

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

AUDIT REPORT
OF
ANDERSON PREPARATORY ACADEMY
MADISON COUNTY, INDIANA
July 1, 2008 to June 30, 2010



FILED
02/18/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Natalie J. Pitts	07-01-08 to 06-30-11
Chief Executive Officer	Robert Guillaume	07-01-08 to 06-30-11
President of the Board of Directors	John Riley	07-01-08 to 06-30-11



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 ANDERSON PREPARATORY
ACADEMY, MADISON COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Anderson Preparatory Academy (School Corporation), as of and for the years ended June 30, 2009 and 2010, 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, 2009 and 2010, 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 12, 2011, 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 integral part of 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 School Corporation has not presented Management's Discussion and Analysis, Schedules of Funding Progress, 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 12, 2011



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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 ANDERSON PREPARATORY
ACADEMY, MADISON COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Anderson Preparatory Academy (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated January 12, 2011. 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.

The School Corporation's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

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 12, 2011

ANDERSON PREPARATORY ACADEMY
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		Net (Disbursement) Receipts and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Totals
Governmental activities:				
Instruction	\$ 790,537	\$ -	\$ 7,594	\$ (782,943)
Support services	697,376	34,485	60,438	(602,453)
Noninstructional services	119,812	-	-	(119,812)
Facilities acquisition and construction	1,053,483	-	-	(1,053,483)
Debt service	69,520	-	-	(69,520)
Total governmental activities	<u>\$ 2,730,728</u>	<u>\$ 34,485</u>	<u>\$ 68,032</u>	<u>(2,628,211)</u>
General receipts:				
Other local sources				19,418
State aid				648,360
Bonds and loans				1,589,204
Grants and contributions not restricted to specific programs				653,841
Investment earnings				1,418
Total general receipts				2,912,241
Change in net assets				284,030
Net assets - beginning				-
Net assets - ending				\$ 284,030
<u>Assets</u>				
Cash and Investments				\$ 284,030
<u>Net Assets</u>				
Unrestricted				\$ 284,030

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

ANDERSON PREPARATORY ACADEMY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		Net (Disbursement) Receipts and Changes in Net Assets
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 1,314,627	\$ -	\$ 13,238	\$ (1,301,389)
Support services	889,011	35,558	96,949	(756,504)
Noninstructional services	164,006	-	-	(164,006)
Facilities acquisition and construction	1,231,555	-	-	(1,231,555)
Debt service	194,074	-	-	(194,074)
	<u>\$ 3,793,273</u>	<u>\$ 35,558</u>	<u>\$ 110,187</u>	<u>(3,647,528)</u>
Total governmental activities				
General receipts:				
Other local sources				28,948
State aid				1,753,033
Bonds and loans				1,268,527
Grants and contributions not restricted to specific programs				717,183
Investment earnings				439
				<u>3,768,130</u>
Total general receipts				
				120,602
Change in net assets				
Net assets - beginning				284,030
Net assets - ending				\$ 404,632
<u>Assets</u>				
Cash and Investments				\$ 404,632
<u>Net Assets</u>				
Unrestricted				\$ 404,632

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

ANDERSON PREPARATORY ACADEMY
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	Public Charter School ESEA	Other	Totals
Receipts:				
Local sources	\$ 17,327	\$ -	\$ 37,994	\$ 55,321
State sources	655,954	-	16,074	672,028
Federal sources	-	395,200	303,005	698,205
Temporary loans	1,537,329	51,875	-	1,589,204
	<u>2,210,610</u>	<u>447,075</u>	<u>357,073</u>	<u>3,014,758</u>
Disbursements:				
Current:				
Instruction	609,724	33,772	147,041	790,537
Support services	410,889	215,535	70,952	697,376
Noninstructional services	45,297	5,585	68,930	119,812
Facilities acquisition and construction	899,527	102,472	51,484	1,053,483
Debt services	46,536	19,976	3,008	69,520
	<u>2,011,973</u>	<u>377,340</u>	<u>341,415</u>	<u>2,730,728</u>
Excess of receipts over disbursements	<u>198,637</u>	<u>69,735</u>	<u>15,658</u>	<u>284,030</u>
Cash and investments - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 198,637</u>	<u>\$ 69,735</u>	<u>\$ 15,658</u>	<u>\$ 284,030</u>
Cash and Investment Assets - Ending				
Cash and investments	<u>\$ 198,637</u>	<u>\$ 69,735</u>	<u>\$ 15,658</u>	<u>\$ 284,030</u>
Cash and Investment Fund Balance - Ending				
Unrestricted	<u>198,637</u>	<u>69,735</u>	<u>15,658</u>	<u>284,030</u>

