

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

GARY LIGHTHOUSE CHARTER SCHOOL
LAKE COUNTY, INDIANA

July 1, 2009 to June 30, 2011



FILED
03/23/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Robert Stearns	07-01-09 to 06-30-12
Superintendent of Schools	Carla Ellis Kimberlee Sia Charles Salter	07-01-09 to 12-01-09 12-02-09 to 09-07-10 09-08-10 to 06-30-12
President of the School Board	Michael Ronan Thakena D. Hogue	07-01-09 to 06-30-10 07-01-10 to 06-30-12



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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 GARY LIGHTHOUSE CHARTER SCHOOL, LAKE COUNTY, INDIANA

We have audited the accompanying financial statement of the Gary Lighthouse 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 the 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 March 15, 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, are presented for additional analysis and are not required parts of the financial statement. They 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 Results and Comments 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

March 15, 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 GARY LIGHTHOUSE CHARTER SCHOOL, LAKE COUNTY, INDIANA

We have audited the financial statement of the Gary Lighthouse Charter School (School Corporation), for the years ended June 30, 2010 and 2011, and have issued our report thereon dated March 15, 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.

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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

March 15, 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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GARY LIGHTHOUSE 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	\$ 1,314,802	\$ 5,100,082	\$ 4,706,978	\$ 38,674	\$ 1,746,580	\$ 5,497,943	\$ 5,442,384	\$ 229,503	\$ 2,031,642
School Lunch	-	349,598	392,868	-	(43,270)	312,752	329,542	66,867	6,807
Textbook Rental	-	-	-	-	-	71,418	-	(71,418)	-
Miscellaneous Programs	15,409	-	-	-	15,409	-	-	-	15,409
Title I, FY 08/09	144,468	78,639	161,125	(61,982)	-	-	-	-	-
Title I, FY 09/10	-	810,051	753,423	62,617	119,245	85,959	113,520	(91,684)	-
Title I, FY 10/11	-	-	-	-	-	545,220	679,808	91,049	(43,539)
Title I, School Improvement FY 10/11	-	-	-	-	-	98,127	96,573	-	1,554
Title I, School Improvement FY 09/10	-	122,840	77,641	-	45,199	14,581	59,780	-	-
Title I, School Improvement FY 08/09	42,322	11,400	53,722	-	-	-	-	-	-
Drug Free Schools	-	-	-	-	-	-	158	-	(158)
Charter School Facility Grant	-	-	-	-	-	388,240	180,880	(207,360)	-
Improving Teaching Quality, No Child Left, Title II, Part A, FY 08/09	28,248	-	30,351	(5,640)	(7,743)	77,121	-	-	69,378
Improving Teaching Quality, No Child Left, Title II, Part A, FY 09/10	-	1,240	8,877	5,640	(1,997)	44,111	137,683	(17,592)	(113,161)
Fiscal Stabilization - Education	-	566,162	566,162	-	-	-	-	-	-
ARRA Title I Stimulus	-	337,739	301,228	(635)	35,876	59,060	93,468	635	2,103
FIT Tax Withholding	-	75,715	75,715	-	-	273,698	273,698	-	-
FICA/Medicare Withholding	-	60,704	60,704	-	-	175,462	175,462	-	-
State Tax Withholding	-	26,536	26,536	-	-	86,521	86,521	-	-
Local Tax Withholding	-	142	142	-	-	-	-	-	-
Life Insurance	-	-	-	-	-	529	529	-	-
Medical Withholding	-	28,006	31,157	-	(3,151)	70,547	67,396	-	-
Retirement Withholding	224	17,932	18,536	-	(380)	26,624	24,959	-	1,285
Flexible Spending Withholding	670	352	595	-	427	1,252	1,083	-	596
Garnishment Withholding	-	523	1,198	-	(675)	7,567	7,567	-	(675)
Manual Checks and Voids	-	-	-	-	-	5,224	1,774	-	3,450
Totals	\$ 1,546,143	\$ 7,587,661	\$ 7,266,958	\$ 38,674	\$ 1,905,520	\$ 7,841,956	\$ 7,772,785	\$ -	\$ 1,974,691

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

GARY LIGHTHOUSE 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.

