



**JACKSONVILLE LIGHTHOUSE ACADEMY
CHARTER SCHOOL
REGULATORY BASIS FINANCIAL STATEMENTS
AND OTHER REPORTS**
with
**Independent Auditor's Report
June 30, 2011**

**LISA STEPHENS & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANT**

JACKSONVILLE LIGHTHOUSE ACADEMY CHARTER SCHOOL
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June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Jacksonville Lighthouse Academy Charter School

I have audited the accompanying financial statements of each major governmental fund of Jacksonville Lighthouse Academy Charter School (the "Charter School") as of and for the year ended June 30, 2011, which collectively comprise the Charter School's regulatory basis financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter School's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described more fully in Note 1, the Charter School has prepared these financial statements using accounting practices prescribed or permitted by Arkansas Code, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In my opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Jacksonville Lighthouse Academy Charter School as of June 30, 2011, or the changes in financial position for the year then ended. Further, the Charter School has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In my opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of each major governmental fund of the Charter School as of June 30, 2011, and the respective changes in financial position and budgetary results for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, I have also issued my report dated February 9, 2012 on my consideration of the Charter School's internal control over financial reporting and on my tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 my audit.

My audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Charter School's regulatory basis financial statements. The Schedule of Capital Assets and the Schedule of Selected Information have not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and, accordingly, I express no opinion on them.



Conway, Arkansas
February 9, 2012

**JACKSONVILLE LIGHTHOUSE ACADEMY CHARTER SCHOOL
PULASKI COUNTY, ARKANSAS
BALANCE SHEET
GOVERNMENTAL FUNDS - REGULATORY BASIS
June 30, 2011**

| | Governmental Funds | | |
|--|--------------------|--------------------|--------------------|
| | Major | | |
| | General | Special Revenue | Other Aggregate |
| ASSETS | | | |
| Cash and cash equivalents | \$91,980 | (\$16,235) | \$772,173 |
| Accounts receivable | - | 87,687 | - |
| TOTAL ASSETS | <u>\$91,980</u> | <u>\$71,452</u> | <u>\$772,173</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$62,624 | \$59,126 | \$96,450 |
| Total Liabilities | <u>62,624</u> | <u>59,126</u> | <u>96,450</u> |
| Fund Balances: | | | |
| Unrestricted | 29,356 | 12,326 | - |
| Temporarily restricted | - | - | 675,723 |
| Total Fund Balances | <u>29,356</u> | <u>12,326</u> | <u>675,723</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$91,980</u> | <u>\$71,452</u> | <u>\$772,173</u> |

The accompanying notes are an integral part of these financial statements.

JACKSONVILLE LIGHTHOUSE ACADEMY CHARTER SCHOOL
PULASKI COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - REGULATORY BASIS
For the Year Ended June 30, 2011