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

ANDERSON PREPARATORY ACADEMY
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, 2010

	General	Public Charter School ESEA	Facilities Grant	Other	Totals
Receipts:					
Local sources	\$ 5,150	\$ -	\$ -	\$ 59,795	\$ 64,945
State sources	1,766,299	-	18,960	25,345	1,810,604
Federal sources	-	221,000	75,840	472,959	769,799
Temporary loans	1,268,527	-	-	-	1,268,527
Total receipts	3,039,976	221,000	94,800	558,099	3,913,875
Disbursements:					
Current:					
Instruction	991,406	1,869	-	321,352	1,314,627
Support services	741,270	98,406	-	49,335	889,011
Noninstructional services	51,895	83	-	112,028	164,006
Facilities acquisition and construction	1,054,462	90,714	-	86,379	1,231,555
Debt services	161,000	33,074	-	-	194,074
Total disbursements	3,000,033	224,146	-	569,094	3,793,273
Excess (deficiency) of receipts over disbursements	39,943	(3,146)	94,800	(10,995)	120,602
Other financing sources (uses):					
Transfers in	-	-	-	2,138	2,138
Transfers out	-	-	-	(2,138)	(2,138)
Total other financing sources (uses)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	39,943	(3,146)	94,800	(10,995)	120,602
Cash and investments - beginning	198,637	69,735	-	15,658	284,030
Cash and investments - ending	<u>\$ 238,580</u>	<u>\$ 66,589</u>	<u>\$ 94,800</u>	<u>\$ 4,663</u>	<u>\$ 404,632</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	<u>\$ 238,580</u>	<u>\$ 66,589</u>	<u>\$ 94,800</u>	<u>\$ 4,663</u>	<u>\$ 404,632</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Unrestricted	<u>238,580</u>	<u>66,589</u>	<u>94,800</u>	<u>4,663</u>	<u>404,632</u>

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

ANDERSON PREPARATORY ACADEMY
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2009

	Private-Purpose Trust Funds
Additions:	
Contributions:	
Other	\$ 12,265
Deductions:	
Administrative and general	7,009
Excess of total additions over total deductions	5,256
Cash and investment fund balance - beginning	-
Cash and investment fund balance - ending	\$ 5,256
Net assets:	
Cash and investments	\$ 5,256
Total net assets - cash and investment basis held in trust	\$ 5,256

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

ANDERSON PREPARATORY ACADEMY
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2010

	Private-Purpose Trust Funds
Additions:	
Contributions:	
Other	\$ 39,249
Deductions:	
Administrative and general	39,095
Excess of total additions over total deductions	154
Cash and investment fund balance - beginning	5,256
Cash and investment fund balance - ending	\$ 5,410
Net assets:	
Cash and investments	\$ 5,410
Total net assets - cash and investment basis held in trust	\$ 5,410

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

ANDERSON PREPARATORY ACADEMY
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 under a Board of School Trustees form of government and provides educational services.

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

Primary Government: Anderson Preparatory Academy

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. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The unit did not have any business-type activities during the audit period.

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 public charter school ESEA fund is used to account for the receipts and expenditures for the financial assistance in planning, program design, and initial implementation of charter schools.

ANDERSON PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
(Continued)

The facilities grant fund is used to account for the second year of receipts and expenditures for the financial assistance in the implantation of the charter school.

Additionally, the School Corporation reports the following fund types:

The private-purpose trust funds report a trust arrangement under which principal and income benefit the athletics, administration, and fundraising.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, and fiduciary 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.

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. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. 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.

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.

ANDERSON PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
(Continued)

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as a liability 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."

Fund Financial Statements

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

E. Receipts and Disbursements

Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, and (2) operating grants and contributions. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

F. Internal and Interfund 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 in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. 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.
2. 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, if any, is eliminated or reclassified in the government-wide financial statements as follows:

ANDERSON PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

G. Rounding Differences

The financial statements may contain immaterial differences due to rounding of amounts when the statements were compiled. These differences are considered trivial and do not affect the overall presentation of the financial statements.

