

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

AUDIT REPORT

OF

21ST CENTURY CHARTER SCHOOL AT FALL CREEK

MARION COUNTY, INDIANA

July 1, 2007 to June 30, 2009



FILED

03/19/2010

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Melissa Bechtel Dana Johnson	07-01-07 to 12-10-07 12-11-07 to 06-30-10
Superintendent	Kevin Teasley	07-01-07 to 06-30-10
President of the Board of Directors	Don Laskowski Mary Clark (Interim) Jan Diggins (Interim) Mark Bowell	07-01-07 to 10-11-07 01-11-07 to 09-03-08 09-04-08 to 01-06-09 01-07-09 to 06-30-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE 21ST CENTURY CHARTER SCHOOL
AT FALL CREEK, MARION COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the 21st Century Charter School at Fall Creek (School Corporation), as of and for the years ended June 30, 2008 and 2009, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2008 and 2009, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated January 28, 2010, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Funding Progress as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The School Corporation has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit 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 Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

January 28, 2010



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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

TO: THE OFFICIALS OF THE 21ST CENTURY CHARTER SCHOOL
AT FALL CREEK, MARION COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the 21st Century Charter School at Fall Creek (School Corporation), as of and for the years ended June 30, 2008 and 2009, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated January 28, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

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
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statements are 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 the School Corporation's management, board of directors, and 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. 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

January 28, 2010

21ST CENTURY CHARTER SCHOOL AT FALL CREEK
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

<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>	
Governmental activities:				
Instruction	\$ 1,234,336	\$ -	\$ 14,391	\$ (1,219,945)
Support services	1,293,676	23,528	127,110	(1,143,038)
Noninstructional services	93,675	-	-	(93,675)
Facilities acquisition and construction	380,474	-	-	(380,474)
Debt service	53,016	-	-	(53,016)
Nonprogrammed charges	11,841	-	-	(11,841)
Total governmental activities	<u>\$ 3,067,018</u>	<u>\$ 23,528</u>	<u>\$ 141,501</u>	<u>(2,901,989)</u>
General receipts:				
Property taxes				462,890
Other local sources				503,242
State aid				1,498,389
Grants and contributions not restricted to specific programs				<u>498,681</u>
Total general receipts				<u>2,963,202</u>
Change in net assets				61,213
Net assets - beginning				<u>41,555</u>
Net assets - ending				<u>\$ 102,768</u>
 <u>Assets</u>				
Cash and investments				<u>\$ 102,768</u>
Total assets				<u>\$ 102,768</u>
 <u>Net Assets</u>				
Unrestricted				<u>\$ 102,768</u>
Total net assets				<u>\$ 102,768</u>

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

21ST CENTURY CHARTER SCHOOL AT FALL CREEK
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Totals</u>	Net (Disbursement) Receipts and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Governmental activities:					
Instruction	\$ 1,047,427	\$ -	\$ 42,525	\$ (1,004,902)	
Support services	1,493,296	1,365	129,169	(1,362,762)	
Noninstructional services	165,130	-	-	(165,130)	
Facilities acquisition and construction	164,365	-	-	(164,365)	
Debt service	818,747	-	-	(818,747)	
Nonprogrammed charges	<u>152,477</u>	<u>-</u>	<u>-</u>	<u>(152,477)</u>	
Total governmental activities	<u>\$ 3,841,442</u>	<u>\$ 1,365</u>	<u>\$ 171,694</u>	<u>(3,668,383)</u>	
General receipts:					
Property taxes				736,011	
Other local sources				6,743	
State aid				1,787,860	
Bonds and loans				487,724	
Grants and contributions not restricted to specific programs				<u>601,207</u>	
Total general receipts				<u>3,619,545</u>	
Change in net assets				(48,838)	
Net assets - beginning				<u>102,768</u>	
Net assets - ending				<u>\$ 53,930</u>	
<u>Assets</u>					
Cash and investments				<u>\$ 53,930</u>	
Total assets				<u>\$ 53,930</u>	
<u>Net Assets</u>					
Unrestricted				<u>\$ 53,930</u>	
Total net assets				<u>\$ 53,930</u>	

