

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

EXAMINATION REPORT
OF
OPTIONS CHARTER SCHOOL - NOBLESVILLE
HAMILTON COUNTY, INDIANA
July 1, 2006 to June 30, 2007



FILED
05/02/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kathleen Hammonds	07-01-06 to 06-30-08
President of the School Board	Bruce Clayton Robert Smith	07-01-06 to 06-30-07 07-01-07 to 06-30-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE OPTIONS CHARTER SCHOOL - NOBLESVILLE,
HAMILTON COUNTY, INDIANA

We have examined the financial information presented herein of the Options Charter School - Noblesville (School Corporation), for the period of July 1, 2006 to June 30, 2007. The School Corporation's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the School Corporation for the year ended June 30, 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

January 2, 2008

OPTIONS CHARTER SCHOOL - NOBLESVILLE
SCHEDULE OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 406,901	\$ -	\$ 7,573	\$ (399,328)
Support services	480,958	12,149	-	(468,809)
Debt service	103,178	-	-	(103,178)
Total governmental activities	<u>\$ 991,037</u>	<u>\$ 12,149</u>	<u>\$ 7,573</u>	<u>(971,315)</u>
General receipts:				
Property taxes				45,535
Other local sources				9,195
State aid				219,859
Bonds and loans				403,504
Grants and contributions not restricted to specific programs				329,473
Sale of property, adjustments, and refunds				<u>8,038</u>
Total general receipts				<u>1,015,604</u>
Change in net assets				44,289
Net assets - beginning				<u>-</u>
Net assets - ending				<u>\$ 44,289</u>
<u>Assets</u>				
Cash and investments				<u>\$ 44,289</u>
Total assets				<u>\$ 44,289</u>
<u>Net Assets</u>				
Unrestricted				<u>\$ 44,289</u>
Total net assets				<u>\$ 44,289</u>

The accompanying notes are an integral part of the financial information.

OPTIONS CHARTER SCHOOL - NOBLESVILLE
 SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	General	Charter School Implementation Phase I	Charter School Implementation Phase II	Other	Totals
Receipts:					
Local sources	\$ 66,880	\$ -	\$ -	\$ -	\$ 66,880
State sources	228,431	-	-	26,762	255,193
Federal sources	-	151,000	149,000	1,712	301,712
Bonds and loans	403,504	-	-	-	403,504
Sale of property, adjustments and refunds	8,038	-	-	-	8,038
Total receipts	706,853	151,000	149,000	28,474	1,035,327
Disbursements:					
Current:					
Instruction	336,422	62,600	7,880	-	406,902
Support services	329,058	88,400	63,500	-	480,958
Debt services	103,178	-	-	-	103,178
Total disbursements	768,658	151,000	71,380	-	991,038
Excess (deficiency) of receipts over disbursements	(61,805)	-	77,620	28,474	44,289
Other financing sources (uses):					
Transfers in	86,094	-	-	-	86,094
Transfers out	-	-	(57,620)	(28,474)	(86,094)
Total other financing sources (uses)	86,094	-	(57,620)	(28,474)	-
Excess of receipts and other financing sources over disbursements and other financing uses	24,289	-	20,000	-	44,289
Cash and investments - beginning	-	-	-	-	-
Cash and investments - ending	\$ 24,289	\$ -	\$ 20,000	\$ -	\$ 44,289
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ 24,289	\$ -	\$ 20,000	\$ -	\$ 44,289
Restricted assets:					
Total cash and investment assets - ending	\$ 24,289	\$ -	\$ 20,000	\$ -	\$ 44,289
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Unrestricted	\$ 24,289	\$ -	\$ 20,000	\$ -	\$ 44,289
Total cash and investment fund balance - ending	\$ 24,289	\$ -	\$ 20,000	\$ -	\$ 44,289

The accompanying notes are an integral part of the financial information.