B. Basis of Accounting

The financial statement is reported on a 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. Receipts are recorded when received and disbursements are recorded when paid.

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 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.

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.

GARY LIGHTHOUSE 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.

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.

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:

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.

GARY LIGHTHOUSE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENT
(Continued)

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 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 Plan

The School Corporation makes matching contributions of up to 4% of the employee's income to a 403(b) retirement plan. The 403(b) retirement plan allows employees to make contributions up to limits established by the Internal Revenue Service. The employee chooses the investment options provided by the plan administrator. All 403(b) retirement plan contributions to the plan, plus any earnings they generate, are vested at 100%. As of August 1, 2010, the pension plan changed from a 403(b) to a 401(k) plan. There was no change to contribution rates.

Information regarding this plan may be obtained from the School Corporation.

GARY LIGHTHOUSE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 5. Subsequent Event

The School Corporation exercised the lease purchase option to purchase the building at 3201 Pierce Street for a cost of \$1,170,000 on August 24, 2011. The building was purchased from the City of Gary. This building is currently used for the College Preparatory Academy (CPA).

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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.

GARY LIGHTHOUSE 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	Miscellaneous Programs	Title I FY 08/09	Title I FY 09/10	Title I FY 10/11	Title I School Improvement FY 10/11	Title I School Improvement FY 09/10
Cash and investments - beginning	\$ 1,314,802	\$ -	\$ -	\$ 15,409	\$ 144,468	\$ -	\$ -	\$ -	\$ -
Receipts:									
Local sources	380,070	-	-	-	-	-	-	-	-
State sources	4,719,012	-	-	-	-	-	-	-	-
Federal sources	1,000	349,598	-	-	78,639	810,051	-	-	122,840
Other	-	-	-	-	-	-	-	-	-
Total receipts	5,100,082	349,598	-	-	78,639	810,051	-	-	122,840
Disbursements:									
Current:									
Instruction	2,254,337	-	-	-	136,558	290,180	-	-	-
Support services	1,614,439	-	-	-	24,567	463,243	-	-	77,641
Noninstructional services	49,553	392,868	-	-	-	-	-	-	-
Facilities acquisition and construction	732,586	-	-	-	-	-	-	-	-
Debt services	56,063	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	4,706,978	392,868	-	-	161,125	753,423	-	-	77,641
Excess (deficiency) of receipts over disbursements	393,104	(43,270)	-	-	(82,486)	56,628	-	-	45,199
Other financing sources (uses):									
Sale of capital assets	38,674	-	-	-	-	-	-	-	-
Transfers in	63,073	46,696	-	-	-	62,617	-	-	-
Transfers out	(63,073)	(46,696)	-	-	(61,982)	-	-	-	-
Total other financing sources (uses)	38,674	-	-	-	(61,982)	62,617	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	431,778	(43,270)	-	-	(144,468)	119,245	-	-	45,199
Cash and investments - ending	\$ 1,746,580	\$ (43,270)	\$ -	\$ 15,409	\$ -	\$ 119,245	\$ -	\$ -	\$ 45,199

GARY LIGHTHOUSE 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)

	Title I School Improvement FY 08/09	Drug Free Schools	Charter School Facility Grant	Improving Teaching Quality No Child Left Title II, Part A FY 08/09	Improving Teaching Quality No Child Left Title II, Part A FY 09/10	Fiscal Stabilization Education	ARRA Title I Stimulus	FIT Tax Withholding	FICA/Medicare Withholding
Cash and investments - beginning	\$ 42,322	\$ -	\$ -	\$ 28,248	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	10,290	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	11,400	-	-	-	1,240	566,162	327,449	-	-
Other	-	-	-	-	-	-	-	75,715	60,704
Total receipts	11,400	-	-	-	1,240	566,162	337,739	75,715	60,704
Disbursements:									
Current:									
Instruction	-	-	-	28,984	539	-	179,422	-	-
Support services	53,722	-	-	1,367	8,338	295,762	121,806	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	270,400	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	75,715	60,704
Total disbursements	53,722	-	-	30,351	8,877	566,162	301,228	75,715	60,704
Excess (deficiency) of receipts over disbursements	(42,322)	-	-	(30,351)	(7,637)	-	36,511	-	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	8,634	-	2,103	5,640	-	-	-	-
Transfers out	-	(8,634)	-	(7,743)	-	-	(635)	-	-
Total other financing sources (uses)	-	-	-	(5,640)	5,640	-	(635)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(42,322)	-	-	(35,991)	(1,997)	-	35,876	-	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (7,743)	\$ (1,997)	\$ -	\$ 35,876	\$ -	\$ -