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

21ST CENTURY CHARTER SCHOOL AT FALL CREEK
STATEMENT 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	Textbook Rental	School Lunch	Special Education	Title IIA	Other	Totals
Receipts:							
Local sources	\$ 989,592	\$ -	\$ 69	\$ -	\$ -	\$ -	\$ 989,661
State sources	1,512,779	26,443	842	-	-	-	1,540,064
Federal sources	<u>17,428</u>	<u>-</u>	<u>99,825</u>	<u>148,669</u>	<u>72,712</u>	<u>259,872</u>	<u>598,506</u>
Total receipts	<u>2,519,799</u>	<u>26,443</u>	<u>100,736</u>	<u>148,669</u>	<u>72,712</u>	<u>259,872</u>	<u>3,128,231</u>
Disbursements:							
Current:							
Instruction	895,241	13,258	-	95,420	4,934	225,483	1,234,336
Support services	1,220,751	3,105	-	3,085	6,511	60,224	1,293,676
Noninstructional services	13,128	-	80,547	-	-	-	93,675
Facilities acquisition and construction	337,079	27,457	-	-	15,938	-	380,474
Debt services	53,016	-	-	-	-	-	53,016
Nonprogrammed charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,841</u>	<u>-</u>	<u>-</u>	<u>11,841</u>
Total disbursements	<u>2,519,215</u>	<u>43,820</u>	<u>80,547</u>	<u>110,346</u>	<u>27,383</u>	<u>285,707</u>	<u>3,067,018</u>
Excess (deficiency) of receipts over disbursements	<u>584</u>	<u>(17,377)</u>	<u>20,189</u>	<u>38,323</u>	<u>45,329</u>	<u>(25,835)</u>	<u>61,213</u>
Cash and investments - beginning	<u>14,546</u>	<u>17,929</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,080</u>	<u>41,555</u>
Cash and investments - ending	<u>\$ 15,130</u>	<u>\$ 552</u>	<u>\$ 20,189</u>	<u>\$ 38,323</u>	<u>\$ 45,329</u>	<u>\$ (16,755)</u>	<u>\$ 102,768</u>
Cash and Investment Assets - Ending							
Cash and investments	<u>\$ 15,130</u>	<u>\$ 552</u>	<u>\$ 20,189</u>	<u>\$ 38,323</u>	<u>\$ 45,329</u>	<u>\$ (16,755)</u>	<u>\$ 102,768</u>
Total cash and investment assets - ending	<u>\$ 15,130</u>	<u>\$ 552</u>	<u>\$ 20,189</u>	<u>\$ 38,323</u>	<u>\$ 45,329</u>	<u>\$ (16,755)</u>	<u>\$ 102,768</u>
Cash and Investment Fund Balance - Ending							
Unrestricted	<u>\$ 15,130</u>	<u>\$ 552</u>	<u>\$ 20,189</u>	<u>\$ 38,323</u>	<u>\$ 45,329</u>	<u>\$ (16,755)</u>	<u>\$ 102,768</u>
Total cash and investment fund balance - ending	<u>\$ 15,130</u>	<u>\$ 552</u>	<u>\$ 20,189</u>	<u>\$ 38,323</u>	<u>\$ 45,329</u>	<u>\$ (16,755)</u>	<u>\$ 102,768</u>