| | Unrestricted Major | | Temporarily Restricted |
|--|-----------------------|--------------------|---------------------------|
| | General | Special Revenue | Other Aggregate |
| REVENUES | | | |
| State assistance | \$2,465,140 | \$829 | - |
| Federal assistance | - | 534,491 | - |
| Activity revenues | 40,569 | - | - |
| Meal sales | - | 27,763 | - |
| Other revenues | 9,695 | - | - |
| Contributions | - | - | \$1,020,000 |
| TOTAL REVENUES | <u>2,515,404</u> | <u>563,083</u> | <u>1,020,000</u> |
| EXPENDITURES | | | |
| Regular programs | 985,693 | 10,192 | - |
| Special education | 23,053 | 52,417 | - |
| Compensatory education | 8,373 | 129,558 | - |
| Other instructional programs | 106,907 | - | - |
| Support services - students | 67,130 | 51,500 | - |
| Support services - instruction | 169,711 | 122,014 | - |
| Support services - general administration | 211,080 | - | - |
| Support services - school administration | 204,662 | - | - |
| Support services - business | 94,751 | - | - |
| Support services - M & O | 293,389 | 9,888 | - |
| Support services - food service | - | 149,358 | - |
| Support services - other | 12,968 | - | - |
| Student transportation services | 6,339 | - | - |
| Community services operations | - | - | - |
| Facilities acquisition and construction services | 12,164 | 57,305 | 344,277 |
| Non-programmed costs | - | - | - |
| Activity expenditures | 32,895 | - | - |
| Debt service: | - | - | - |
| Principal retirement | 279,605 | - | - |
| Interest and fiscal charges | 157,230 | - | - |
| TOTAL EXPENDITURES | <u>2,665,950</u> | <u>582,232</u> | <u>344,277</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(150,546)</u> | <u>(19,149)</u> | <u>675,723</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | 6,317 | - |
| Transfers out | (6,317) | - | - |
| Proceeds from loan | 100,000 | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>93,683</u> | <u>6,317</u> | <u>-</u> |
| EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | <u>(56,863)</u> | <u>(12,832)</u> | <u>675,723</u> |
| FUND BALANCES - July 1, 2010 | <u>86,219</u> | <u>25,158</u> | <u>-</u> |
| FUND BALANCES - June 30, 2011 | <u>\$29,356</u> | <u>\$12,326</u> | <u>\$675,723</u> |

The accompanying notes are an integral part of these financial statements.

**JACKSONVILLE LIGHTHOUSE ACADEMY CHARTER SCHOOL
PULASKI COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
For the Year Ended June 30, 2011**

| | General | | | Special Revenue | | |
|--|--------------------|------------------|--|-----------------|-----------------|--|
| | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | | | | |
| State assistance | \$2,465,140 | \$2,465,140 | - | \$829 | \$829 | - |
| Federal assistance | - | - | - | 643,612 | 534,491 | (\$109,121) |
| Activity expenditures | 48,014 | 40,569 | (\$7,445) | - | - | - |
| Meal sales | - | - | - | 27,763 | 27,763 | - |
| Other revenues | 110,818 | 9,695 | (101,123) | - | - | - |
| TOTAL REVENUES | 2,623,972 | 2,515,404 | (108,568) | 672,204 | 563,083 | (109,121) |
| EXPENDITURES | | | | | | |
| Regular programs | 966,914 | 985,693 | (18,779) | 6,127 | 10,192 | (4,065) |
| Special education | 23,053 | 23,053 | - | 79,557 | 52,417 | 27,140 |
| Compensatory education | 10,674 | 8,373 | 2,301 | 119,136 | 129,558 | (10,422) |
| Other instructional programs | 119,585 | 106,907 | 12,678 | - | - | - |
| Support services - students | 48,582 | 67,130 | (18,548) | 40,418 | 51,500 | (11,082) |
| Support services - instruction | 167,772 | 169,711 | (1,939) | 150,644 | 122,014 | 28,630 |
| Support services - general administration | 203,319 | 211,080 | (7,761) | - | - | - |
| Support services - school administration | 190,732 | 204,662 | (13,930) | - | - | - |
| Support services - business | 69,274 | 94,751 | (25,477) | - | - | - |
| Support services - M & O | 325,985 | 293,389 | 32,596 | 3,601 | 9,888 | (6,287) |
| Support services - food service | - | - | - | 165,391 | 149,358 | 16,033 |
| Support services - other | 468 | 12,968 | (12,500) | - | - | - |
| Student transportation services | 6,000 | 6,339 | (339) | - | - | - |
| Facilities acquisition and construction services | 211,165 | 12,164 | 199,001 | 141,878 | 57,305 | 84,573 |
| Activity expenditures | 32,775 | 32,895 | (120) | - | - | - |
| Debt service: | - | - | - | - | - | - |
| Principal retirement | 298,520 | 279,605 | 18,915 | - | - | - |
| Interest and fiscal charges | 253,105 | 157,230 | 95,875 | - | - | - |
| TOTAL EXPENDITURES | 2,927,923 | 2,665,950 | 261,973 | 706,752 | 582,232 | 124,520 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (303,951) | (150,546) | 153,405 | (34,548) | (19,149) | 15,399 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 901,150 | - | (901,150) | 6,318 | 6,317 | (1) |
| Transfers out | (1,453,855) | (6,317) | 1,447,538 | - | - | - |
| Proceeds from loan | - | 100,000 | 100,000 | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | (552,705) | 93,683 | 646,388 | 6,318 | 6,317 | (1) |
| EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | (856,656) | (56,863) | 799,793 | (28,230) | (12,832) | 15,398 |
| FUND BALANCES - JULY 1, 2010 | 190,316 | 86,219 | (104,097) | 28,058 | 25,158 | (2,900) |
| FUND BALANCES - JUNE 30, 2011 | (\$666,340) | \$29,356 | \$695,696 | (\$172) | \$12,326 | \$12,498 |