OPTIONS CHARTER SCHOOL - NOBLESVILLE
 SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 FIDUCIARY FUNDS
 For the Year Ended June 30, 2007

	Private-Purpose Trust Funds	Agency Funds
Additions:		
Contributions:		
Other	\$ 957	
Deductions:		
Administrative and general	957	
Excess of total additions over total deductions	-	
Cash and investment fund balance - beginning	-	
Cash and investment fund balance - ending	\$ -	
Net assets:		
Cash and investments	\$ -	\$ 2,325
Total net assets - cash and investment basis held in trust	\$ -	\$ 2,325

The accompanying notes are an integral part of the financial information.

OPTIONS CHARTER SCHOOL - NOBLESVILLE
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

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

Note 2. Fund Accounting

A. Government-Wide and Fund Financial Schedules

Government-Wide Financial Schedules

The Schedule Activities and Net Assets - Cash and Investment Basis displays information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund Financial Schedules

Fund financial schedules of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial schedules are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial schedules. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial schedules.

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The charter school implementation grant phase I and the charter school implementation grant phase II funds account for federal grant funds used to pay for capital outlay and other costs associated with establishing the charter school.

Additionally, the School Corporation reports the following fund types:

The private-purpose trust fund reports a trust arrangement under which principal and income benefit students.

Agency funds account for assets held by the School Corporation as an agent for various payroll withholding authorities.

OPTIONS CHARTER SCHOOL - NOBLESVILLE
NOTES TO FINANCIAL INFORMATION
(Continued)

B. Measurement Focus and Basis of Accounting

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

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

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

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

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds.

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

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of

OPTIONS CHARTER SCHOOL - NOBLESVILLE
 NOTES TO FINANCIAL INFORMATION
 (Continued)

Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

Note 5. Deposits and Investments

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

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

Note 6. Interfund Transfers

Interfund transfers for the year ended June 30, 2007, were as follows:

Transfer From	Transfer To	2007
Charter School Implementation Grant Phase II	General Fund	\$ 57,620
Other governmental funds	General Fund	28,474
Total		\$ 86,094

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

Note 7. Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system, and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions

OPTIONS CHARTER SCHOOL - NOBLESVILLE
NOTES TO FINANCIAL INFORMATION
(Continued)

plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Cost

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

OPTIONS CHARTER SCHOOL - NOBLESVILLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2007

The School Corporation has entered into the following debt:

Description of Long-Term Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Computer Equipment	\$ 77,632	\$ 39,873
Notes and loans payable:		
Bank line of credit	70,000	70,000
Bus Loan	18,202	5,706
Common School Fund Loan	<u>299,060</u>	<u>38,581</u>
Total governmental activities debt	<u>\$ 464,894</u>	<u>\$ 154,160</u>

OPTIONS CHARTER SCHOOL - NOBLESVILLE
EXAMINATION RESULT AND COMMENT

OFFICIAL BONDS - CONTINUATION CERTIFICATES

The official bond for Treasurer Kathy Hammonds was issued by Fidelity and Deposit Co., on January 3, 2003. Subsequently, continuation certificates were issued.

Indiana Code 20-26-4-5 provides that for each school year commencing July 1, the treasurer of each governing body and the school corporation and any deputy treasurer, if so appointed, shall give a bond for the faithful performance of duties written by an insurance company licensed to do business in the State of Indiana, in an amount determined by the governing body. The treasurer shall be responsible under his bond for the acts of any deputy treasurer appointed as provided in IC 20-26-4-1.

The treasurer's official bond must be written for a term of one (1) year, the term of office of the treasurer; shall be payable to the State of Indiana as required by IC 5-4-1-10; and, when approved, shall be filed and recorded in the office of the recorder of the county wherein the treasurer resides as provided in IC 5-4-1-5.1. (The School Administrator and Uniform Compliance Guidelines, Volume 171)

OPTIONS CHARTER SCHOOL - NOBLESVILLE
EXIT CONFERENCE

The contents of this report were discussed on February 19, 2008, with Kathleen Hammonds, Treasurer; Barbara Maschino, Carmel Principal and Co-Director; and Kevin Davis, Noblesville Principal and Co-Director. The officials concurred with our finding.