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

21ST CENTURY CHARTER SCHOOL AT FALL CREEK
STATEMENT 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	Textbook Rental	Title I 08/09	Special Education	Title IIA	Fiscal Stabilization - Education	Other	Totals
Receipts:								
Local sources	\$ 744,069	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52	\$ 744,121
State sources	1,830,384	32,632	-	-	-	-	571	1,863,587
Federal sources	-	-	231,482	159,177	-	200,324	106,189	697,172
Temporary loans	487,724	-	-	-	-	-	-	487,724
Total receipts	3,062,177	32,632	231,482	159,177	-	200,324	106,812	3,792,604
Disbursements:								
Current:								
Instruction	927,679	7,450	32,862	79,436	-	-	-	1,047,427
Support services	1,315,311	-	176,158	1,827	-	-	-	1,493,296
Noninstructional services	48,353	-	-	-	-	-	116,777	165,130
Facilities acquisition and construction	164,365	-	-	-	-	-	-	164,365
Debt services	818,747	-	-	-	-	-	-	818,747
Nonprogrammed charges	47,630	-	-	104,847	-	-	-	152,477
Total disbursements	3,322,085	7,450	209,020	186,110	-	-	116,777	3,841,442
Excess (deficiency) of receipts over disbursements	(259,908)	25,182	22,462	(26,933)	-	200,324	(9,965)	(48,838)
Cash and investments - beginning	15,130	552	-	38,323	45,329	-	3,434	102,768
Cash and investments - ending	<u>\$ (244,778)</u>	<u>\$ 25,734</u>	<u>\$ 22,462</u>	<u>\$ 11,390</u>	<u>\$ 45,329</u>	<u>\$ 200,324</u>	<u>\$ (6,531)</u>	<u>\$ 53,930</u>
Cash and Investment Assets - Ending								
Cash and investments	<u>\$ (244,778)</u>	<u>\$ 25,734</u>	<u>\$ 22,462</u>	<u>\$ 11,390</u>	<u>\$ 45,329</u>	<u>\$ 200,324</u>	<u>\$ (6,531)</u>	<u>\$ 53,930</u>
Total cash and investment assets - ending	<u>\$ (244,778)</u>	<u>\$ 25,734</u>	<u>\$ 22,462</u>	<u>\$ 11,390</u>	<u>\$ 45,329</u>	<u>\$ 200,324</u>	<u>\$ (6,531)</u>	<u>\$ 53,930</u>
Cash and Investment Fund Balance - Ending								
Unrestricted	<u>\$ (244,778)</u>	<u>\$ 25,734</u>	<u>\$ 22,462</u>	<u>\$ 11,390</u>	<u>\$ 45,329</u>	<u>\$ 200,324</u>	<u>\$ (6,531)</u>	<u>\$ 53,930</u>
Total cash and investment fund balance - ending	<u>\$ (244,778)</u>	<u>\$ 25,734</u>	<u>\$ 22,462</u>	<u>\$ 11,390</u>	<u>\$ 45,329</u>	<u>\$ 200,324</u>	<u>\$ (6,531)</u>	<u>\$ 53,930</u>

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

21ST CENTURY CHARTER SCHOOL AT FALL CREEK
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 as a 501c-3 corporation and provides educational services.

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

Primary Government: 21st Century Charter School at Fall Creek

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.

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 textbook rental fund accounts for all receipts and disbursements related to the purchase of educational materials furnished to students.

The school lunch fund is used to account for the receipts and disbursements for the food service program.

21ST CENTURY CHARTER SCHOOL AT FALL CREEK
NOTES TO FINANCIAL STATEMENTS
(Continued)

The Title I 08/09 fund accounts for the receipts and disbursements of cash received to be used for Title I programs.

The Special Education fund accounts for the receipts and disbursements of cash received to be used for Special Education – Part B programs.

The Title IIA fund accounts for the receipts and disbursements of cash received to be used for Title IIA programs.

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

C. Measurement Focus and Basis of Accounting

The government-wide and governmental 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. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

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.

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.

21ST CENTURY CHARTER SCHOOL AT FALL CREEK
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 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.

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 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. Proprietary fund equity is classified the same as in the government-wide statements.

21ST CENTURY CHARTER SCHOOL AT FALL CREEK
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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:

1. 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 except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.
2. Primary government and component unit activity and balances – Resource flows between the primary government and the discretely-presented component unit(s) are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

21ST CENTURY CHARTER SCHOOL AT FALL CREEK
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

II. Stewardship, Compliance and Accountability

A. 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.

B. Cash and Investment Balance Deficits

At June 30, 2008 and 2009, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

Fund	2008	2009
Title I 07/08	\$ 17,329	\$ 7,329
General	-	244,778

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

Deposits and Investments

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 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.

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 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.

21ST CENTURY CHARTER SCHOOL AT FALL CREEK
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

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.

Information to segregate the assets/liabilities and the actuarial study figures between the School Corporation and the Utilities is not available.