The accompanying notes are an integral part of these financial statements.

**JACKSONVILLE LIGHTHOUSE ACADEMY CHARTER SCHOOL
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Board of Education, a five member group, is the level of government, which has responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Jacksonville Lighthouse Academy Charter School (the "Charter School").

Description of Funds

Major governmental funds (per the regulatory basis of accounting) are defined as General and Special Revenue.

General Fund – The General Fund is the general operating fund and is used to account for all financial resources, except those required to be reported in another fund.

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

Other governmental funds, presented in the aggregate, consist of the following:

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Measurement Focus and Basis of Accounting

The financial statements are prepared in accordance with a regulatory basis of accounting (RBA). This basis of accounting is prescribed by Arkansas Code Annotated § 10-4-413(c), as provided in Act 2201 of 2005, and requires that financial statements be presented on a fund basis with, as a minimum, the general fund and special revenue fund presented separately and all other funds included in the audit presented in the aggregate. The law also stipulates that the financial statements consist of a balance sheet; a statement of revenues, expenditures, and changes in fund balances; a comparison of the final adopted budget to the actual expenditures for the general fund and special revenue funds of the entity; notes to financial statements; and a supplemental schedule of capital assets, including land, buildings, and equipment. The law further stipulates that the State Board of Education shall promulgate the rules necessary to administer the regulatory basis of presentation.

The RBA is not in accordance with generally accepted accounting principles (GAAP). GAAP require that basic financial statements present government-wide financial statements. Additionally, GAAP require the following major concepts: Management's Discussion and Analysis, accrual basis of accounting for government-wide financial statements, including depreciation expense, modified accrual basis of accounting for fund financial statements, separate financial statements for fiduciary fund types, separate identification of special and extraordinary items, inclusion of capital assets and debt in the financial statements, specific procedures for the identification of major governmental funds and applicable note disclosures. The RBA does not require government-wide financial statements or the previously identified concepts.

The accompanying financial statements are presented on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for purposes of recording specific activities or attaining certain objectives. Revenues are reported by major sources and expenditures are reported by major function. Other transactions, which are not reported as revenues or expenditures, are reported as other financing sources and uses. Transactions related to the recording of installment contracts and capital leases are reported as other financing sources. Changes in private-purpose trust funds will be reflected in the notes to the financial statements.

Revenue Recognition Policies

Revenues are recognized when they become susceptible to accrual in accordance with the RBA.

**JACKSONVILLE LIGHTHOUSE ACADEMY CHARTER SCHOOL
PULASKI COUNTY, ARKANSAS**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Capital Assets

Information on capital assets and related depreciation is reported in Schedule 1. Capital assets are capitalized at historical cost or estimated historical cost, if actual data is not available. Capital assets purchased are recorded as expenditures in the applicable fund at the time of purchase. Donated capital assets are reported at fair value when received. The Charter School maintains a threshold level of \$1,000 for capitalizing equipment. Library holdings are not capitalized.