II. Detailed Notes on All Funds

A. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution. At June 30, 2010, the School Corporation had deposit balances in the amount of \$450,939.

State statute (IC 5-13-9) authorizes 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 unit.

B. Interfund Transfers

Interfund transfers for the year ended June 30, 2010, were as follows:

Transfer From	Transfer To	2010
Other Governmental Funds	Other Governmental Funds	\$ 2,138
Total		\$ 2,138

III. 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; 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; and natural disasters are covered by commercial insurance from independent third parties.

ANDERSON PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Settled claims resulting from this risk did not exceed commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Pension Plans

1. 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

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

The School Corporation's contributions to the plan during the period were \$6,523

2. 403b Retirement Plan

The School Corporation makes matching contributions of up to 7.25% of the employee's income to a 403(b) retirement plan. The 403(b) retirement plan allows employees to make contributions up to limits established by the Internal Revenue Service. The employee chooses the investment options provided by the plan administrator. All 403(b) Retirement Plan contributions to the plan, plus any earnings they generate, are vested 100%.

ANDERSON PREPARATORY ACADEMY
 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	Textbook Rental	Title I 2008-2009	Special Education	Fiscal Stabilization	Title I Stimulus	Totals
Receipts:							
Local sources	\$ 29,414	\$ 8,580	\$ -	\$ -	\$ -	\$ -	\$ 37,994
State sources	-	16,074	-	-	-	-	16,074
Federal sources	44,364	-	74,258	44,394	131,185	8,804	303,005
Total receipts	73,778	24,654	74,258	44,394	131,185	8,804	357,073
Disbursements:							
Current:							
Instruction	-	24,487	50,421	22,032	50,101	-	147,041
Support services	449	167	5,684	22,362	42,290	-	70,952
Noninstructional services	68,613	-	-	-	317	-	68,930
Facilities acquisition and construction	-	-	16,015	-	35,469	-	51,484
Debt services	-	-	-	-	3,008	-	3,008
Total disbursements	69,062	24,654	72,120	44,394	131,185	-	341,415
Excess of receipts over disbursements	4,716	-	2,138	-	-	8,804	15,658
Cash and investments - beginning	-	-	-	-	-	-	-
Cash and investments - ending	\$ 4,716	\$ -	\$ 2,138	\$ -	\$ -	\$ 8,804	\$ 15,658
Cash and Investment Assets - Ending							
Cash and Investments	\$ 4,716	\$ -	\$ 2,138	\$ -	\$ -	\$ 8,804	\$ 15,658
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 4,716	\$ -	\$ 2,138	\$ -	\$ -	\$ 8,804	\$ 15,658

ANDERSON PREPARATORY ACADEMY
 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, 2010

	School Lunch	Textbook Rental	Title I 2008-2009	Title I 2009-2010	Special Education 2008-2009	Special Education 2009-2010
Receipts:						
Local sources	\$ 35,041	\$ 24,749	\$ -	\$ -	\$ -	\$ -
State sources	753	24,592	-	-	-	-
Federal sources	71,604	-	-	76,608	2,518	52,370
Total receipts	107,398	49,341	-	76,608	2,518	52,370
Disbursements:						
Current:						
Instruction	-	48,302	-	74,983	2,518	52,370
Support services	86	1,039	-	-	-	-
Noninstructional services	112,028	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Total disbursements	112,114	49,341	-	74,983	2,518	52,370
Excess (deficiency) of receipts over disbursements	(4,716)	-	-	1,625	-	-
Other financing sources (uses):						
Transfers in	-	-	-	2,138	-	-
Transfers out	-	-	(2,138)	-	-	-
Total other financing sources (uses)	-	-	(2,138)	2,138	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,716)	-	(2,138)	3,763	-	-
Cash and investments - beginning	4,716	-	2,138	-	-	-
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,763</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Assets - Ending						
Cash and Investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,763</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,763</u>	<u>\$ -</u>	<u>\$ -</u>

ANDERSON PREPARATORY ACADEMY
 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, 2010
 (Continued)