21ST CENTURY CHARTER SCHOOL AT FALL CREEK
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 20,531
Interest on net pension obligation	(2,128)
Adjustment to annual required contribution	2,425
Annual pension cost	20,828
Contributions made	18,837
Increase in net pension obligation	1,991
Net pension obligation, beginning of year	(29,356)
Net pension obligation, end of year	\$ (27,365)

	PERF
Contribution rates:	
School Corporation	6.5%
Plan members	3%
Actuarial valuation date	07-01-08
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

<u>Actuarial Assumptions</u>	PERF
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	\$ 20,293	125%	\$ (29,660)
	06-30-07	24,610	99%	(29,356)
	06-30-08	20,828	90%	(27,365)

21ST CENTURY CHARTER SCHOOL AT FALL CREEK
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.

Plan members are required to contribute 3% of their salary and the School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.50% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2009 and 2008, were \$62,595 and \$55,870, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

21ST CENTURY CHARTER SCHOOL AT FALL CREEK
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 70,462	\$ 79,237	\$ (8,775)	89%	\$ 372,471	(2%)
07-01-07	98,068	65,349	32,719	150%	382,378	9%
07-01-08	126,405	57,933	68,472	218%	382,044	18%

21ST CENTURY CHARTER SCHOOL AT FALL CREEK
 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 I 07/08	Title I Improvement	Title V	Totals
Receipts:				
Federal sources	\$ 247,798	\$ 11,500	\$ 574	\$ 259,872
Total receipts	<u>247,798</u>	<u>11,500</u>	<u>574</u>	<u>259,872</u>
Disbursements:				
Current:				
Instruction	217,976	7,507	-	225,483
Support services	<u>47,151</u>	<u>13,073</u>	<u>-</u>	<u>60,224</u>
Total disbursements	<u>265,127</u>	<u>20,580</u>	<u>-</u>	<u>285,707</u>
Excess (deficiency) of receipts over disbursements	<u>(17,329)</u>	<u>(9,080)</u>	<u>574</u>	<u>(25,835)</u>
Cash and investments - beginning	<u>-</u>	<u>9,080</u>	<u>-</u>	<u>9,080</u>
Cash and investments - ending	<u>\$ (17,329)</u>	<u>\$ -</u>	<u>\$ 574</u>	<u>\$ (16,755)</u>
<u>Cash and Investment Assets - Ending</u>				
Cash and investments	<u>\$ (17,329)</u>	<u>\$ -</u>	<u>\$ 574</u>	<u>\$ (16,755)</u>
Total cash and investment assets - ending	<u>\$ (17,329)</u>	<u>\$ -</u>	<u>\$ 574</u>	<u>\$ (16,755)</u>
<u>Cash and Investment Fund Balance - Ending</u>				
Unrestricted	<u>\$ (17,329)</u>	<u>\$ -</u>	<u>\$ 574</u>	<u>\$ (16,755)</u>
Total cash and investment fund balance - ending	<u>\$ (17,329)</u>	<u>\$ -</u>	<u>\$ 574</u>	<u>\$ (16,755)</u>

21ST CENTURY CHARTER SCHOOL AT FALL CREEK
 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

	School Lunch	Title I 07/08	Title V	Totals
Receipts:				
Local sources	\$ 52	\$ -	\$ -	\$ 52
State sources	571	-	-	571
Federal sources	95,965	10,000	224	106,189
Total receipts	<u>96,588</u>	<u>10,000</u>	<u>224</u>	<u>106,812</u>
Disbursements:				
Current:				
Noninstructional services	116,777	-	-	116,777
Total disbursements	<u>116,777</u>	<u>-</u>	<u>-</u>	<u>116,777</u>
Excess (deficiency) of receipts over disbursements	<u>(20,189)</u>	<u>10,000</u>	<u>224</u>	<u>(9,965)</u>
Cash and investments - beginning	<u>20,189</u>	<u>(17,329)</u>	<u>574</u>	<u>3,434</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ (7,329)</u>	<u>\$ 798</u>	<u>\$ (6,531)</u>
<u>Cash and Investment Assets - Ending</u>				
Cash and investments	<u>\$ -</u>	<u>\$ (7,329)</u>	<u>\$ 798</u>	<u>\$ (6,531)</u>
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ (7,329)</u>	<u>\$ 798</u>	<u>\$ (6,531)</u>
<u>Cash and Investment Fund Balance - Ending</u>				
Unrestricted	<u>\$ -</u>	<u>\$ (7,329)</u>	<u>\$ 798</u>	<u>\$ (6,531)</u>
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ (7,329)</u>	<u>\$ 798</u>	<u>\$ (6,531)</u>

