

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

SIGNATURE SCHOOL, INC.

VANDERBURGH COUNTY, INDIANA

July 1, 2009 to June 30, 2011



FILED

03/28/2012

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OFFICIALS

Office

Official

Term

Treasurer

Susan Parsons

07-01-09 to 06-30-12

President of the
Governance Board

Robert Koch II

07-01-09 to 06-30-12



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE SIGNATURE SCHOOL, INC., VANDERBURGH COUNTY, INDIANA

We have examined the financial statement of the Signature School, Inc., (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 and Governance Board 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

February 7, 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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SIGNATURE SCHOOL, INC.
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2010 and 2011

	Cash and Investments 07-01-09			Cash and Investments 06-30-10			Cash and Investments 06-30-11		
	Receipts	Disbursements	Receipts	Disbursements	Receipts	Disbursements	Receipts	Disbursements	
General	\$ 124,022	\$ 2,013,419	\$ 2,073,679	\$ 63,762	\$ 2,507,368	\$ 2,554,546	\$ 16,584		
Textbook Rental	29,493	39,725	35,877	33,341	45,272	47,374	31,239		
Scholarship	569	-	-	569	-	-	569		
Instructional Support	42	-	-	42	-	-	42		
Scholarships and Awards	125	-	-	125	-	125	-		
Passport	2,723	-	-	2,723	-	178	2,545		
Non-English Speaking Programs P.L. 273-1999	24	-	-	24	-	-	24		
School Technology	-	-	-	-	6,048	6,048	-		
P.L. 107-110 ECIA Title I	-	18,321	17,924	397	15,402	15,799	-		
P.L. Innovative Education Program Strategies Title V (Part A)	134	-	134	-	-	-	-		
P.L. 101-476 IDEA	-	53,581	53,581	-	13,649	13,649	-		
Drug Free Schools	262	-	-	262	-	-	262		
Improving Teaching Quality, No Child Left, Title II, Part A	8,556	9,421	17,977	-	3,942	3,942	-		
Public Charter School ESEA Title X, Part C	-	-	-	-	225,640	225,640	-		
Fiscal Stabilization - Education	-	63,847	63,847	-	-	-	-		
Special Education - Part B	-	47,726	46,635	1,091	10,173	11,264	-		
Education Technology	-	50,017	50,017	-	-	-	-		
Education Jobs	-	-	-	-	59,858	59,858	-		
Totals	\$ 165,950	\$ 2,296,057	\$ 2,359,671	\$ 102,336	\$ 2,887,352	\$ 2,938,685	\$ 51,003		

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

SIGNATURE SCHOOL, INC.
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.

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.

Intermediate sources which include distributions from the County for fees collected for or on behalf of the School Corporation including educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

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.

SIGNATURE SCHOOL, INC.
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.

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

Other receipts which include amounts received from various sources which include return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

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.

Nonprogrammed charges which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

SIGNATURE SCHOOL, INC.
NOTES TO FINANCIAL STATEMENT
(Continued)

F. 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.

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 advertised as required by law.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. 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 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. 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 5. 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.

SIGNATURE SCHOOL, INC.
NOTES TO FINANCIAL STATEMENT
(Continued)

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 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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 Indiana Public Retirement System (INPRS) 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 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

B. 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

SIGNATURE SCHOOL, INC.
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

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.

SIGNATURE SCHOOL, INC.
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010

	General	Textbook Rental	Scholarship	Instructional Support	Scholarships and Awards	Passport	Non-English Speaking Programs P.L. 273-1999	P.L. 107-110 ECIA Title I
Cash and investments - beginning	\$ 124,022	\$ 29,493	\$ 569	\$ 42	\$ 125	\$ 2,723	\$ 24	\$ -
Receipts:								
Local sources	176,188	38,415	-	-	-	-	-	-
State sources	1,837,231	1,310	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	18,321
Total receipts	2,013,419	39,725	-	-	-	-	-	18,321
Disbursements:								
Current:								
Instruction	1,418,785	35,877	-	-	-	-	-	-
Support services	363,379	-	-	-	-	-	-	3,000
Facilities acquisition and construction	290,752	-	-	-	-	-	-	14,924
Debt services	763	-	-	-	-	-	-	-
Total disbursements	2,073,679	35,877	-	-	-	-	-	17,924
Excess (deficiency) of receipts over disbursements	(60,260)	3,848	-	-	-	-	-	397
Cash and investments - ending	\$ 63,762	\$ 33,341	\$ 569	\$ 42	\$ 125	\$ 2,723	\$ 24	\$ 397

SIGNATURE SCHOOL, INC.
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010
 (Continued)