GARY LIGHTHOUSE 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)

	State Tax Withholding	Local Tax Withholding	Life Insurance	Medical Withholding	Retirement Withholding	Flexible Spending Withholding	Garnishment Withholding	Manual Checks and Voids	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 224	\$ 670	\$ -	\$ -	\$ 1,546,143
Receipts:									
Local sources	-	-	-	-	-	-	-	-	390,360
State sources	-	-	-	-	-	-	-	-	4,719,012
Federal sources	-	-	-	-	-	-	-	-	2,268,379
Other	26,536	142	-	28,006	17,932	352	523	-	209,910
Total receipts	26,536	142	-	28,006	17,932	352	523	-	7,587,661
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	-	2,890,020
Support services	-	-	-	-	-	-	-	-	2,660,885
Noninstructional services	-	-	-	-	-	-	-	-	442,421
Facilities acquisition and construction	-	-	-	-	-	-	-	-	1,002,986
Debt services	-	-	-	-	-	-	-	-	56,063
Nonprogrammed charges	26,536	142	-	31,157	18,536	595	1,198	-	214,583
Total disbursements	26,536	142	-	31,157	18,536	595	1,198	-	7,266,958
Excess (deficiency) of receipts over disbursements	-	-	-	(3,151)	(604)	(243)	(675)	-	320,703
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	38,674
Transfers in	-	-	-	-	-	-	-	-	188,763
Transfers out	-	-	-	-	-	-	-	-	(188,763)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	38,674
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(3,151)	(604)	(243)	(675)	-	359,377
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (3,151)	\$ (380)	\$ 427	\$ (675)	\$ -	\$ 1,905,520

GARY LIGHTHOUSE 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	Miscellaneous Programs	Title I FY 08/09	Title I FY 09/10	Title I FY 10/11	Title I School Improvement FY 10/11	Title I School Improvement FY 09/10
Cash and investments - beginning	\$ 1,746,580	\$ (43,270)	\$ -	\$ 15,409	\$ -	\$ 119,245	\$ -	\$ -	\$ 45,199
Receipts:									
Local sources	484,271	-	-	-	-	3,972	-	-	581
State sources	5,013,672	-	71,418	-	-	-	-	-	-
Federal sources	-	312,752	-	-	-	81,987	545,220	98,127	14,000
Other	-	-	-	-	-	-	-	-	-
Total receipts	5,497,943	312,752	71,418	-	-	85,959	545,220	98,127	14,581
Disbursements:									
Current:									
Instruction	2,424,066	-	-	-	-	72,570	346,415	-	-
Support services	2,225,642	-	-	-	-	40,950	325,894	96,573	59,780
Noninstructional services	30,448	329,542	-	-	-	-	-	-	-
Facilities acquisition and construction	762,228	-	-	-	-	-	7,499	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	5,442,384	329,542	-	-	-	113,520	679,808	96,573	59,780
Excess (deficiency) of receipts over disbursements	55,559	(16,790)	71,418	-	-	(27,561)	(134,588)	1,554	(45,199)
Other financing sources (uses):									
Transfers in	296,370	66,867	-	-	-	-	91,049	-	-
Transfers out	(66,867)	-	(71,418)	-	-	(91,684)	-	-	-
Total other financing sources (uses)	229,503	66,867	(71,418)	-	-	(91,684)	91,049	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	285,062	50,077	-	-	-	(119,245)	(43,539)	1,554	(45,199)
Cash and investments - ending	\$ 2,031,642	\$ 6,807	\$ -	\$ 15,409	\$ -	\$ -	\$ (43,539)	\$ 1,554	\$ -