No salvage value is taken into consideration for depreciation purposes. All capital assets, other than land and construction in progress, are depreciated using the straight-line method over the following useful lives:

| Asset Class | Estimated Useful Life in Years |
|-----------------------------|--------------------------------|
| Equipment | 5-20 |
| Improvements/Infrastructure | 20 |
| Buildings | 50 |

Fund Balance Designation

Unrestricted fund balance – Net assets that are not subject to donor-imposed stipulations. Unrestricted fund balance may be designated for specific purposes by action of the Board of Trustees.

Temporarily restricted fund balance – Net assets whose use by the Charter School is subject to donor-imposed stipulations that can be fulfilled by actions of the Charter School pursuant to those stipulations or that expire by the passage of time.

Budget and Budgetary Accounting

The Charter School is required by state law to prepare an annual budget. The annual budget is prepared on a fiscal year basis. The Charter School does not prepare and submit amended budgets during the fiscal year. The State Department of Education's regulations allow for the cash basis or the modified accrual basis. However, the majority of the charter schools employ the cash basis method.

The Charter School budgets intra-fund transfers. Significant variances may result in the comparison of transfers at the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds – Regulatory Basis because only interfund transfers are reported at the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Regulatory Basis.

Budgetary perspective differences are not considered to be significant, because the structure of the information utilized in preparing the budget and the applicable fund financial statements is essentially the same.

NOTE 2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

Cash deposits are carried at cost (carrying value). A comparison of the bank balance and carrying value is as follows:

| | Carrying Amount | Bank Balance |
|----------------|--------------------|-----------------|
| Insured (FDIC) | \$847,918 | \$1,163,377 |
| Total Deposits | \$847,918 | \$1,163,377 |

**JACKSONVILLE LIGHTHOUSE ACADEMY CHARTER SCHOOL
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011**

NOTE 2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS (CONTINUED)

The Dodd-Frank Wall Street Reform and Consumer Protection Act as amended for the period December 31, 2010 through December 31, 2012 allows for unlimited deposit insurance coverage for noninterest-bearing demand deposit accounts. The accounts maintained by the Charter School meet the definition for a noninterest-bearing demand deposit account.

NOTE 3: ACCOUNTS RECEIVABLE

The accounts receivable balance of \$87,687 at June 30, 2011 was comprised of the following:

| | Governmental Funds | |
|--------------------|--------------------|-----------------|
| Description | Major | Special Revenue |
| Federal Assistance | | \$87,687 |

Federal assistance is based on a reimbursement program, whereby the Charter School must expend these funds before requesting cash reimbursement. The Charter School expects to be reimbursed for all program expenditures.

NOTE 4: COMPENSATED ABSENCES

Charter School employees are entitled to paid vacation and sick days, depending on length of service and other factors. It is impractical to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. Costs of compensated absences are recognized when actually paid to employees. Additionally, compensated absences are not includable in the financial statements under the Regulatory Basis of Accounting (RBA) as adopted by the State of Arkansas and administered by the Arkansas State Board of Education.

NOTE 5: ACCOUNTS PAYABLE

The accounts payable and accrued liability balance of \$218,200 was comprised of the following:

| | Governmental Funds | | |
|-----------------|--------------------|-----------------|-----------------|
| Description | Major | | Other Aggregate |
| | General | Special Revenue | |
| Vendor Payables | \$62,624 | \$59,126 | \$96,450 |

NOTE 6: COMMITMENTS

The Charter School was contractually obligated for the following at June 30, 2011:

A. Construction Contracts:

| Project Name | Estimated Completion Date | Contract Balance |
|-----------------------------------|---------------------------|------------------|
| Flightline Middle School – JAFB | August 15, 2011 | \$968,920 |
| Modular Classrooms – Main Campus | August 15, 2011 | \$130,878 |
| Signage for New Flightline Campus | July 15, 2011 | \$2,077 |

B. Operating Leases (noncapital leases with initial non-cancellable lease terms in excess of one year)

General description of lease and leasing arrangements: one copier from OCE

Future minimum rental payments (aggregate) at June 30, 2011: \$1,677

Basis on which contingent rental payments are determined, if applicable:

Monthly lease is \$239.65 per month plus \$.0067 per copy for excess copies.

