



**STATE OF INDIANA**  
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August 22, 2013

Charter School Board  
Signature School, Inc.  
610 Main Street  
Evansville, IN 47708

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Riney Hancock CPAs PSC, Independent Public Accountants, for the period July 1, 2011 to June 30, 2012. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of Signature School, Inc., as of June 30, 2012, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Financial Statements and Independent Auditors' Report are filed in our office as a matter of public record.

*State Board of Accounts*

***SIGNATURE SCHOOL, INC.***  
***FINANCIAL STATEMENT***  
***AND***  
***SUPPLEMENTARY INFORMATION***  
***Year Ended June 30, 2012***

***(With Independent Auditors' Report Thereon)***

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Riney Hancock CPAs  
PSC

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Signature School, Inc.

We have audited the accompanying statement of cash receipts and disbursements of Signature School, Inc. (School) (a nonprofit organization) for the year ended June 30, 2012. This financial statement is the responsibility of the School's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of cash receipts and disbursements is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of cash receipts and disbursements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall presentation of the statement of cash receipts and disbursements. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement has been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the cash receipts and disbursements of Signature School, Inc. for the year ended June 30, 2012, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2013, on our considerations of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the statement of cash receipts and disbursements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the statement of cash receipts and disbursements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the statement of cash receipts and disbursements. The information has been subjected to the auditing procedures applied in the audit of the statement of cash receipts and disbursements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statement of cash receipts and disbursements or the statement of cash receipts and disbursements itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the statement of cash receipts and disbursements as a whole.

Evansville, Indiana  
February 22, 2013

*Riney Hancock CPAs PSC*

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SIGNATURE SCHOOL, INC.

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended June 30, 2012

<b>Cash receipts:</b>	
State basic grant	\$ 1,878,004
Other state support	23,622
Federal grant revenue	131,556
Student fees	144,237
Rental income	400
Contributions	335,472
Textbook rental and sale	48,170
Other income	996
Proceeds from temporary loans	<u>227,000</u>
Total cash receipts	<u>2,789,457</u>
<b>Cash disbursements:</b>	
Salaries and wages	1,339,155
Payroll taxes	103,451
Employee benefits	354,130
Training and professional development	16,619
Professional fees	131,737
Repairs and maintenance	12,535
Supplies	146,037
Insurance	1,394
Internet and telephone	30,816
Postage and printing	3,001
Travel	12,779
Advertising	208
Food purchases	91
Fundraising expense	5,522
Books and periodicals	89,400
Other expenses	1,999
Principal payments on temporary loans	227,000
Rent of building and equipment	242,702
Building and equipment expense	35,314
Dues and fees	12,585
Bank service charges	<u>2,534</u>
Total cash disbursements	<u>2,769,009</u>
Increase in cash	20,448
Cash, beginning of year	<u>51,003</u>
Cash, end of year	<u>\$ 71,451</u>

# SIGNATURE SCHOOL, INC.

## NOTES TO FINANCIAL STATEMENT

Year Ended June 30, 2012

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### 1. **Organization and Summary of Significant Accounting Policies**

#### Organization

Signature School, Inc. (School) is a not-for-profit organization incorporated under the laws of the State of Indiana. The School is a public charter school sponsored by the Evansville-Vanderburgh School Corporation, which granted a charter to the School under Indiana Code 20-24-3-1.

#### Basis of Accounting

The accompanying financial statement has been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under that basis, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and noncash transactions are not recognized. The cash receipts and disbursements basis differs from generally accepted accounting principles primarily because the effects of revenue not collected and expenses not paid at the date of the financial statement are not included in the financial statement.

#### Cash

The School maintains its cash balance in a checking account at a local financial institution.

#### Receipts

Receipts come primarily from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to funding received by public schools in the same geographic area. This state basic grant from the State of Indiana is based on enrollment, and is paid in equal monthly installments, which are recognized as revenue when received.

The School also records revenue related to cost reimbursement grants, which is also recognized as revenue when received.

### 2. **Income Taxes**

The School is exempt from income taxes as a nonprofit corporation under Section 501 (c) 3 of the Internal Revenue Code, except on net income derived from unrelated business activities. The School believes that it has support for any tax positions taken, and as such does not have any uncertain tax positions that are material to the financial statement.

# SIGNATURE SCHOOL, INC.

## NOTES TO FINANCIAL STATEMENT

Year Ended June 30, 2012

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### 2. **Income Taxes, Continued**

The School's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2009, 2010, 2011, and 2012 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

### 3. **Retirement Plans**

#### Teachers' Retirement Fund

*Plan Description:* Certified employees participate in the Indiana Teachers' Retirement Fund (TRF), a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (IPRS). 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 IPRS Board of Trustees, most requirements of the system, and gives the school corporations 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, plus the interest credited to the member's account. School corporations may elect to make the contributions on behalf of the member.

*Funding Policy:* Plan members are required to contribute 3% of their annual creditable compensation, set by state statute. The School is required to contribute at an actuarially determined rate (7.5% for the year ended June 30, 2012), as established, and which may be amended, by the IPRS Board of Trustees. The School did elect to make the annuity contributions on behalf of each member. Contributions to TRF for the year ended June 30, 2012, totaled \$95,338, and equaled the required contributions for the year.

#### Public Employees' Retirement Fund

*Plan Description:* Non-certified employees participate in the Public Employees' Retirement Fund (PERF), a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (IPRS). All full-time employees are eligible to participate in PERF. State statutes (IC 5-10.2 and 5-10.3) govern, through the IPRS Board of Trustees, most requirements of the system, and give the employer 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, plus the interest credited to the member's account. Employers may elect to make the contributions on behalf of the member.

