

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

EXAMINATION REPORT
OF
OPTIONS CHARTER SCHOOL - CARMEL
HAMILTON COUNTY, INDIANA
July 1, 2007 to June 30, 2009



FILED
02/24/2010

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Government-Wide Financial Information:	
Schedules of Activities and Net Assets – Cash and Investment Basis	4-5
Fund Financial Information:	
Governmental Funds:	
Schedules of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds	6-7
Fiduciary Funds:	
Schedules of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds	8-9
Notes to Financial Information	10-18
Required Supplementary Information:	
Schedule of Funding Progress	19
Supplementary Information:	
Combining Schedules of Assets and Fund Balances and Receipts, Disbursements and Changes in Fund Balances – Cash and Investment Basis.....	20-21
Schedule of Long-Term Debt	22
Exit Conference.....	23

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kathleen Hammonds Sherrie Bly	07-01-07 to 06-30-09 07-01-09 to 06-30-10
President of Schools	Kevin Davis	07-01-07 to 06-30-10
President of the School Board	Scott Bova	07-01-07 to 06-30-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial statement presented herein of Options Charter School - Carmel (School Corporation), for the period of July 1, 2007 to June 30, 2009. The School Corporation's management is responsible for the financial statement 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 statement 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 statement referred to above presents fairly, in all material respects, the financial statement of the School Corporation for the years ended June 30, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Combining Schedules and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial statement. The Combining Schedules have been subjected to the examination procedures applied in the examination of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Long-Term Debt has not been subjected to the examination procedures applied to the basic financial statement, and accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

December 22, 2009

OPTIONS CHARTER SCHOOL
SCHEDULE OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Totals</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Instruction	\$ 693,552	\$ -	\$ 4,142	\$ -	\$ (689,410)
Support services	192,904	15,070	-	-	(177,834)
Noninstructional services	1,125	-	-	-	(1,125)
Facilities acquisition and construction	28,806	-	-	-	(28,806)
Debt service	138,854	-	-	-	(138,854)
	<u>\$ 1,055,241</u>	<u>\$ 15,070</u>	<u>\$ 4,142</u>	<u>\$ -</u>	<u>(1,036,029)</u>
General receipts:					
Property taxes					276,735
Other local sources					64,831
State aid					662,658
Grants and contributions not restricted to specific programs					68,085
Sale of property					5
Other					8,500
					<u>1,080,814</u>
Total general receipts					<u>1,080,814</u>
Change in net assets					44,785
Net assets - beginning					<u>41,423</u>
Net assets - ending					<u>\$ 86,208</u>
<u>Assets</u>					
Cash and investments					<u>\$ 86,208</u>
Total assets					<u>\$ 86,208</u>
<u>Net Assets</u>					
Unrestricted					<u>\$ 86,208</u>
Total net assets					<u>\$ 86,208</u>

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

OPTIONS CHARTER SCHOOL
SCHEDULE OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>			<u>Totals</u>
	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>	
Governmental activities:					
Instruction	\$ 744,925	\$ -	\$ 2,114	\$ -	\$ (742,811)
Support services	171,858	29,382	-	-	(142,476)
Facilities acquisition and construction	22,185	-	-	-	(22,185)
Debt service	<u>160,279</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(160,279)</u>
Total governmental activities	<u>\$ 1,099,247</u>	<u>\$ 29,382</u>	<u>\$ 2,114</u>	<u>\$ -</u>	<u>(1,067,751)</u>
General receipts:					
Property taxes					166,052
Other local sources					60,183
State aid					712,049
Grants and contributions not restricted to specific programs					155,248
Other					<u>10,000</u>
Total general receipts					<u>1,103,532</u>
Change in net assets					35,781
Net assets - beginning					<u>86,208</u>
Net assets - ending					<u>\$ 121,989</u>
<u>Assets</u>					
Cash and investments					<u>\$ 121,989</u>
Total assets					<u>\$ 121,989</u>
<u>Net Assets</u>					
Unrestricted					<u>\$ 121,989</u>
Total net assets					<u>\$ 121,989</u>

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

OPTIONS CHARTER SCHOOL
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, 2008

	General	Alternative Education	Other	Totals
Receipts:				
Local sources	\$ 356,635	\$ -	\$ -	\$ 356,635
State sources	667,620	66,507	-	734,127
Federal sources	759	-	-	759
Other	8,500	-	-	8,500
Total receipts	1,033,514	66,507	-	1,100,021
Disbursements:				
Current:				
Instruction	693,552	-	-	693,552
Support services	192,717	-	187	192,904
Noninstructional services	1,125	-	-	1,125
Facilities acquisition and construction	28,806	-	-	28,806
Debt services	138,854	-	-	138,854
Total disbursements	1,055,054	-	187	1,055,241
Excess (deficiency) of receipts over disbursements	(21,540)	66,507	(187)	44,780
Other financing sources (uses):				
Sale of capital assets	5	-	-	5
Transfers in	163,483	-	-	163,483
Transfers out	-	(160,980)	(2,503)	(163,483)
Total other financing sources (uses)	163,488	(160,980)	(2,503)	5
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	141,948	(94,473)	(2,690)	44,785
Cash and investments - beginning	(55,740)	94,473	2,690	41,423
Cash and investments - ending	\$ 86,208	\$ -	\$ -	\$ 86,208
<u>Cash and Investment Assets - Ending</u>				
Cash and investments	\$ 86,208	\$ -	\$ -	\$ 86,208
Total cash and investment assets - ending	\$ 86,208	\$ -	\$ -	\$ 86,208
<u>Cash and Investment Fund Balance - Ending</u>				
Unrestricted	\$ 86,208	\$ -	\$ -	\$ 86,208
Total cash and investment fund balance - ending	\$ 86,208	\$ -	\$ -	\$ 86,208