Rental payments for the operating lease described above were approximately \$2,424 for the year ended June 30, 2011.

**JACKSONVILLE LIGHTHOUSE ACADEMY CHARTER SCHOOL
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011**

NOTE 6: COMMITMENTS (CONTINUED)

General description of lease and leasing arrangements: one copier from Datamax

Future minimum rental payments (aggregate) at June 30, 2011: \$6,235

Basis on which contingent rental payments are determined, if applicable:

Monthly lease is \$235.75 for the first 12,000 copies, then plus \$.02 for black and white copies and \$.095 for all color copies.

Rental payments for the operating leases described above were approximately \$2,829 for the year ended June 30, 2011.

Future minimum rental payments for the succeeding years:

| Year Ended June 30, 20XX | Amount |
|--------------------------|---------|
| 2012 | \$4,670 |
| 2013 | 2,993 |
| 2014 | 249 |
| Total | \$7,912 |

NOTE 7: RETIREMENT PLANS

The Charter School contributes to the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan that covers the Arkansas public school employees, except certain nonteachers hired before July 1, 1989. ATRS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly.

The ATRS issues a publicly available financial report that includes financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201 or by calling 1-800-666-2877.

ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14% of covered salaries, the maximum allowed by State law. The Charter School's contributions to ATRS for the year ended June 30, 2011 was \$169,499 equal to the required contributions for the year.

NOTE 8: RISK MANAGEMENT

The Charter School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Charter School carries commercial insurance for buildings, contents, board liability, and student accidents. Settled claims did not exceed this commercial coverage in any of the past two fiscal years. There were no significant reductions in insurance coverage from the prior year in the major categories of risk.

The Charter School participates in the Arkansas Fidelity Bond Trust Fund administered by the Governmental Bonding Board. This program provides coverage for actual losses sustained by its members through fraudulent or dishonest acts committed by the officials and employees. Each loss is limited to \$250,000 with a \$1,000 deductible. Premiums for coverage are paid by the Chief Fiscal Officer of the State of Arkansas from funds withheld from the Public School Fund.

**JACKSONVILLE LIGHTHOUSE ACADEMY CHARTER SCHOOL
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2011**

NOTE 9: SUBSEQUENT EVENTS

The Charter School closed on the purchase of land (3.7 acres) on July 15, 2011. The purchase price of the land was \$495,000 with the School making a down payment of \$24,750 leaving a balance of \$470,250. The seller is carrying a note for thirty-six months at 4% interest and no principle payments due until July 13, 2014, when the Charter School would arrange for other financing or pay the balance in full. Management has evaluated subsequent events through February 9, 2012, the date which the financial statements were available for issue.

NOTE 10: LONG-TERM DEBT

The Charter School is presently paying on the following long-term debt:

| Date of Issue | Date of Final Maturity | Rate of Interest | Amortized and Issued | Outstanding June 30, 2011 | Maturities to June 30, 2011 |
|---------------|------------------------|------------------|----------------------|---------------------------|-----------------------------|
| 3/19/2010 | 3/19/2030 | 4.00% | \$1,700,000 | \$1,630,624 | \$69,376 |
| 3/19/2010 | 6/1/2016 | 5.00% | 998,627 | 943,971 | 54,656 |
| 3/20/2009 | 3/20/2014 | 4.75% | 400,000 | 326,384 | 73,616 |
| 12/22/2009 | 10/1/2012 | 16.20% | 104,266 | 56,034 | 48,232 |
| 5/13/2009 | 6/15/2013 | 0.00% | 150,000 | 137,500 | 12,500 |
| | | | <u>\$3,352,893</u> | <u>\$3,094,513</u> | <u>\$258,380</u> |