GARY LIGHTHOUSE 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)

	Title I School Improvement FY 08/09	Drug Free Schools	Charter School Facility Grant	Improving Teaching Quality No Child Left Title II, Part A FY 08/09	Improving Teaching Quality No Child Left Title II, Part A FY 09/10	Fiscal Stabilization Education	ARRA Title I Stimulus	FIT Tax Withholding	FICA/Medicare Withholding
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ (7,743)	\$ (1,997)	\$ -	\$ 35,876	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	1,240	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	388,240	77,121	42,871	-	59,060	-	-
Other	-	-	-	-	-	-	-	273,698	175,462
Total receipts	-	-	388,240	77,121	44,111	-	59,060	273,698	175,462
Disbursements:									
Current:									
Instruction	-	-	-	-	45,578	-	82,304	-	-
Support services	-	158	-	-	92,105	-	11,164	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	180,880	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	273,698	175,462
Total disbursements	-	158	180,880	-	137,683	-	93,468	273,698	175,462
Excess (deficiency) of receipts over disbursements	-	(158)	207,360	77,121	(93,572)	-	(34,408)	-	-
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	635	-	-
Transfers out	-	-	(207,360)	-	(17,592)	-	-	-	-
Total other financing sources (uses)	-	-	(207,360)	-	(17,592)	-	635	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(158)	-	77,121	(111,164)	-	(33,773)	-	-
Cash and investments - ending	\$ -	\$ (158)	\$ -	\$ 69,378	\$ (113,161)	\$ -	\$ 2,103	\$ -	\$ -

GARY LIGHTHOUSE 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)

	State Tax Withholding	Local Tax Withholding	Life Insurance	Medical Withholding	Retirement Withholding	Flexible Spending Withholding	Garnishment Withholding	Manual Checks and Voids	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ (3,151)	\$ (380)	\$ 427	\$ (675)	\$ -	\$ 1,905,520
Receipts:									
Local sources	-	-	-	-	-	-	-	-	490,064
State sources	-	-	-	-	-	-	-	-	5,085,090
Federal sources	-	-	-	-	-	-	-	-	1,619,378
Other	86,521	-	529	70,547	26,624	1,252	7,567	5,224	647,424
Total receipts	86,521	-	529	70,547	26,624	1,252	7,567	5,224	7,841,956
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	-	2,970,933
Support services	-	-	-	-	-	-	-	-	2,852,266
Noninstructional services	-	-	-	-	-	-	-	-	359,990
Facilities acquisition and construction	-	-	-	-	-	-	-	-	950,607
Nonprogrammed charges	86,521	-	529	67,396	24,959	1,083	7,567	1,774	638,989
Total disbursements	86,521	-	529	67,396	24,959	1,083	7,567	1,774	7,772,785
Excess (deficiency) of receipts over disbursements	-	-	-	3,151	1,665	169	-	3,450	69,171
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	454,921
Transfers out	-	-	-	-	-	-	-	-	(454,921)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	3,151	1,665	169	-	3,450	69,171
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ 1,285	\$ 596	\$ (675)	\$ 3,450	\$ 1,974,691

GARY LIGHTHOUSE CHARTER SCHOOL
AUDIT RESULTS AND COMMENTS

RECEIPT ISSUANCE

We found the following deficiencies in our review of receipts issued by the School Corporation:

1. Receipts did not always indicate the method of payment, i.e. cash, check, or money order.
2. Receipts lacked the signature of the person issuing the receipt.
3. Receipts did not always include the name of the fund and account number to properly record the receipt in the ledger.
4. Although receipts were issued, it could not be determined if they were issued in numerical order, as receipt dates were not in the same chronological order.
5. All copies of voided receipts were not retained for audit.
6. Multiple receipt books were in use at the same time, therefore, receipts were not issued in numerical order.
7. Form SA-8, "Summary Collection Form" was not in use by teachers/sponsors who were collecting money for field trips, uniforms, and fundraisers.

Due to these deficiencies, we could not determine if all receipts were deposited and we could not determine if receipts were deposited intact.

All school corporation money must be deposited in the duly designated depository not later than the business day following the receipt of funds on business days of the depository designated in the same form in which the funds were received in accordance with IC 5-13-6-1. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 4)

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.