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

OPTIONS CHARTER SCHOOL
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, 2009

	General	Alternative Education	Fiscal Stabilization	Other	Totals
Receipts:					
Local sources	\$ 242,561	\$ -	\$ -	\$ -	\$ 242,561
Intermediate sources	13,056	-	-	-	13,056
State sources	716,475	75,365	-	-	791,840
Federal sources	-	-	72,565	5,006	77,571
Other	10,000	-	-	-	10,000
Total receipts	<u>982,092</u>	<u>75,365</u>	<u>72,565</u>	<u>5,006</u>	<u>1,135,028</u>
Disbursements:					
Current:					
Instruction	717,603	-	27,085	237	744,925
Support services	168,042	-	3,653	163	171,858
Facilities acquisition and construction	18,585	-	3,600	-	22,185
Debt services	160,279	-	-	-	160,279
Total disbursements	<u>1,064,509</u>	<u>-</u>	<u>34,338</u>	<u>400</u>	<u>1,099,247</u>
Excess (deficiency) of receipts over disbursements	<u>(82,417)</u>	<u>75,365</u>	<u>38,227</u>	<u>4,606</u>	<u>35,781</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(82,417)	75,365	38,227	4,606	35,781
Cash and investments - beginning	<u>86,208</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,208</u>
Cash and investments - ending	<u>\$ 3,791</u>	<u>\$ 75,365</u>	<u>\$ 38,227</u>	<u>\$ 4,606</u>	<u>\$ 121,989</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	<u>\$ 3,791</u>	<u>\$ 75,365</u>	<u>\$ 38,227</u>	<u>\$ 4,606</u>	<u>\$ 121,989</u>
Total cash and investment assets - ending	<u>\$ 3,791</u>	<u>\$ 75,365</u>	<u>\$ 38,227</u>	<u>\$ 4,606</u>	<u>\$ 121,989</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Unrestricted	<u>\$ 3,791</u>	<u>\$ 75,365</u>	<u>\$ 38,227</u>	<u>\$ 4,606</u>	<u>\$ 121,989</u>
Total cash and investment fund balance - ending	<u>\$ 3,791</u>	<u>\$ 75,365</u>	<u>\$ 38,227</u>	<u>\$ 4,606</u>	<u>\$ 121,989</u>

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

OPTIONS CHARTER SCHOOL
 SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 FIDUCIARY FUNDS
 For the Year Ended June 30, 2008

	Private-Purpose Trust Funds
Additions:	
Contributions:	
Other	\$ 1,561
Deductions:	
Administrative and general	\$ 1,763
Deficiency of total additions under total deductions	(202)
Cash and investment fund balance - beginning	436
Cash and investment fund balance - ending	\$ 234
Net assets:	
Cash and investments	\$ 234
Total net assets - cash and investment basis held in trust	\$ 234

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

OPTIONS CHARTER SCHOOL
 SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 FIDUCIARY FUNDS
 For the Year Ended June 30, 2009

	Private-Purpose Trust Funds
Additions:	
Contributions:	
Other	\$ <u>2,730</u>
Deductions:	
Administrative and general	\$ <u>2,904</u>
Deficiency of total additions under total deductions	(174)
Cash and investment fund balance - beginning	<u>234</u>
Cash and investment fund balance - ending	<u><u>\$ 60</u></u>
Net assets:	
Cash and investments	<u>\$ 60</u>
Total net assets - cash and investment basis held in trust	<u><u>\$ 60</u></u>

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

OPTIONS CHARTER SCHOOL - CARMEL
NOTES TO FINANCIAL STATEMENTS

I. 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 School Corporation's financial reporting entity is composed of the following:

Primary Government: Options Charter School - Carmel

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements 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, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

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 alternative education fund accounts for receipts and disbursements of the alternative education grant. This grant money is used in the instruction of students in a different manner than the manner of instruction available in a traditional school setting.

OPTIONS CHARTER SCHOOL - CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

The fiscal stabilization fund accounts for receipts and disbursements of cash received from the federal government to be used to supplement funding of local, state, and federal programs.

Additionally, the School Corporation reports the following fund type:

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the various activities at the schools.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements 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 statements.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements 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 statements.