Following are the changes in long-term debt:

| | Balance July 1, 2010 | Issued | Retired | Balance June 30, 2011 |
|------------------|----------------------|------------------|------------------|-----------------------|
| Commercial Loans | \$2,677,383 | \$100,000 | \$202,789 | \$2,574,594 |
| Private Loans | 360,105 | 150,000 | 46,220 | 463,885 |
| Capital Leases | 86,631 | | 30,597 | 56,034 |
| | <u>\$3,124,119</u> | <u>\$250,000</u> | <u>\$279,606</u> | <u>\$3,094,513</u> |

Long-term debt principal and interest payments are as follows:

| Year Ended June 30, | Principal | Interest | Total |
|---------------------|--------------------|--------------------|--------------------|
| 2012 | \$230,593 | \$151,646 | \$382,239 |
| 2013 | 222,966 | 146,853 | 369,819 |
| 2014 | 413,534 | 125,656 | 539,190 |
| 2015 | 128,947 | 110,123 | 239,070 |
| 2016 | 789,608 | 103,025 | 892,633 |
| 2017-2021 | 393,913 | 227,398 | 621,311 |
| 2022-2026 | 482,338 | 138,972 | 621,310 |
| 2027-2030 | 432,614 | 34,419 | 467,033 |
| Totals | <u>\$3,094,513</u> | <u>\$1,038,092</u> | <u>\$4,132,605</u> |

NOTE 11: LINES OF CREDIT

To provide for short-term cash requirements the Charter School has established a line of credit agreement with a bank to borrow up to \$250,000 at 6.5%. The outstanding balance was \$0 at June 30, 2011, and the renewal date is February 16, 2012.

The Charter School also obtained a construction loan for the Flightline Middle School project on April 5, 2011 in the amount of \$150,000 at 6.5%. The outstanding balance was \$0 at June 30, 2011. The Charter School has twelve months to draw from the loan, but repayment is not due until the maturity date of April 5, 2016.

NOTE 12: CAPITAL LEASES

The Charter School has executed capital leases on computers and other technology equipment totaling \$104,266 at June 30, 2011.

Total minimum lease payments at June 30, 2011 were \$73,260, including interest in the amount of \$17,226. The total present value of net minimum lease payments was \$56,034 at June 30, 2011.

**JACKSONVILLE LIGHTHOUSE ACADEMY CHARTER SCHOOL
PULASKI COUNTY, ARKANSAS**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2011

NOTE 13: INTERFUND TRANSFERS

The Charter School transferred \$6,317 from the general funds to the special revenue funds to cover operating cost of the Food Service Program.

NOTE 14: ON-BEHALF PAYMENTS

The allocation of the health insurance premiums paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of the School's employees, total \$27,903 for the year ended June 30, 2011.

NOTE 15: CONTINGENCIES

The Charter School participates in federally assisted grant programs. The Charter School is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of non-compliance which would result in the disallowance of program expenditures.

NOTE 16: SIGNIFICANT CONCENTRATION

The Charter School is economically dependent on funding received through state and federal assistance. Approximately 60% and 13% respectively, of total revenues were from state and federal sources for the year ending June 30, 2011. Additionally, the Charter School received \$1,020,000 in private donations (25% of total revenues) for the construction of a second campus to be located on the Jacksonville Air Force Base.

**JACKSONVILLE LIGHTHOUSE ACADEMY CHARTER SCHOOL
PULASKI COUNTY, ARKANSAS
SCHEDULE OF CAPITAL ASSETS
For the Year Ended June 30, 2011
(Unaudited)**

| | <u>Balance June 30, 2011</u> |
|--|----------------------------------|
| NONDEPRECIABLE CAPITAL ASSETS | |
| Land | \$431,754 |
| Construction in progress | 244,157 |
| Total nondepreciable capital assets | <u>675,911</u> |
| DEPRECIABLE CAPITAL ASSETS | |
| Buildings | 2,941,601 |
| Improvements / infrastructure | 2,972 |
| Equipment | 225,826 |
| Total depreciable capital assets | <u>3,170,399</u> |
| Less accumulated depreciation for: | |
| Buildings | 98,060 |
| Improvements / infrastructure | 124 |
| Equipment | 52,811 |
| Total accumulated depreciation | <u>150,995</u> |
| TOTAL DEPRECIABLE CAPITAL ASSETS, NET | <u>3,019,404</u> |
| CAPITAL ASSETS, NET | <u><u>\$3,695,315</u></u> |

