B37069

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

EXAMINATION REPORT

OF

HOPE ACADEMY CHARTER SCHOOL

MARION COUNTY, INDIANA

July 1, 2007 to June 30, 2009

FILED
05/28/2010

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OFFICIALS

Office	Official	Term
Treasurer	Michael Huth	07-01-08 to 10-21-08
	Barbara B. Elliott	10-22-08 to 06-30-10
Director	Gail Stone	07-01-07 to 06-30-10
Chairman of the School Board	Christopher Stack, M.D.	07-01-07 to 06-30-10

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the Hope Academy Charter School (School Corporation), for the period of July 1, 2007 to June 30, 2009. 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 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 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 it.

STATE BOARD OF ACCOUNTS

March 11, 2010

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

Functions/Programs	Disbursements	Program Receipts: Charges for Services	Program Receipts: Operating Grants and Contributions	Net (Disbursement) Receipts and Changes in Net Assets: Totals
Governmental activities:				
Instruction	$ 272,157	$ -	$ 4,550	$ (267,607)
Support services	615,203	9,237	650	(605,316)
Noninstructional services	1,212	-	-	(1,212)
Facilities acquisition and construction	366,271	-	-	(366,271)
Debt service	382,596	-	-	(382,596)
Nonprogrammed charges	2,062	-	-	(2,062)
Total governmental activities	$ 1,639,501	$ 9,237	$ 5,200	(1,625,064)
General receipts:				
Property taxes				55,833
Other local sources				871,286
State aid				136,085
Loans				375,000
Grants and contributions not restricted to specific programs				215,490
Investment earnings				1,408
Total general receipts				1,655,102
Change in net assets				30,038
Net assets - beginning				104,013
Net assets - ending				$ 134,051
Assets				
Cash and investments				$ 134,051
Net Assets				
Unrestricted				$ 134,051

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

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

Functions/Programs	Disbursements	Program Receipts: Charges for Services	Program Receipts: Operating Grants and Contributions	Net (Disbursement) Receipts and Changes in Net Assets: Totals
Governmental activities:				
Instruction	$ 300,038	$ -	$ 3,546	$ (296,492)
Support services	356,049	4,973	410	(350,666)
Noninstructional services	672	-	-	(672)
Facilities acquisition and construction	235,829	-	-	(235,829)
Debt service	6,770	-	-	(6,770)
Total governmental activities	$ 899,358	$ 4,973	$ 3,956	(890,429)
General receipts:				
Property taxes				68,710
Other local sources				410,997
State aid				168,455
Loans				56,200
Grants and contributions not restricted to specific programs				163,116
Investment earnings				1,328
Total general receipts				868,806
Change in net assets				(21,623)
Net assets - beginning				134,051
Net assets - ending				$ 112,428
Assets				
Cash and investments				$ 112,428
Net Assets				
Unrestricted				$ 112,428

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

HOPE ACADEMY 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	School Lunch	Nessi Grant	Federal Planning Grant	Other	Totals
Receipts:						
Local sources	$ 877,582	$ 5,857	$ 39,000	$ -	$ 15,325	$ 937,764
State sources	140,635	-	-	-	650	141,285
Federal sources	-	-	-	214,958	532	215,490
Loans	375,000	-	-	-	-	375,000
Total receipts	1,393,217	5,857	39,000	214,958	16,507	1,669,539
Disbursements:						
Current:						
Instruction	167,441	-	44,725	45,630	14,361	272,157
Support services	367,316	132	7,793	239,662	300	615,203
Noninstructional services	1,203	-	9	-	-	1,212
Facilities acquisition and construction	250,501	-	-	115,770	-	366,271
Debt services	382,596	-	-	-	-	382,596
Nonprogrammed charges	2,062	-	-	-	-	2,062
Total disbursements	1,171,119	132	52,527	401,062	14,661	1,639,501
Excess (deficiency) of receipts over disbursements	222,098	5,725	(13,527)	(186,104)	1,846	30,038
Cash and investments - beginning	(204,863)	5,966	39,000	263,910	-	104,013
Cash and investments - ending	$ 17,235	$ 11,691	$ 25,473	$ 77,806	$ 1,846	$ 134,051
Cash and Investment Assets - Ending						
Cash and investments	$ 17,235	$ 11,691	$ 25,473	$ 77,806	$ 1,846	$ 134,051
Cash and Investment Fund Balance - Ending						
Unrestricted	$ 17,235	$ 11,691	$ 25,473	$ 77,806	$ 1,846	$ 134,051