21ST CENTURY CHARTER SCHOOL AT FALL CREEK
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended June 30, 2009

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Building Improvements	\$ 232,678
Computers	333,122
Machinery and equipment	370,191
Software	214,172
Vehicles	<u>72,638</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 1,222,801</u>

21ST CENTURY CHARTER SCHOOL AT FALL CREEK
 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:		
Notes and loans payable	\$ 1,292,951	\$ 896,529
Bonds payable:		
General obligation bonds: (purpose)	<u>430,417</u>	<u>-</u>
Total governmental activities debt	<u>\$ 1,723,368</u>	<u>\$ 896,529</u>

21ST CENTURY CHARTER SCHOOL AT FALL CREEK
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

Cash balances of two funds were overdrawn at June 30, 2008 and 2009, as noted below:

<u>Fund Name</u>	<u>06-30-08</u>	<u>06-30-09</u>
General	\$ -	\$ 244,778
Title I 07/08	17,329	7,329

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

TEXTBOOK RENTAL REIMBURSEMENT

The School Corporation did not provide adequate documentation for amounts submitted to the Department of Education for reimbursement from the School Textbook Reimbursement Contingency Fund.

IC 20-24-8-5 states in part: "The following statutes and rules and guidelines adopted under the following statutes apply to a charter school: . . . (5) IC 20-26-5-6 (subject to laws requiring regulation by state agencies). . . ."

IC 20-26-5-6 states in part: "All powers delegated to the governing body of a school corporation under section 1 or 4 of this chapter are subject to all laws subjecting the school corporation to regulation by a state agency, including the state superintendent, state board of accounts"

IC 20-33-5-7(d) states:

"In its request, the governing body shall certify to the department:

- (1) the number of students who are enrolled in that school corporation and who are eligible for assistance under this chapter;
- (2) the costs incurred by the school corporation in providing:
 - (A) textbooks (including textbooks used in special education and high ability classes) to these students;
 - (B) workbooks and consumable textbooks (including workbooks, consumable textbooks, and other consumable instructional materials that are used in special education and high ability classes) that are used by students for not more than one (1) school year; and
 - (C) instead of the purchase of textbooks, developmentally appropriate material for instruction in kindergarten through the grade 3 level, laboratories, and children's literature programs;

21ST CENTURY CHARTER SCHOOL AT FALL CREEK
AUDIT RESULTS AND COMMENTS
(Continued)

- (3) that each textbook described in subdivision (2)(A) and included in the reimbursement request (except those textbooks used in special education classes and high ability classes) has been adopted by the state board under IC 20-20-5-1 through IC 20-20-5-4 or has been waived by the state board of education under IC 20-26-12-28;
- (4) that the amount of reimbursement requested for each textbook under subdivision (3) does not exceed twenty percent (20%) of the costs incurred for the textbook, as provided in the textbook adoption list in each year of the adoption cycle;
- (5) that the amount of reimbursement requested for each workbook or consumable textbook (or other consumable instructional material used in special education and high ability classes) under subdivision (2)(B), if applicable, does not exceed one hundred percent (100%) of the costs incurred for the workbook or consumable textbook (or other consumable instructional material used in special education and high ability classes);
- (6) that the amount of reimbursement requested for each textbook used in special education and high ability classes is amortized for the number of years in which the textbook is used;
- (7) that the amount of reimbursement requested for developmentally appropriate material is amortized for the number of years in which the material is used and does not exceed a total of one hundred percent (100%) of the costs incurred for the developmentally appropriate material; and
- (8) any other information required by the department, including copies of purchase orders used to acquire consumable instructional materials used in special education and high ability classes and developmentally appropriate material."