	Improving Teacher Quality	Fiscal Stabilization ARRA	Title I ARRA	Special Education ARRA	Title II Learning Technology	Totals
Receipts:						
Local sources	\$ -	\$ 5	\$ -	\$ -	\$ -	\$ 59,795
State sources	-	-	-	-	-	25,345
Federal sources	<u>35,786</u>	<u>61,003</u>	<u>43,980</u>	<u>56,090</u>	<u>73,000</u>	<u>472,959</u>
Total receipts	<u>35,786</u>	<u>61,008</u>	<u>43,980</u>	<u>56,090</u>	<u>73,000</u>	<u>558,099</u>
Disbursements:						
Current:						
Instruction	34,886	3,619	48,584	56,090	-	321,352
Support services	-	43,815	4,200	-	195	49,335
Noninstructional services	-	-	-	-	-	112,028
Facilities acquisition and construction	-	<u>13,574</u>	-	-	<u>72,805</u>	<u>86,379</u>
Total disbursements	<u>34,886</u>	<u>61,008</u>	<u>52,784</u>	<u>56,090</u>	<u>73,000</u>	<u>569,094</u>
Excess (deficiency) of receipts over disbursements	<u>900</u>	-	<u>(8,804)</u>	-	-	<u>(10,995)</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	2,138
Transfers out	-	-	-	-	-	<u>(2,138)</u>
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	900	-	(8,804)	-	-	(10,995)
Cash and investments - beginning	-	-	<u>8,804</u>	-	-	<u>15,658</u>
Cash and investments - ending	<u>\$ 900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,663</u>
Cash and Investment Assets - Ending						
Cash and Investments	<u>\$ 900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,663</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,663</u>

ANDERSON PREPARATORY ACADEMY
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2009

	<u>Athletic Fund</u>	<u>School Administrative</u>	<u>Totals</u>
Additions:			
Contributions:			
Other	\$ 3,201	\$ 9,064	\$ 12,265
Deductions:			
Administrative and general	<u>1,476</u>	<u>5,533</u>	<u>7,009</u>
Excess of total additions over total deductions	1,725	3,531	5,256
Cash and investment fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - June 30	<u>\$ 1,725</u>	<u>\$ 3,531</u>	<u>\$ 5,256</u>
Net assets:			
Cash and investments	<u>\$ 1,725</u>	<u>\$ 3,531</u>	<u>\$ 5,256</u>
Total net assets - cash and investment basis held in trust	<u>\$ 1,725</u>	<u>\$ 3,531</u>	<u>\$ 5,256</u>

ANDERSON PREPARATORY ACADEMY
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2010

	<u>Athletic Fund</u>	<u>School Administrative</u>	<u>Totals</u>
Additions:			
Contributions:			
Other	\$ -	\$ 39,249	\$ 39,249
Deductions:			
Administrative and general	<u>1,725</u>	<u>37,370</u>	<u>39,095</u>
Excess (deficiency) of total additions over total deductions	(1,725)	1,879	154
Cash and investment fund balance - beginning	<u>1,725</u>	<u>3,531</u>	<u>5,256</u>
Cash and investments - June 30	<u>\$ -</u>	<u>\$ 5,410</u>	<u>\$ 5,410</u>
Net assets:			
Cash and investments	<u>\$ -</u>	<u>\$ 5,410</u>	<u>\$ 5,410</u>
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ 5,410</u>	<u>\$ 5,410</u>

ANDERSON PREPARATORY ACADEMY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended June 30, 2010

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 80,000
Buildings	1,476,219
Improvements other than buildings	203,654
Machinery and equipment	<u>354,966</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 2,114,839</u>

ANDERSON PREPARATORY ACADEMY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2010

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
School Bus	\$ 4,195	\$ 4,195
School Bus	8,845	3,841
Notes and loans payable	<u>2,649,376</u>	<u>212,337</u>
Total governmental activities debt	<u>\$ 2,662,416</u>	<u>\$ 220,373</u>

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

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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 ANDERSON PREPARATORY
ACADEMY, MADISON COUNTY, INDIANA

Compliance

We have audited the compliance of the Anderson Preparatory Academy (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, 2009 and 2010. 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, 2009 and 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2010-1.

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

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)

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.

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.