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

HOPE ACADEMY 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	School Lunch	Alternative Education	Nessi Grant	School Administration	Federal Planning Grant	Other	Totals
Receipts:								
Local sources	$ 423,037	$ 823	$ -	$ 114	$ 57,118	$ 48	$ 4,868	$ 486,008
State sources	172,001	-	21,002	-	-	-	410	193,413
Federal sources	-	-	-	-	-	125,559	16,555	142,114
Loans	56,200	-	-	-	-	-	-	56,200
Total receipts	651,238	823	21,002	114	57,118	125,607	21,833	877,735
Disbursements:								
Current:								
Instruction	221,004	-	-	7,557	9,225	56,464	5,788	300,038
Support services	270,390	81	-	18,030	17,759	43,063	6,726	356,049
Noninstructional services	672	-	-	-	-	-	-	672
Facilities acquisition and construction	147,827	-	-	-	-	86,494	1,508	235,829
Debt services	6,770	-	-	-	-	-	-	6,770
Total disbursements	646,663	81	-	25,587	26,984	186,021	14,022	899,358
Excess (deficiency) of receipts over disbursements	4,575	742	21,002	(25,473)	30,134	(60,414)	7,811	(21,623)
Cash and investments - beginning	17,234	11,691	-	25,474	-	77,806	1,846	134,051
Cash and investments - ending	$ 21,809	$ 12,433	$ 21,002	$ 1	$ 30,134	$ 17,392	$ 9,657	$ 112,428
Cash and Investment Assets - Ending								
Cash and investments	$ 21,809	$ 12,433	$ 21,002	$ 1	$ 30,134	$ 17,392	$ 9,657	$ 112,428
Cash and Investment Fund Balance - Ending								
Unrestricted	$ 21,809	$ 12,433	$ 21,002	$ 1	$ 30,134	$ 17,392	$ 9,657	$ 112,428

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

HOPE ACADEMY CHARTER SCHOOL
SCHEDULE OF CASH AND INVESTMENT BALANCES
FIDUCIARY FUND
For the Year Ended June 30, 2009

	Agency Fund
Cash and investment fund balance	$ 1,072
Net assets - cash and investment basis held in trust	$ 1,072

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

HOPE ACADEMY CHARTER SCHOOL
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 Statements

Government-Wide Financial Schedules

The Schedule 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. 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, 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 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 school lunch fund is used to account for monies related to the program.

The alternative education fund is used to account for related grant proceeds.

The nessi grant fund accounts for monies received from a grant from the gates foundation.

The school administration fund is used to account for local contributions used for related school activities.

The federal planning grant fund accounts for monies related to the planning grant as authorized for public charter schools.

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 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The School Corporation has elected not to follow subsequent private-sector guidance.

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 proprietary 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.

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 Local Government Finance).

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.

Note 6. Pension Plans

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 this 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 members' 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. That 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 the plan members for PERF are established by the Board of Trustees of PERF.

B. Teacher's Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teacher's 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 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:

Teacher's 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.

HOPE ACADEMY 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

	Textbook Rental	Pacers Be Drug Free Grant	Title II	Totals
Receipts:				
Local sources	$ 5,325	$ 10,000	$ -	$ 15,325
State sources	650	-	-	650
Federal sources	-	-	532	532
Total receipts	5,975	10,000	532	16,507
Disbursements:				
Current:				
Instruction	4,361	10,000	-	14,361
Support services	300	-	-	300
Total disbursements	4,661	10,000	-	14,661
Excess (deficiency) of receipts over disbursements	1,314	-	532	1,846
Cash and investments - beginning	-	-	-	-
Cash and investments - ending	$ 1,314	$ -	$ 532	$ 1,846
Cash and Investment Assets - Ending				
Cash and investments	$ 1,314	$ -	$ 532	$ 1,846
Cash and Investment Fund Balance - Ending				
Unrestricted	$ 1,314	$ -	$ 532	$ 1,846