**JACKSONVILLE LIGHTHOUSE ACADEMY CHARTER SCHOOL
PULASKI COUNTY, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST TWO YEARS
GOVERNMENTAL FUNDS - REGULATORY BASIS
For the Year Ended June 30, 2011
(Unaudited)**

| | Year Ended June 30, 20XX | |
|-------------------------------|--------------------------|-----------|
| | 2011 | 2010 |
| General Fund | | |
| Total Assets | \$91,980 | \$193,458 |
| Total Liabilities | 62,624 | 107,239 |
| Total Fund Balances | 29,356 | 86,219 |
| Total Revenues | 2,515,404 | 2,220,649 |
| Total Expenditures | 2,665,950 | 3,876,452 |
| Total Other Financing Sources | 93,683 | 1,742,022 |
| Special Revenue Fund | | |
| Total Assets | \$71,452 | \$28,058 |
| Total Liabilities | 59,126 | 2,900 |
| Total Fund Balances | 12,326 | 25,158 |
| Total Revenues | 563,083 | 678,123 |
| Total Expenditures | 582,232 | 652,965 |
| Total Other Financing Sources | 6,317 | - |
| Other Aggregate Funds | | |
| Total Assets | \$772,173 | - |
| Total Liabilities | 96,450 | - |
| Total Fund Balances | 675,723 | - |
| Total Revenues | 1,020,000 | - |
| Total Expenditures | 344,277 | - |
| Total Financing Sources | - | - |

LISA STEPHENS & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANT

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Jacksonville Lighthouse Academy Charter School

I have audited the financial statements of each major governmental fund of the Jacksonville Lighthouse Academy Charter School as of and for the year ended June 30, 2011, which collectively comprise the Charter School's regulatory basis financial statements, and have issued my report thereon dated February 9, 2012. I issued an adverse opinion because the Charter School prepared the financial statements using accounting practices prescribed or permitted by the Arkansas Code, which differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective financial position of each major governmental fund of the Charter School as of June 30, 2011, and the respective changes in financial position and budgetary results for the year then ended, on the basis of accounting described in Note 1. I conducted my 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 my audit, I considered Jacksonville Lighthouse Academy Charter School' internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the regulatory basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jacksonville Lighthouse Academy Charter School' internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Charter School's internal control over financial reporting.

A deficiency of 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 statements will not be prevented, or detected and corrected on a timely basis.

My 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jacksonville Lighthouse Academy Charter School' regulatory basis financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the Legislative Joint Auditing Committee, the local Charter School Board of Trustees and management, state executive and oversight management, federal regulatory and oversight bodies, the federal awarding agencies and pass-through entities, and other parties as required by the Arkansas Code, and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Arkansas Code Annotated § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.



Conway, Arkansas
February 9, 2012

LISA STEPHENS & COMPANY, PLC
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH ARKANSAS STATE
REQUIREMENTS**

To the Board of Education
Jacksonville Lighthouse Academy Charter School
Little Rock, Arkansas

I have examined management's assertions that Jacksonville Lighthouse Academy Charter School substantially complied with the requirements of Arkansas Code Annotated 6-1-101 and the applicable laws and regulations including those listed in the accompanying schedule of statutes required to be addressed by the Arkansas Department of Education during the year ended June 30, 2011. Management is responsible for the District's compliance with those requirements. My responsibility is to express an opinion on management's assertions about the District's compliance based on my examination.

My examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. I believe that my examination provides a reasonable basis for my opinion. My examination does not provide a legal determination on the Charter School's compliance with specified requirements.