**SIGNATURE SCHOOL, INC.**

**NOTES TO FINANCIAL STATEMENT**

Year Ended June 30, 2012

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**3. Retirement Plans, Continued**

Public Employees' Retirement Fund, Continued

*Funding Policy:* Plan members are required to contribute 3% of their annual creditable compensation, set by state statute. The School is required to contribute at an actuarially determined rate (9.75% for the year ended June 30, 2012), as established, and which may be amended, by the IPRS Board of Trustees. Contributions to PERF for the year ended June 30, 2012, totaled \$6,232, and equaled the required contributions for the year.

IRPS administers both of these plans, and issues publicly available financial reports for each, which include financial statements and required supplementary information. These reports may be obtained by contacting IPRS, 1 North Capital Street, Suite 001, Indianapolis, IN 46204, or by calling 888-526-1687.

Other Retirement Plans

For certified employees, the School also provides additional retirement benefits under the plans described below:

401(a) Annuity Plan: The School contributes 1% of each employee's base salary to the plan. Contributions totaled \$6,367 for the year ended June 30, 2012.

Voluntary Employees' Beneficiary Association: The School contributes 1% of each employee's base salary to the plan for retiree group health benefits. Contributions totaled \$8,476 for the year ended June 30, 2012.

403(b) Plan: The School will match 100% of employee contributions not to exceed the percentages noted below. Employer contributions totaled \$15,582 for the year ended June 30, 2012.

<u>Years of service</u>	<u>Match percentage</u>
0 – 16	.75%
17 – 29	1.50%
30 +	3.00%

**SIGNATURE SCHOOL, INC.**

NOTES TO FINANCIAL STATEMENT

Year Ended June 30, 2012

**4. Functional Expenses**

A summary of expenses by functional classification for the year ended June 30, 2012, is as follows:

Instruction	\$ 1,751,344
Support services	510,649
Facilities acquisition and construction	278,016
Debt service	227,000
Non-programmed charges	<u>2,000</u>
	\$ <u>2,769,009</u>

**5. Equipment Leases**

The School leases two copiers under cancelable operating leases. The lease agreements provide for minimum future rental payments as of June 30, 2012, as follows:

Year ending June 30:

2013	\$ 4,509
2014	4,509
2015	3,635
2016	3,197
2017	<u>1,066</u>
Total minimum rentals	\$ <u>16,916</u>

Rental expense for the leases totaled \$4,586 for the year ended June 30, 2012.

**6. Contingencies**

The School receives funding from Federal and state agencies and from private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantors' review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the School for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the School's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

**SIGNATURE SCHOOL, INC.**

**NOTES TO FINANCIAL STATEMENT**

Year Ended June 30, 2012

**7. Concentration**

Amounts received under the state basic grant totaled 73% of total cash receipts, excluding temporary borrowing, in fiscal year 2012.

**8. Related Party Transactions**

Signature School Foundation, Inc.

Signature School Foundation, Inc. (SSF) provides financial and other support for the School. The chairman of the School's Board of Directors also serves as chairman of the SSF Board of Directors.

The School's premises are leased from SSF under an annually renewable agreement which provides for monthly rental payments of \$15,000 plus reimbursements to SSF for maintenance, insurance, and utilities. Lease payments to SSF totaled \$229,108 for the year ended June 30, 2012.

Contributions received from SSF totaled \$178,004 for the year ended June 30, 2012.

At various times during the year, SSF provided cash flow advances to the School totaling \$227,000. All such advances were repaid prior to June 30, 2012.

Sponsor

Employees of the school participate in the health insurance programs offered by the School's sponsor, the Evansville-Vanderburgh School Corporation. Total amounts remitted to the sponsor for the premiums totaled \$255,889 for the year ended June 20, 2012.

Other

The chairman of the School's Board of Directors serves as chairman of a corporation, a subsidiary of which provides security system service and maintenance to the School. Amounts paid to this subsidiary for the year ended June 30, 2012 totaled \$1,034.

**9. Subsequent Events**

The School has evaluated subsequent events through February 22, 2013, the date the financial statement was available to be issued.

**10. Cash**

Cash is comprised of the following at June 30, 2012:

Restricted	\$ 2,569
Unrestricted	<u>68,882</u>
	<u>\$ 71,451</u>

**SIGNATURE SCHOOL, INC.**

**SUPPLEMENTARY INFORMATION**

June 30, 2012

The following supplementary information is required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners*.

Schedule of Receivables

Accounts receivable:	
Federal programs	\$ 2,620
Textbooks	<u>7,659</u>
	\$ <u>10,279</u>

Schedule of Capital Assets

Machinery and equipment	\$ <u>219,753</u>
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Schedule of Accounts Payable

Vendor accounts payable	\$ <u>4,779</u>
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Schedule of Debt

Common School Loan, unsecured, dated October 16, 2003, due in semi-annual monthly installments of \$2,791 plus interest through July 1, 2028, bearing interest at 4%	\$ <u>86,526</u> *
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\* The State of Indiana informed Signature School that the payments due from July 1, 2009 to July 1, 2013 could be deferred. Signature School elected to defer such payments, extending the maturity date from July 2024, to July, 2028.



**REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Signature School, Inc.

We have audited the financial statement of Signature School, Inc. (School) (a nonprofit organization) for the year ended June 30, 2012, and have issued our report thereon dated February 19, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statement was prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Internal Control over Financial Reporting

Management of the School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

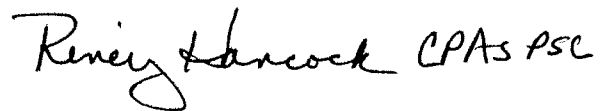
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

 Remy Hancock CPAs PSC

Evansville, Indiana  
February 22, 2013