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)

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)

Summary Collection Form (SA-8) is pre-numbered and to be prepared in duplicate by the sponsor. The original is to the extra-curricular treasurer to be retained in numerical order and the duplicate is to be retained in numerical order by the sponsor. A sponsor for the purpose of Form (SA-8) is the teacher or other person in charge of a classroom or function collecting money. Form SA-8 is to be used as a transmittal document each time fundraiser or field trip money is reported from the sponsor to the extra-curricular

GARY LIGHTHOUSE CHARTER SCHOOL
AUDIT RESULTS AND COMMENTS
(Continued)

treasurer. From SA-8 can be used at the discretion of school officials to account for other items. Space is provided to list check numbers and amounts as applicable. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

TIMELY DEPOSIT OF UNIFORM SALES

Uniform sales receipts were deposited between 4 and 162 days after the receipt was written for the collection. Due to receipt issuance problems noted in the prior comment, we could not verify that all funds were deposited or deposited intact. Revenue for uniforms decreased 36 percent from the school year ended June 30, 2010, to the school year ended June 30, 2011. However, enrollment for the corresponding period only decreased 1 percent.

All school corporation money must be deposited in the duly designated depository not later than the business day following the receipt of funds on business days of the depository designated in the same form in which the funds were received in accordance with IC 5-13-6-1. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 4)

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.

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)

COMINGLED GENERAL FUND AND EXTRA-CURRICULAR ACTIVITY

Receipts and disbursements for field trips, donations, and fundraisers, which are extra-curricular activities, were recorded in the General Fund of the School Corporation. Disbursements relating to the corresponding extra-curricular revenue stream could not be readily identified. A separate fund "Miscellaneous Programs" existed in the records. This fund had a cash balance of \$15,409 at June 30, 2011, and had no activity for the two year audit period. This fund had previously been used for extra-curricular activity.

Extra-curricular activities are defined as athletic, social or other school functions, the cost of which is not paid from public funds. These activities do not include functions conducted solely by any organization of parents and/or teachers (IC 20-41-1-7). Note that this statutory definition does not include any curricular or educational functions. All educational functions are the specific responsibility of the governing body (board of school trustees, etc.) of the school corporation acting on its behalf (IC 20-26-5-4), including providing the facilities and equipment therefore. All monies received for educational purposes, including those related to educational programs or facilities must be receipted to school corporation funds. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

GARY LIGHTHOUSE CHARTER SCHOOL
AUDIT RESULTS AND COMMENTS
(Continued)

AGENCY FUND RECONCILEMENT

At June 30, 2011, two agency funds (Fund 931, Garnishment Withholding and Fund 932, Manual Checks and Voids) had balances of (\$675) and \$3,450, respectively. The Garnishment Withholding Fund is a fund that receives withholdings from employees for court ordered garnishments and then disburses the garnishment to the respective court. The Manual Checks and Voids Fund was used to replace lost employee payroll checks. This fund is later reimbursed from the fund paying the payroll. Void checks are also accounted for in this fund. These funds should have a zero or near zero balance at year end. Nonzero balances in these funds may indicate posting or other errors that need to be researched and corrected.

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.

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)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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STATE BOARD OF ACCOUNTS
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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 GARY LIGHTHOUSE CHARTER SCHOOL, LAKE COUNTY, INDIANA

Compliance

We have audited the compliance of the Gary Lighthouse 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 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, the 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

March 15, 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.