EXTRA-CURRICULAR FUND

Prescribed Forms Financial Reports (Form SA-5) and Ledger (Form SA-6) were not used. Procedures and assignment of duties between the vendor providing school lunch services and school personnel for the collection of school lunch receipts were not adequately instituted.

IC 20-24-8-5 states in part: "The following statutes and rules and guidelines adopted under the following statutes apply to a charter school: . . . (2) IC 20-39-1-1 (unified accounting system) . . ."

IC 20-39-1-1 states: "All public school governing bodies shall adopt and fully and accurately implement a single, unified accounting system as prescribed by the state board and the state board of accounts."

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

21ST CENTURY CHARTER SCHOOL AT FALL CREEK
AUDIT RESULTS AND COMMENTS
(Continued)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

BIANNUAL FINANCIAL REPORT

The School Corporation did not report the biannual receipts and disbursements to the Department of Education on a cash basis. Adjustments had to be made to the biannual financial reports for the 2007-2008 and 2008-2009 school years, because the reports were not on a cash basis. Additionally, the general ledgers used to account for the School Corporation's accounts were not prescribed or approved by the State Board of Accounts.

IC 20-24-8-5 states in part: "The following statutes and rules and guidelines adopted under the following statutes apply to a charter school: . . . (2) IC 20-39-1-1 (unified accounting system) . . ."

IC 20-39-1-1 states: "All public school governing bodies shall adopt and fully and accurately implement a single, unified accounting system as prescribed by the state board and the state board of accounts."

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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 AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE 21ST CENTURY CHARTER SCHOOL
AT FALL CREEK, MARION COUNTY, INDIANA

Compliance

We have audited the compliance of the 21st Century Charter School at Fall Creek (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2008 and 2009. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2008 and 2009.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in a School Corporation's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the School Corporation's management, board of directors and 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. 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

January 28, 2010

21ST CENTURY CHARTER SCHOOL AT FALL CREEK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2008 and 2009

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-08	Total Federal Awards Expended 06-30-09
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education Child Nutrition Cluster School Breakfast Program	10.553		\$ 15,460	\$ -
		FY08	-	-
		FY09	-	15,785
Total for program			<u>15,460</u>	<u>15,785</u>
National School Lunch Program	10.555			
		FY08	79,278	-
		FY09	-	74,949
Total for program			<u>79,278</u>	<u>74,949</u>
Total for cluster			<u>94,738</u>	<u>90,734</u>
Total for federal grantor agency			<u>94,738</u>	<u>90,734</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education Title I Grants to Local Educational Agencies	84.010			
		08-9370	265,127	-
		09-9370	-	209,019
School Improvement		08-9370	20,580	-
Total for program			<u>285,707</u>	<u>209,019</u>
Special Education - Grants to States	84.027			
		FY08	110,346	38,323
		FY09	-	147,786
Total for program			<u>110,346</u>	<u>186,109</u>
Pass-Through 21st Century Charter School at Fountain Square Education Technology State Grants	84.318			
		FY08	15,938	-
Pass-Through Indiana Department of Education Improving Teacher Quality State Grants	84.367			
		FY06	11,445	-
Total for federal grantor agency			<u>423,436</u>	<u>395,128</u>
Total federal awards expended			<u>\$ 518,174</u>	<u>\$ 485,862</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

21ST CENTURY CHARTER SCHOOL AT FALL CREEK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the 21st Century Charter School at Fall Creek (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of schools shall be conducted biennially. Such audits shall include both years within the biennial period.

II. Subrecipients

Of the federal expenditures presented in the schedule, the School Corporation provided federal awards to subrecipients as follows for the years ended June 30, 2008 and 2009:

Program Title	Federal CFDA Number	2008	2009
Special Education – Grants to States	84.027	\$ 33,682	\$ 104,847

21ST CENTURY CHARTER SCHOOL AT FALL CREEK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies
84.318	Education Technology State Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

21ST CENTURY CHARTER SCHOOL AT FALL CREEK
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

21ST CENTURY CHARTER SCHOOL AT FALL CREEK
EXIT CONFERENCE

The contents of this report were discussed on February 24, 2010, with Dana Johnson, Treasurer; Kevin Teasley, Superintendent; Sonia Duelberg, Accountant; and Kyle Rouse, Operations Manager.