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

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 12, 2011

ANDERSON PREPARATORY ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2009 and 2010

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 06-30-09	Total Federal Awards Expended 06-30-10
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
National School Lunch Program				
	10.555		\$ 44,363	\$ -
			-	71,604
			<u>44,363</u>	<u>71,604</u>
Total for cluster and federal grantor agency				
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies				
	84.010		72,120	-
		09-9790	-	74,983
		10-9790	-	-
			<u>-</u>	<u>52,784</u>
ARRA - Title I Grants to Local Educational Agencies				
	84.389		-	-
			<u>-</u>	<u>52,784</u>
Total for cluster				
			<u>72,120</u>	<u>127,767</u>
Special Education Cluster				
Special Education - Grants to States				
	84.027		44,394	2,518
			-	52,370
			<u>44,394</u>	<u>54,888</u>
Total for program				
			<u>44,394</u>	<u>54,888</u>
ARRA - Special Education - Grants to States				
	84.391	33310-9790-SN01	-	56,090
			<u>-</u>	<u>56,090</u>
Total for cluster				
			<u>44,394</u>	<u>110,978</u>
Educational Technology State Grants Cluster				
ARRA - Education Technology State Grants				
	84.386		-	73,000
			<u>-</u>	<u>73,000</u>
Total for cluster				
			<u>-</u>	<u>73,000</u>
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act				
	84.394	09-9790	131,185	61,008
			<u>131,185</u>	<u>61,008</u>
Total for cluster				
			<u>131,185</u>	<u>61,008</u>
Charter Schools				
	84.282		174,200	-
		FY08-09	-	-
		FY08-09	203,140	17,860
		FY09-10	-	206,286
			<u>377,340</u>	<u>224,146</u>
Total for program				
			<u>377,340</u>	<u>224,146</u>
Improving Teacher Quality State Grants				
	84.367		-	34,886
			<u>-</u>	<u>34,886</u>
Total for federal grantor agency				
			<u>625,039</u>	<u>631,785</u>
Total federal awards expended			<u>\$ 669,402</u>	<u>\$ 703,389</u>

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

ANDERSON PREPARATORY ACADEMY
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Anderson Preparatory Academy (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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.

ANDERSON PREPARATORY ACADEMY
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? yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.282	Charter Schools State Fiscal Stabilization Fund Cluster

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.

ANDERSON PREPARATORY ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III – Federal Award Findings and Questioned Costs

FINDING 2010-1, CASH MANAGEMENT

Federal Agency: U.S. Department of Education
Federal Program: Charter Schools
CFDA Number: 84.282
Pass-Through Entity: Indiana Department of Education

EDGAR 80.20 (b)(7) states in part:

"Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

31 USC Sec. 3335(a) states in part:

"Each head of an executive agency shall, under such regulations as the Secretary of the Treasury shall prescribe, provide for the timely disbursement of Federal funds through cash, checks, electronic funds, or any other means identified by the Secretary."

We identified during our audit period that the fund for the Charter School Planning and Implementation Grant had a cash balance greater than 150% of the average monthly expenditures in 11 months during the 2008-2009 school year and two months during the 2009-2010 school year. Surplus cash indicates noncompliance with the Cash Management requirement as set forth by the grant agreement and the A-102 Common Rule.

We recommended that School Corporation Officials develop and implement procedures to ensure that the time between the receipt and disbursement of federal funds is minimized as required.

ANDERSON PREPARATORY ACADEMY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



ANDERSON PREPARATORY ACADEMY

2200 W 22nd Street
Anderson, IN 46016

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January 12, 2011

FINDING NO. 2010-1 Internal Control Reportable Condition/Cash Management

Federal Agency:	Indiana Department of Education
Federal Program:	Charter School Planning and Implementation grant
CFDA Number:	84.282
Title of Contact Person:	Treasurer/CFO
Phone Number:	765-356-0029

Corrective Action Plan:

The Treasurer/CFO, along with the CEO, will monitor more closely the grant balances at the end of each month to ensure that the cash balance is not higher than the average monthly expenditures.

This should not be an issue in the future due to the change in the way the Indiana Department of Education issues the funds. Charter schools must spend the funds first before receiving the fund reimbursements.

Natalie Pitts
Treasurer/CFO
Anderson Preparatory Academy
P: 765-356-0029
C: 765-640-2550
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ANDERSON PREPARATORY ACADEMY
EXIT CONFERENCE

The contents of this report were discussed on January 12, 2011, with Natalie J. Pitts, Treasurer; Robert Guillaume, Chief Executive Officer; and Anthony Malone, Board member.