GARY LIGHTHOUSE 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		\$ 67,247	\$ 59,439
National School Lunch Program	10.555		221,418	222,716
Total for federal grantor agency			288,665	282,155
<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			
09-9535		S010A080014	161,125	-
10-9535		S010A090014	753,423	113,520
11-9535		S010A100014	-	679,808
School Improvement				
09-9535			53,722	-
10-9535			77,641	59,780
11-9535			-	96,573
Total for program			1,045,911	949,681
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	S389A090014	301,228	82,468
Total for cluster			1,347,139	1,032,149
Pass-Through Indiana Department of Education State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	S394A090014	566,163	-
Pass-Through Indiana Department of Education Migrant Education - State Grant Program	84.011		-	11,000
Pass-Through Indiana Department of Education Safe and Drug-Free Schools and Communities - State Grants	84.186	Q186A060015	8,634	158
Pass-Through Indiana Department of Education Charter Schools - Per Pupil Facilities Grant	84.282D			
10-9535			207,360	-
11-9535			-	180,880
Total for program			207,360	180,880
Pass-Through Indiana Department of Education Improving Teacher Quality State Grants	84.367			
09-9535		S367A09013	38,095	-
10-9535		S367A10013	8,877	155,274
Total for program			46,972	155,274
Total for federal grantor agency			2,176,268	1,379,461
Total federal awards expended			\$ 2,464,933	\$ 1,661,616

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

GARY LIGHTHOUSE 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 Gary Lighthouse 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.

GARY LIGHTHOUSE 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?	none reported
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:

CFDA Number	Name of Federal Program or Cluster
84.282D	Child Nutrition Cluster Title I, Part A Cluster State Fiscal Stabilization Fund Cluster Charter Schools – Per Pupil Facilities Grant

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

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

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

Gary Lighthouse Charter School

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING. 2009-2 PROGRAM INCOME AND REPORTING SCHOOL NUTRITION PROGRAMS

Federal Agency: U.S. Department of Agriculture
Federal Program: Child Nutrition Cluster
CFDA Number: 10.553 and 10.555
Federal Award No.: FY2008-2009
Pass-Through Entity: Indiana Department of Education
Auditee Contact Person: Robert Stearns
Title of Contact Person: Treasurer
Phone Number: 508-626-0901 ex 244

Status of action taken to correct finding:

For the year ended June 30, 2009, the school had the finding of not recording meal subsidies in the meal program fund from the General Fund. Additionally the school recorded some meal expenses as expenses of the General Fund rather than as an expense of the meal program fund. Since the audit finding 2009-2 was issued, the school has recorded the meal expenses to the meal program fund. The school has also calculated the meal subsidy and recorded it as a fund transfer with the receipt recorded to the meal program fund and the expense transfer to the General Fund. The meal subsidy was determined from the source documents of meals counts and monthly claim forms. The school is a universal feeding school because of its high free and reduced eligibility of its students. The sales price that would have been charged was determined for each category and recorded as a fund transfer.

Signed Robert Stearns

Date 2/10/2012

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING. 2009-3 ALLOWABLE COST CONROLS AND COMPLIANCE

Federal Agency: U.S. Department of Education
Federal Program: Title I, Part A Cluster
CFDA Number: 84.010
Federal Award No.: 09-9535
Pass-Through Entity: Indiana Department of Education
Auditee Contact Person: Robert Stearns
Title of Contact Person: Treasurer
Phone Number: 508-626-0901 ex 244

Status of action taken to correct finding:

Payments to Vendors

Accounts payable vouchers (APV) did not contain fund numbers or account numbers. Some checks were paid from vendor statements and invoices were not attached to the voucher. Reclassifications were made from the General Fund to the Title I fund. School office personnel were trained to code expenses on the APV form using the appropriate fund-expense-object coding system. School office personnel and finance personnel are trained twice per year as to what makes up an acceptable APV package to avoid submitting for payment vouchers that do not have attached invoices. Starting in 2011, no checks would be issued for APV's submitted by the school without proper documentation. We feel we have steadily decreased the number of APV's submitted for payment to the Treasurer that did not contain adequate supporting documentation or incorrect account coding. Lastly we have recently started to make use of a special report from the accounting system that will assist in monitoring the grants such as Title I. The report will show budget to actual for the grant and will include pending transactions. This will help in determining if grant resources are being utilized and amount remaining in any grant line. Previously we monitored the grants spending using a spreadsheet which was not efficient and as a result some reclassifications were required.

Payments to Employees – The finding reported that the school uses an outside payroll service to prepare its payroll and that the payroll service's departmental reports were not used to record the payroll into the accounting system and as a result numerous reclassifications were made. Another finding reported that the activity report as reported by the Title I Director omitted the names of two teachers paid from the Title I fund. The school has implemented additional steps to manage the recording of payroll to mitigate the number of reclassifications due to the misposting of payroll to incorrect funds.