In my opinion, Jacksonville Lighthouse Academy Charter School complied with the aforementioned requirements for the year ended June 30, 2011.

This report is intended solely for the information and use of the Board of Trustees, management, and the Arkansas Department of Education and is not intended to be and should not be used by anyone other than these specified parties.



Conway, Arkansas
February 9, 2012

**JACKSONVILLE LIGHTHOUSE ACADEMY CHARTER SCHOOL
PULASKI COUNTY, ARKANSAS
SCHEDULE OF STATUTES REQUIRED BY ARKANSAS DEPARTMENT OF
EDUCATION TO BE ADDRESSED IN INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE
For the Year Ended June 30, 2011**

| <u>Description</u> | <u>Statutes</u> |
|--|---|
| Bidding and Purchasing Commodities | 6-21-301 – 6-21-305 |
| Ethical Guidelines and Prohibitions | 6-13-628; 6-24-101 et seq. |
| Collateralization and Investment Funds | 6-20-222; 19-1-504 |
| Deposit of Funds | 19-8-104; 19-8-106 |
| District Finances | 6-20-402 |
| • Bonded and Non-bonded Debt, District School Bonds | 6-20-1201 – 6-20-1208; 6-20-1210 |
| • Petty Cash | 6-20-409 |
| Management of Schools | |
| • Board of Directors | 6-13-604; 6-13-606; 6-13-608; 6-13-611 – 6-13-613; 6-13-617 – 6-13-620; 6-13-1406; 6-24-101; 6-24-104; 6-24-105 |
| • District Treasurer | 6-13-701 |
| o Warrants | 6-17-918; 6-17-919; 6-20-403 |
| Management Letter for Audit | 14-75-101 – 14-75-104 |
| Nonrecurring Salary Payments | 6-20-412 |
| Revolving Loan Fund | 6-19-114; 6-20-801 et seq. |
| Salary Laws | 6-17-2201 et seq.; 6-17-2301 et seq. |
| School Elections | 6-13-622; 6-13-630; 6-13-631; 6-13-634; 6-14-106; 6-14-109; 6-14-118; 6-13-1412; 6-13-1413 |
| Teachers and Employees | |
| • Personnel Policies | 6-17-201 et seq., 6-17-2301 |
| • Employment and Assignment | 6-17-301 et seq. |
| • Teacher's License Requirement | 6-17-401 et seq. |
| • Contracts | 6-17-801 et seq. |
| • Certification Requirements | 6-17-309; 6-17-401 |
| • Fair Dismissal Act | 6-17-1501 et seq.; 6-17-1701 et seq. |
| • Sick Leave Policies | 6-17-1201 et seq.; 6-17-1301 et seq. |
| Teacher Salaries, the Minimum Foundation Program Aid Act | 6-17-803; 6-17-907; 6-17-908; 6-17-911 – 6-17-913; 6-17-918; 6-17-919 |
| Trust Funds (Education Excellence) | 6-5-307 |
| Use of Contractors, Improvement Contracts | 22-9-201 – 22-9-205 |
| Use of DM&O Millage | 26-80-110 |

**JACKSONVILLE LIGHTHOUSE ACADEMY CHARTER SCHOOL
PULASKI COUNTY, ARKANSAS
SUPPLEMENTAL DATA SHEET
For the Year Ended June 30, 2011**

The following information is being provided to satisfy the requirements of Arkansas Department of Health and Human Services Audit Guidelines, Section IX. C – Special Requirements:

1. Entity's Full Name: Lighthouse Academies of Arkansas, Inc.
Jacksonville Lighthouse Academy Charter School
2. Entity's Address: 251 North First Street
Jacksonville, Arkansas 72076
3. Entity's FEIN: 26-3168986
4. Entity's Telephone Number: (501) 985-1200
5. Name of Director: Phillis Nichols Anderson, Superintendent
6. Name of Contact Person: Phillis Nichols Anderson, Superintendent