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.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in 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

OPTIONS CHARTER SCHOOL - CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Indiana Department of 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.

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

5. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

OPTIONS CHARTER SCHOOL - CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes

OPTIONS CHARTER SCHOOL - CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2009, the School Corporation had deposit balances in the amount of \$122,220. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Statutory Authorization for Investments

Indiana Code 5-13-9 authorizes the School Corporation to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the School Corporation to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the School Corporation and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of,

OPTIONS CHARTER SCHOOL - CARMEL
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the School Corporation may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the School Corporation's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The School Corporation does not have a formal investment policy for custodial credit risk for investments.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2008 and 2009, were as follows:

Transfer From	Transfer To	2007-08
General Fund	Other governmental funds	\$ 2,503
Adult Education	General Fund	<u>160,980</u>
Total		<u><u>\$ 163,483</u></u>

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

IV. Other Information

A. Risk Management

The School Corporation is 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 (excluding postemployment benefits); and natural disasters.

The risks of 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 (excluding postemployment benefits); and natural disasters are covered by commercial insurance

OPTIONS CHARTER SCHOOL - CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk. Risk financing is not utilized for the other risks of loss.

B. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

a. Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

OPTIONS CHARTER SCHOOL - CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 15,157
Interest on net pension obligation	(140)
Adjustment to annual required contribution	160
Annual pension cost	15,177
Contributions made	19,570
Increase (decrease) in net pension obligation	(4,393)
Net pension obligation, beginning of year	(1,937)
Net pension obligation, end of year	\$ (6,330)

Contribution rates:	
School Corporation	13.75%
Plan members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-06	\$ 12,722	77%	\$ 765
	06-30-07	13,866	119%	(1,937)
	06-30-08	15,177	129%	(6,330)

OPTIONS CHARTER SCHOOL - CARMEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

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 plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's 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 Costs

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 - CARMEL
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 17,647	\$ 109,740	\$ (92,093)	16%	\$ 103,767	(89%)
07-01-07	33,087	135,493	(102,406)	24%	110,293	(93%)
07-01-08	57,521	214,522	(157,001)	27%	151,573	(104%)

OPTIONS CHARTER SCHOOL
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008

	Title V	Federal Programs	Totals
Receipts:			
Local sources	\$ -	\$ -	\$ -
Total receipts	-	-	-
Disbursements:			
Current:			
Support services	-	187	187
Total disbursements	-	187	187
Deficiency of receipts over disbursements	-	(187)	(187)
Other financing uses:			
Transfers out	(164)	(2,339)	(2,503)
Total other financing uses	(164)	(2,339)	(2,503)
Deficiency of receipts and other financing sources over disbursements and other financing uses	(164)	(2,526)	(2,690)
Cash and investments - beginning	164	2,526	2,690
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>			
Cash and investments	\$ -	\$ -	\$ -
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>			
Unrestricted	\$ -	\$ -	\$ -
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

OPTIONS CHARTER SCHOOL
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009

	Title V	Drug Free Schools	Federal Programs	Totals
Receipts:				
Federal sources	\$ 163	\$ 204	\$ 4,639	\$ 5,006
Total receipts	<u>163</u>	<u>204</u>	<u>4,639</u>	<u>5,006</u>
Disbursements:				
Current:				
Instruction	-	-	237	237
Support services	163	-	-	163
Total disbursements	<u>163</u>	<u>-</u>	<u>237</u>	<u>400</u>
Excess of receipts over disbursements	<u>-</u>	<u>204</u>	<u>4,402</u>	<u>4,606</u>
Excess of receipts and other financing sources over disbursements and other financing uses	-	204	4,402	4,606
Cash and investments - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 204</u>	<u>\$ 4,402</u>	<u>\$ 4,606</u>
<u>Cash and Investment Assets - Ending</u>				
Cash and investments	<u>\$ -</u>	<u>\$ 204</u>	<u>\$ 4,402</u>	<u>\$ 4,606</u>
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 204</u>	<u>\$ 4,402</u>	<u>\$ 4,606</u>
<u>Cash and Investment Fund Balance - Ending</u>				
Unrestricted	<u>\$ -</u>	<u>\$ 204</u>	<u>\$ 4,402</u>	<u>\$ 4,606</u>
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 204</u>	<u>\$ 4,402</u>	<u>\$ 4,606</u>

OPTIONS CHARTER SCHOOL - CARMEL
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2009

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Computers and Other Electronic Equipment	\$ 3,227	\$ 3,513
Notes and loans payable		
Common School Fund Loan	<u>56,951</u>	<u>-</u>
Total governmental activities debt	<u>\$ 60,178</u>	<u>\$ 3,513</u>

OPTIONS CHARTER SCHOOL - CARMEL
EXIT CONFERENCE

The contents of this report were discussed on December 22, 2009, with Kathleen Hammonds, former Treasurer; Sherrie Bly, Treasurer; and Kevin Davis, President of Schools. Our examination disclosed no material items that warrant comment at this time.