



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

B42641

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](http://www.in.gov/sboa)

September 19, 2013

Charter School Board  
Timothy L. Johnson Academy, Inc.  
4615 Werling Drive  
Fort Wayne, IN 46806

We have reviewed the Supplemental Audit Report prepared by Fitzgerald/Isaac LLC, Independent Public Accountants, for the period July 1, 2011 to June 30, 2012. In our opinion, the Supplemental Audit Report was prepared in accordance with the guidelines established by the State Board of Accounts.

We call your attention to the findings in the report. Pages 3 and 4 contain four audit results and comments. Management's response is on page 6.

In addition to the report presented herein, a Financial Statements and Independent Auditors' Report for Timothy L. Johnson Academy, Inc., was prepared in accordance with the guidelines established by the State Board of Accounts.

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

*State Board of Accounts*

SUPPLEMENTAL AUDIT REPORT

OF

**TIMOTHY L. JOHNSON ACADEMY, INC.**

ALLEN COUNTY, INDIANA

July 1, 2011 to June 30, 2012

**Fitzgerald | Isaac** LLC  
Certified Public Accountants

TIMOTHY L. JOHNSON ACADEMY, INC.

ALLEN COUNTY, INDIANA

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TIMOTHY L. JOHNSON ACADEMY, INC.

ALLEN COUNTY, INDIANA

School Officials

Year Ended June 30, 2012

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	Rev. Mike Nickleson	07/01/11 – 06/30/12
Principal	Steve Bollier	07/01/11 – 06/30/12
Treasurer	Pam Shultz	07/01/11 – 06/30/12

The Board of Directors  
Timothy L. Johnson Academy, Inc.

We have audited the financial statements of **Timothy L. Johnson Academy, Inc.** (the "School") as of and for the year ended June 30, 2012 and have issued our report thereon dated June 25, 2013. As part of our audit, we tested the School's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts and grant agreements. Reported in the Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

*Fitzgerald Isaac LLC*

Indianapolis, IN  
June 25, 2013

TIMOTHY L. JOHNSON ACADEMY, INC.

ALLEN COUNTY, INDIANA

Audit Results and Comments

Year Ended June 30, 2012

CAPITAL ASSET INVENTORY

The School maintains a record of capital assets; however, it has not performed a physical inventory of its capital assets as a means to verify the asset records.

Every charter school shall have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory must be recorded on the applicable Capital Assets Ledger. A complete inventory must be taken for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10).

FORM USAGE

Cash disbursement transactions are subject to review and approval by School officials and account coding by management company personnel; however, the School does not use the Accounts Payable Voucher (Form 523) as required to document these actions.

The Accounts Payable Voucher (Form 523) is designed to replace Claim Form 505. The form must be used in accordance with the following conditions: Charter schools may not draw a warrant or check for payment of a claim unless: (1) there is a fully itemized invoice or bill for the claim; (2) the invoice or bill is approved by the officer or person receiving the goods and services; (3) the invoice or bill is filed with the fiscal officer; (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and (5) payment of the claim is allowed by the board having jurisdiction over the allowance of the payment of the claim. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 2).

All accounting transactions must be supported by adequate documentation. Transaction entries are supported by an explanation of the reason for the entry and must show an evidence of supervisory approval. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8).

TIMOTHY L. JOHNSON ACADEMY, INC.

ALLEN COUNTY, INDIANA

Audit Results and Comments, Continued

TEXTBOOK RENTALS

The School maintains a process for textbook rentals and pursues delinquent accounts for collection; however, it does not have a formal policy to address the handling of uncollectible accounts.

The charter school must have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances. Documentation must exist for all efforts made by the charter school to collect amounts owed prior to any write-offs. Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10).

CASH BALANCES

The Form 9 submission for the periods ended December 31, 2011 and June 30, 2012 report a number of funds with negative cash balances. Based on our audit, it does not appear that the negative balances in these funds accurately reflect the true cash balance. On an overall basis, the cash balance is accurately reported.

Charter Schools are required to submit a Form 9 Biannual Financial Report two times per year during the months of January and July. The financial information in the Form 9 shall reflect cash basis information. The January report must include previous calendar year financial and other required information for the period July 1 to December 31 financial data. The July report must include current calendar year financial and other required information for the period January 1 to June 30. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9).

The fund 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 charter school. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10).

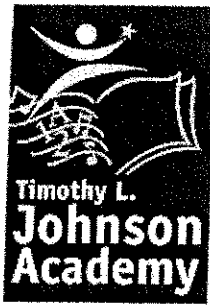
TIMOTHY L. JOHNSON ACADEMY, INC.

ALLEN COUNTY, INDIANA

Exit Conference

Year Ended June 30, 2012

The contents of this report were discussed on July 25, 2013, with Mike Nickleson (Board President), Vernon Graham (Board Vice-President), Ian Rolland (Board Treasurer), Deb Stewart (Board Secretary), Don Ash (The Leona Group Director of Budget and Finance), Anita Dortch (School Leader), and Steve Terry (Consultant). The Official Response has been made a part of this report and may be found on page 6.



7908 S. Anthony Blvd. • Fort Wayne, IN 46816  
Tel: 260.441.8727 • Fax: 260.441.9357

August 7, 2013

The Timothy L. Johnson Academy has reviewed the examination results and comments submitted by Fitzgerald | Isaac LLC, who prepared the Academy's financial report for fiscal year 2011-12. This letter is written in response to the examination results and comments in the report, dated June 25, 2013.

#### CAPITAL ASSET INVENTORY

A physical inventory of the Academy's assets will be performed in 2013-14.

#### FORM USAGE

While the Academy does not currently use the Accounts Payable Voucher (Form 523), all information and documentation necessary for payment of a claim is present and approved by the appropriate individuals. The Academy will contact the State Board charter schools personnel to seek an alternative method of adhering to the compliance guidelines.

#### TEXTBOOK RENTALS

The Academy will create a written policy for a procedure to write off bad debts, uncollectible accounts receivable or any other adjustments to record balances.

#### CASH BALANCES

The overdrawn funds mentioned were funded by the general fund to the extent necessary in 2012. While the Academy appreciates the fact that overdrawn funds could be an indicator of serious financial problems, the Academy was well aware of the fact that the general fund was sufficient to cover any shortfalls. In the future the Academy will endeavor to make sure that all funds have balances that are not reduced below zero.