The school maintains a payroll data base each fiscal year that contains the records for each payroll period during its fiscal year. The data base is used by the payroll manager to as a tool to approve the payroll, and by the accountants since it allows the departmentalization of the payroll into funds, accounts and object codes that correspond with the accounting system. The payroll is also reviewed with the school by the accountants to make sure that the payroll is properly coded by department. The payroll service reports do not allow for enough flexibility in

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departmentalizing the payroll. The payroll service's payroll register and cash report is attached to the payroll journal entry as evidence and a source document. The payroll entry on the APV clearly shows the names, amounts and fun/account/object codes with each payroll.

The payroll in the accounting system is then reconciled to the data base for each six month and fiscal year period. In some instances there have been reclassifications from one fund to another due to reassignment of an employee but we feel the number of reclassifications have been greatly reduced. Since April 2010 after the audit finding, the school had two reclassifications in August 2010 of newly hired Title I staff from general elementary teachers and one entry of a Title II(a) staff from Title I. Detailed payroll have reconciled to the final Title I reports and to the accounting system.

The activity reports are completed by the Title I Director semi annually and have begun to be reviewed and reconciled to the accounting and payroll records for the grant in order to mitigate the omission of an employee who may have been terminated during the year and to account for all of the Title I positions that are approved in the Title I budget and paid during each six month period and reported on the semi-annual activity reports.

Signed Robert Stearns

Date 2/10/2012

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Gary Lighthouse Charter School

FINDING 2009-4; CASH MANAGEMENT

Federal Agency: U.S. Department of Education
Federal Program: Title I, Part A Cluster
CFDA Number: 84.010
Federal Award No.: 09-9535
Pass-Through Entity: Indiana Department of Education
Auditee Contact Person: Robert Stearns
Title of Contact Person: Treasurer
Phone Number: 508-626-0901 ex 244

Status of action taken to correct finding:

Upon receiving the grant award, such as Title I, the school would submit a twelve month cash request form to the pass-through entity per the state's former procedures. Prior to the state implementing a new reimbursement system the entire Title I School Improvement Grant was paid once the grant was approved. This accounted for the accumulation of excess cash held in the grant fund as noted on the FY09 audit report. Starting with FY11, the pass-through entity changed its procedure from a cash request and advance to a reimbursement method. The school submitted reimbursement requests to the pass-through entity and as a result the school has improved its cash management of federal awards.

Signed Robert Stearns

Date 2/10/2012

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Gary Lighthouse Charter School

FINDING 2009-5; REPORTING

Federal Agency: U.S. Department of Education

Federal Program: Title I, Part A Cluster

CFDA Number: 84.010

Federal Award No.: 09-9535

Pass-Through Entity: Indiana Department of Education

Auditee Contact Person: Robert Stearns

Title of Contact Person: Treasurer

Phone Number: 508-626-0901 ex 244

Status of action taken to correct finding:

The school did not post approved budget in the appropriation ledger and did not establish only the accounts and object numbers provided for the Title I funds. Additional account numbers were used in some cases. Since the comment reported in March 2010, the school monitored the grants in subsidiary ledgers called a grant log. This assisted the school in monitoring the spending of the approved grant budget. Subsequent to this in November 2011, the school started to make use of the budget and appropriation features in the software to monitor the grants that now correlate to the approved budget.

The School is required to file Quarterly Financial Monitoring Reports. The quarterly monitoring reports were not traceable to the ledgers maintained by the school. The school filed its quarterly reports on time for the eight quarters within the current audit period. Subsequent to the audit report in FY11 the ledgers were traceable to the reports in the accounting system. One of the quarters differed due to a transposition error but the ledgers provide evidence of the disbursements for the period reported. Additional measures such as reconciliation of ledger to report will be implemented to mitigate transposition errors in reporting.

