

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

Supplemental Report

June 30, 2012

Damar Charter School, Inc.
d/b/a Damar Charter Academy
June 30, 2012

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Damar Charter School, Inc.
d/b/a Damar Charter Academy
Schedule of School Officials
June 30, 2012

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

Independent Accountants' Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Damar Charter School, Inc. as of and for the year ended June 30, 2012, and have issued our report thereon dated February 25, 2013.

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

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

BKD, LLP

February 23, 2013

Damar Charter School, Inc.
d/b/a Damar Charter Academy
Audit Results and Comments
Year Ended June 30, 2012

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the Academy as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

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

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

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

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

An adjustment was proposed and recorded during the course of the audit of the financial statements of the Academy. In accordance with accounting principles generally accepted in the United States of America, revenue from exchange transactions should be recognized as the revenue is earned by the Academy, contrasted to a contribution where revenue is recognized when the Academy receives notice of the contribution. The journal entry recorded was to account for a certain grant as an exchange transaction instead of a contribution, as originally accounted for by management.

Management is responsible for establishing and maintaining effective internal controls over financial reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

Damar Charter School, Inc.
d/b/a Damar Charter Academy
Audit Results and Comments
Year Ended June 30, 2012

Prescribed Forms Not Utilized

Inquiry was made of Lori Veshia, Staff Accountant, and Rich Harcourt, Chief Financial Officer and it was determined that the Academy is not using all of the prescribed forms dictated by the State Board of Accounts. A sample of required prescribed forms was selected for testing and, upon testing, it was determined that one form selected for testing, mileage claim, is not used by the Academy.

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 Charter Schools, Parts 2 and 10)

Travel Policy Not Adopted

Inquiry was made of Lori Veshia, Staff Accountant, and Rich Harcourt, Chief Financial Officer and it was determined that the Academy does not have an adopted written travel policy.

The charter school must establish a travel policy that details the procedures for an employee to get approval to attend meetings and conference; must detail when an employee is in travel status; must detail the procedures for employees to get reimbursement for travel expenses; and the policy must establish a reasonable mileage reimbursement rate. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

Damar Charter School, Inc.
d/b/a Damar Charter Academy
Exit Conference
Year Ended June 30, 2012

The contents of this report were discussed on February 25, 2013, with Doug Stewart, Board Treasurer; Rich Harcourt, Board Assistant Secretary, Board Assistant Treasurer and School Treasurer; and Elaine Showalter, Accounting Director/Controller of Damar School, Inc. The Official Response has been made part of this report and may be found on the next page.

Damar Charter School, Inc.
d/b/a Damar Charter Academy
Official Response
Year Ended June 30, 2012

Internal Control Over Financial Reporting

Management agrees and accepts. This is a one-time occurrence and represents a timing difference.

Prescribed Forms

Management agrees and will begin using the forms.

Travel Policy Not Adopted

Management agrees and adopted a travel policy on December 19, 2012.