	P. L. Innovative Education Program Strategies Title V (Part A)	P.L. 101-476 IDEA	Drug Free Schools	Improving Teaching Quality, No Child Left, Title II, Part A	Fiscal Stabilization - Education	Special Education - Part B	Education Technology	Totals
Cash and investments - beginning	\$ 134	\$ -	\$ 262	\$ 8,556	\$ -	\$ -	\$ -	\$ 165,950
Receipts:								
Local sources	-	-	-	-	-	-	-	214,603
State sources	-	-	-	-	-	-	-	1,838,541
Federal sources	-	53,581	-	9,421	63,847	47,726	50,017	242,913
Total receipts	-	53,581	-	9,421	63,847	47,726	50,017	2,296,057
Disbursements:								
Current:								
Instruction	-	24,634	-	-	63,847	290	12,000	1,555,433
Support services	134	28,167	-	17,977	-	31,534	14,518	458,709
Facilities acquisition and construction	-	780	-	-	-	14,811	23,499	344,766
Debt services	-	-	-	-	-	-	-	763
Total disbursements	134	53,581	-	17,977	63,847	46,635	50,017	2,359,671
Excess (deficiency) of receipts over disbursements	(134)	-	-	(8,556)	-	1,091	-	(63,614)
Cash and investments - ending	\$ -	\$ -	\$ 262	\$ -	\$ -	\$ 1,091	\$ -	\$ 102,336

SIGNATURE SCHOOL, INC.
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011

	General	Textbook Rental	Scholarship	Instructional Support	Scholarships and Awards	Passport	Non-English Speaking Programs P.L. 273-1999	School Technology
Cash and investments - beginning	\$ 63,762	\$ 33,341	\$ 569	\$ 42	\$ 125	\$ 2,723	\$ 24	\$ -
Receipts:								
Local sources	129,487	42,434	-	-	-	-	-	-
State sources	1,900,881	2,838	-	-	-	-	-	6,048
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	477,000	-	-	-	-	-	-	-
Total receipts	<u>2,507,368</u>	<u>45,272</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,048</u>
Disbursements:								
Current:								
Instruction	1,524,177	47,374	-	-	-	178	-	-
Support services	461,468	-	-	-	-	-	-	6,048
Facilities acquisition and construction	91,901	-	-	-	-	-	-	-
Debt services	477,000	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	125	-	-	-
Total disbursements	<u>2,554,546</u>	<u>47,374</u>	<u>-</u>	<u>-</u>	<u>125</u>	<u>178</u>	<u>-</u>	<u>6,048</u>
Deficiency of receipts over disbursements	<u>(47,178)</u>	<u>(2,102)</u>	<u>-</u>	<u>-</u>	<u>(125)</u>	<u>(178)</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 16,584</u>	<u>\$ 31,239</u>	<u>\$ 569</u>	<u>\$ 42</u>	<u>\$ -</u>	<u>\$ 2,545</u>	<u>\$ 24</u>	<u>\$ -</u>

SIGNATURE SCHOOL, INC.
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	P.L. 107-110 ECIA Title I	P.L. 101-476 IDEA	Drug Free Schools	Improving Teaching Quality, No Child Left, Title II, Part A	Public Charter School ESEA Title X, Part C	Special Education - Part B	Education Jobs	Totals
Cash and investments - beginning	\$ 397	\$ -	\$ 262	\$ -	\$ -	\$ 1,091	\$ -	\$ 102,336
Receipts:								
Local sources	-	-	-	-	-	-	-	171,921
State sources	-	-	-	-	-	-	-	1,909,767
Federal sources	15,402	13,649	-	3,942	225,640	10,173	59,858	328,664
Temporary loans	-	-	-	-	-	-	-	477,000
Total receipts	<u>15,402</u>	<u>13,649</u>	<u>-</u>	<u>3,942</u>	<u>225,640</u>	<u>10,173</u>	<u>59,858</u>	<u>2,887,352</u>
Disbursements:								
Current:								
Instruction	907	341	262	-	-	8,212	54,605	1,636,056
Support services	2,147	11,486	-	3,942	15,140	1,541	5,253	507,025
Facilities acquisition and construction	12,745	1,822	-	-	210,500	1,511	-	318,479
Debt services	-	-	-	-	-	-	-	477,000
Nonprogrammed charges	-	-	-	-	-	-	-	125
Total disbursements	<u>15,799</u>	<u>13,649</u>	<u>262</u>	<u>3,942</u>	<u>225,640</u>	<u>11,264</u>	<u>59,858</u>	<u>2,938,685</u>
Deficiency of receipts over disbursements	<u>(397)</u>	<u>-</u>	<u>(262)</u>	<u>-</u>	<u>-</u>	<u>(1,091)</u>	<u>-</u>	<u>(51,333)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,003</u>

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SIGNATURE SCHOOL, INC.
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2011

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Notes and loans payable:		
Common School Loan	\$ <u>86,526</u>	\$ <u>-</u>

SIGNATURE SCHOOL, INC.
EXIT CONFERENCE

The contents of this report were discussed on February 7, 2012, with Susan Parsons, Treasurer, and Ashley DiMarco, Accountant. Our examination disclosed no material items that warrant comment at this time.