Signed Robert Stearns

Date 2/10/2012

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Gary Lighthouse Charter School

FEDERAL 2009-6; SPECIAL TESTS AND PROVISIONS – HIGHLY QUALIFIED

Federal Agency: U.S. Department of Education

Federal Program: Title I, Part A Cluster

CFDA Number: 84.010

Federal Award No.: 09-9535

Pass-Through Entity: Indiana Department of Education

Auditee Contact Person: Robert Stearns

Title of Contact Person: Treasurer

Phone Number: 508-626-0901 ex 244

Status of action taken to correct finding:

The school employed an individual who was not highly qualified in their core academic subjects. Since the FY09 audit the school has only hired highly qualified teachers or in the process of becoming highly qualified. Any teacher who is not licensed or in the process of getting licensed are not employed at the school. The school makes use of its Title II(a) funds to assist getting these individuals highly qualified.

Signed Robert Stearns

Date 2/10/2012

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GARY LIGHTHOUSE CHARTER SCHOOL
EXIT CONFERENCE

The contents of this report were electronically mailed on March 15, 2012, with subsequent telephone discussions with Robert Stearns, Treasurer, and Thakena D. Hogue, President of the School Board. The Official Response has been made a part of this report and may be found on pages 40 and 41.

Gary Lighthouse Charter School

March 19, 2012

To: State Board of Accounts
302 West Washington St, Room E 418
Indianapolis, IN 46204-2765

From: Robert Stearns, Treasurer

OFFICIAL RESPONSE for Gary Lighthouse Charter School

RECEIPT ISSUANCE

Audit comment: Receipts did not indicate the method of payment. Receipts lacked the signature of the person issuing the receipt. Receipts did not always indicate the fund and account number. The date on the receipts fluctuated. Voided receipts were not retained. Multiple receipt books were in use. Form SA-8 "Summary Collection Form" was not in use by teachers or sponsors.

School response: The school will mark on the receipts the type of payment method (e.g. cash, check, etc). The school will make sure to sign using the name of the person issuing the receipt. The school will also do away with implementing multiple receipt books for different functions and centralize the receipting as the responsibility of the Business Manager. The school will order and implement the Form SA-8 which should eliminate the problem of using multiple receipt books. The school will retain the original multiple part forms for any voided receipt. The school will issue receipts contemporaneously and issue receipts chronological.

TIMELY DEPOSIT OF UNIFORM SALES

Audit comment: Uniform sale receipts were deposited between 4 and 162 days after the receipt was written for the collection.

School response: The school will create and maintain separate fund accounts for the receipt and disbursement of extra-curricular activities such as athletic, social or other school functions.

COMMINGLED GENERAL FUND AND EXTRA-CURRICULAR ACTIVITY

Audit comment: Receipts and disbursements for field trips, donations and fundraisers, which are extra-curricular activities, were recorded in the General Fund of the Charter School. Disbursements relating to the corresponding extra-curricular revenue stream could not be readily identified.

School response: The school will create and maintain separate fund accounts for the receipt and disbursement of extra-curricular activities such as athletic, social or other school functions.

AGENCY FUND RECONCILEMENT

Audit comment: At June 30, 2011, two agency funds (fund 931, Garnishment Withholding and fund 932, Manual Check and Voids) had balances of (\$675) and \$3,450, respectively. The Garnishment Withholding fund is a fund that receives withholdings from employees for court ordered garnishments and then disburses the garnishment to the respective court. The Manual Check and Voids fund was used by officials to disburse (replace) lost employee payroll checks. This fund is later reimbursed from the fund paying the payroll. Void checks are also accounted for in this fund. These funds should have a zero or near zero balance at year end. Non-zero balances in these funds may indicate posting or other errors that need to be researched and corrected. Officials should review the activity in these funds and make any necessary adjustments.

School response: The clearing fund for garnishments was not reviewed at year end until after the Form 9 was submitted and the year was closed. The misposting of a garnishment clearing transaction was reclassified and the garnishment clearing account is reconciled monthly. The Manual Checks and Voided Payroll Clearing account was reconciled at year end and the balance represented stale payroll checks returned to the school's account from the payroll service in May and June. The checks were identified and re-issued to the employees who did not cash the checks. The manual clearing account is reconciled on a monthly basis.



Robert V. Stearns, Treasurer
Lighthouse Academies of Indiana, Inc, the Organizer for,
Gary Lighthouse Charter School