by the Indiana Department of Education. This resulted in multiple negative disbursements within the fund.

Overdrawn Cash Balances

The school officials maintain internal controls which do monitor fund cash balances. The specific overdrawn cash balances identified in the audit are addressed below. The 6-30-09 overdrawn Title II fund (6840) was funded on 7-22-09. The ARRA Special Education Fund (7953) funding was adjusted during the year to avoid excess cash balances, the funding for June expenses was requested and funded on 9-8-10.

Transfers Between Funds

The school board will be presented for approval all proposed transfers between funds based on school business decisions and transactions.

The amount of the transfers during 2009-2010 that were related to the proceeds of Facilities Revenue Bonds was \$20,585,464. This represents the portion of funds used to pay down construction loans. The school board did approve the Facilities Revenue Bond transaction but the portion of the proceeds that would create the fund transfer was not clearly identified within the board minutes.

Official Bonds

The official bond and employee dishonesty insurance coverage for the fiscal year 2008/2009 were effective for the audit period.

The employee dishonesty insurance coverage is combined in part of the overall school insurance package and not a separate policy document.

The management company has ensured that all treasurer bonds have been filed with the Office of County Recorder for fiscal year 2009/2010 and current fiscal year 2010/2011.

Accounts Payable Vouchers

Beginning in early 2009 the school board reviews and approves all open (unpaid) claims as of the date of the monthly board reports issuance. The school board has approved the fiscal officer to have jurisdiction over allowance of payment of the claims. Based on discussion with the State Auditor, the separate approval of open (unpaid claims) was not clear in the school board minutes.

The management company is developing new claims approval procedures to ensure clarity of approval of open unpaid claims and paid claims with recurring expenditure approval by the board.

Employee Time Records

The school will correct the employee handbook for the change in the sick leave policy to full accrual at beginning of the school year.

The school has ordered replacement forms 99A to be used for the 2010-2011 school year forward.

Certified Report of Names, Addresses, Duties and Compensation of Public Employees, General Form 100R

The management company will ensure that this report is available for audit and filed with the State Board of Accounts as required annually.