

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL

MARION COUNTY, INDIANA

July 1, 2009 to June 30, 2011



FILED
06/08/2012

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Statement: Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis	7
Notes to Financial Statement.....	8-11
Supplementary Information: Combining Schedules of Receipts, Disbursements, Other Financings Sources (Uses) and Cash and Investment Balances – Regulatory Basis	14-15
Schedule of Long-term Debt.....	17
Examination Results and Comments: Public Records Retention	18
Average Daily Membership (ADM) – Lack of Records.....	18
Exit Conference.....	19

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Andrea Goldwater	07-01-09 to 06-30-12
Superintendent of Schools	Lynn Black	07-01-09 to 06-30-12
President of the School Board	Stacie Porter-Bilger	07-01-09 to 06-30-12



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE HOOSIER ACADEMY VIRTUAL
CHARTER SCHOOL, MARION COUNTY, INDIANA

We have examined the financial statement of the Hoosier Academy Virtual Charter School (School Corporation), for the period of July 1, 2009 to June 30, 2011. The School Corporation's management is responsible for the financial statement. 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 and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the years ended June 30, 2010 and 2011, on the basis of accounting described in Note 1.

The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis 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 financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the School Corporation's management, School Board, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

April 2, 2012

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FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

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HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2010 and 2011

Fund	Cash and Investments 07-01-09	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-10	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-11
General	-	286,849	251,751	1,575	36,673	680,527	482,601	521	235,120
IDEA	-	-	-	-	-	7,106	12,210	-	(5,104)
Fiscal Stabilization - Education	-	14,518	14,518	-	-	-	-	-	-
Education Jobs	-	-	-	-	-	-	9,302	-	(9,302)
Totals	<u>\$ -</u>	<u>\$ 301,367</u>	<u>\$ 266,269</u>	<u>\$ 1,575</u>	<u>\$ 36,673</u>	<u>\$ 687,633</u>	<u>\$ 504,113</u>	<u>\$ 521</u>	<u>\$ 220,714</u>

The notes to the financial statement are an integral part of this statement.

HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENT

Note 1. 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 accompanying financial statement presents the financial information for the School Corporation (primary government).

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The regulatory 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.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Local sources which include taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, school corporation activities, revenue from community services activities, and other revenue from local sources.

State sources which include distributions from the State of Indiana to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENT
(Continued)

Federal sources which include distributions from the federal government to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Temporary loans which include money received from a loan obtained to pay current expenses prior to the receipt of revenue from taxes levied for that purpose. These loans, sometimes designated tax anticipation warrants, must be repaid from the next semiannual distribution of local property taxes levied for such fund.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Instruction which includes outflows for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services which include outflows for food service operations, and community service operations.

Facilities acquisition and construction which includes outflows for the acquisition, development, construction, and improvement of new and existing facilities.

Debt services which include fixed obligations resulting from financial transactions previously entered into by the School Corporation. It includes all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

F. Other financing sources and uses

Other financing sources and uses are presented in the aggregate on the face of the financial statements. The aggregate other financing sources and uses include the following:

Transfers out which includes money paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the School Corporation. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. The budget is subject to final approval by the School Corporation's chartering agency.

Note 3. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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 4. Risk Management

The School Corporation may be 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; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the School Corporation to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the School Corporation by recording as a disbursement and replacement items purchased.

Note 5. Pension Plan

Teachers' Retirement Fund

Plan Description

The Indiana Teachers' Retirement Fund (TRF) is 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 Indiana Public Retirement System (INPRS) 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 members' contributions, set by state statute at 3 percent 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.

HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 286-3544

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.

The School Corporation also contributes to an additional pension plan unique to the School Corporation. Information regarding these plans may be obtained from the School Corporation.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was prepared and/or approved by management of the School Corporation. It is presented as intended by the School Corporation.

HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010

	General	Fiscal Stabilization - Education	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -
Receipts:			
Local sources	264	-	264
State sources	185,235	-	185,235
Federal sources	-	14,518	14,518
Temporary loans	101,350	-	101,350
Total receipts	286,849	14,518	301,367
Disbursements:			
Current:			
Instruction	208,516	13,712	222,228
Support services	37,690	806	38,496
Noninstructional services	2,013	-	2,013
Facilities acquisition and construction	3,532	-	3,532
Total disbursements	251,751	14,518	266,269
Excess of receipts over disbursements	35,098	-	35,098
Other financing sources:			
Transfers out	1,575	-	1,575
Total other financing sources	1,575	-	1,575
Excess of receipts and other financing sources over disbursements and other financing uses	36,673	-	36,673
Cash and investments - ending	\$ 36,673	\$ -	\$ 36,673

HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011

	General	IDEA	Education Jobs	Totals
Cash and investments - beginning	\$ 36,673	\$ -	\$ -	\$ 36,673
Receipts:				
Local sources	16,249	-	-	16,249
State sources	664,278	-	-	664,278
Federal sources	-	7,106	-	7,106
Total receipts	<u>680,527</u>	<u>7,106</u>	<u>-</u>	<u>687,633</u>
Disbursements:				
Current:				
Instruction	406,892	12,210	9,302	428,404
Support services	60,367	-	-	60,367
Noninstructional services	2,583	-	-	2,583
Facilities acquisition and construction	12,734	-	-	12,734
Debt services	25	-	-	25
Total disbursements	<u>482,601</u>	<u>12,210</u>	<u>9,302</u>	<u>504,113</u>
Excess (deficiency) of receipts over disbursements	<u>197,926</u>	<u>(5,104)</u>	<u>(9,302)</u>	<u>183,520</u>
Other financing sources:				
Transfers out	521	-	-	521
Total other financing sources	<u>521</u>	<u>-</u>	<u>-</u>	<u>521</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>198,447</u>	<u>(5,104)</u>	<u>(9,302)</u>	<u>184,041</u>
Cash and investments - ending	<u>\$ 235,120</u>	<u>\$ (5,104)</u>	<u>\$ (9,302)</u>	<u>\$ 220,714</u>

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HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2011

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Notes and loans payable	\$ 101,350	\$ -

HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL
EXAMINATION RESULTS AND COMMENTS

PUBLIC RECORDS RETENTION

Financial records presented for examination were incomplete. The following records were requested but not presented:

- July 2009 - July 2010 Board minutes and signed accounts payable voucher docketts.
- Contracts or other documentation to support salaries and wages paid to employees.

Indiana Code 5-15-6-3(f) states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission. . . ."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 11)

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

Adequate documentation to support the ADM claimed by the School Corporation for the September 18, 2009, and September 17, 2010, count dates was not presented for examination. Electronic files that included student identification number, school name, enrollment date, birth date, and grade were presented for examination to support ADM. However, the electronic files did not include student names and were not dated or certified. Additionally, the electronic files did not agree with the amounts reported for ADM.

Indiana Code 5-15-6-3(f) states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission. . . ."

Officials should maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM. The building level official (Principal, Assistant Principal, etc.) responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (The School Administrator and Uniform Compliance Guidelines, Volume 123, September 1993, and Volume 142, June 1998)

HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL
EXIT CONFERENCE

The contents of this report were discussed on April 2, 2012, with Andrea Goldwater, Treasurer.