HOPE ACADEMY 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

	Textbook Rental	Title II	Fiscal Stabilization	Totals
Receipts:				
Local sources	$ 4,868	$ -	$ -	$ 4,868
State sources	410	-	-	410
Federal sources	-	-	16,555	16,555
Total receipts	5,278	-	16,555	21,833
Disbursements:				
Current:				
Instruction	(3,000)	-	8,788	5,788
Support services	-	467	6,259	6,726
Facilities acquisition and construction	-	-	1,508	1,508
Total disbursements	(3,000)	467	16,555	14,022
Excess (deficiency) of receipts over disbursements	8,278	(467)	-	7,811
Cash and investments - beginning	1,314	532	-	1,846
Cash and investments - ending	$ 9,592	$ 65	$ -	$ 9,657
Cash and Investment Assets - Ending				
Cash and investments	$ 9,592	$ 65	$ -	$ 9,657
Cash and Investment Fund Balance - Ending				
Unrestricted	$ 9,592	$ 65	$ -	$ 9,657

HOPE ACADEMY CHARTER SCHOOL
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:		
Common School Loan	$ 75,030	$ 356
Loan from Fairbanks	56,200	-
Total notes and loans payable	$ 131,230	$ 356

HOPE ACADEMY CHARTER SCHOOL
EXAMINATION RESULTS AND COMMENTS

DEPOSITS

Receipts in numerous instances were deposited later than the next business day. A similar comment was in prior Report B32032.

Additionally, receipts were not always issued or recorded. There was also an instance where money collected was posted and deposited before the related receipt was actually written.

IC 5-13-6-1(c) states in part:

> ". . . all local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance. . ."

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OFFICIAL BOND

The official bond presented for examination was made payable to Recovery High School and not to the State of Indiana. Additionally, the bond was for an indefinite term commencing on June 2, 2009.

The treasurer of the school corporation, and the deputy treasurer if one is appointed, for each school year commencing July l, shall each give a bond for the faithful performance of duty, 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 the treasurer's bond for the acts of any deputy treasurer appointed as provided in IC 20-26-4-5. All bonds must be made payable to the State of Indiana, IC 5-4-1-10; and approved by the governing body of the school corporation. The State Board of Accounts is of the audit position bonds should be filed and recorded in the office of the county recorder. The State Board of Accounts is of the audit position a new bond should be obtained each year and continuation certificates should not be used in lieu of obtaining a new bond, is of the audit position bonds should be filed and recorded in the office of the county recorder. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

HOPE ACADEMY CHARTER SCHOOL
EXIT CONFERENCE

The contents of this report were discussed on March 11, 2010, with Helen M. Cross, President and CEO of Fairbanks Hospital; and Barbara B. Elliott, Treasurer. The official response has been made a part of this report and may be found on page 18.

HOPE ACADEMY

THE RECOVERY HIGH SCHOOL
AT FAIRBANKS

March 18, 2010

Indiana State Board of Accounts
302 West Washington Street, Room E 418
Indianapolis, IN 46204-2765

RE: Official Response to Audit Report for The Recovery High School at Fairbanks, Inc. DBA Hope Academy for Fiscal Years FY 08 and FY 09

Dear Sir/Madam:

Thank you for the attention given to us during the recent audit conducted at Hope Academy. We appreciated the thoroughness of the audit and professionalism of the audit team. The team clarified their examination results and comments which will result in the following procedural changes:

Deposits
All receipts for cash and checks will be issued and recorded on the day of the transaction. This procedure will be effective March 22, 2010.

Official Bond
The official bond effective June 2, 2010 will be changed from being payable to Recovery High School to the State of Indiana and shall have an effective date of June 2, 2010, and a term date of June 1, 2011.

Thank you for your time and cooperation.

Sincerely,

Helene M. Cross
President and Chief Executive Officer

Barbara B. Elliott
Treasurer

CC: Christopher Stack, M.D.
Board Chairman

8102 Clearvista Parkway, Indianapolis, Indiana 46256
p 317.572.9440 f 317.806.3104 www.fairbankscd.org