

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

21ST CENTURY CHARTER SCHOOL AT FALL CREEK  
MARION COUNTY, INDIANA

July 1, 2009 to June 30, 2011



**FILED**

03/19/2012



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Auditor's Report on the Financial Statement and Supplementary Schedule of Expenditures of Federal Awards .....	3-4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance With Government Auditing Standards .....	5-6
Financial Statement: Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis .....	9
Notes to Financial Statement .....	10-14
Supplementary Information: Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis .....	16-19
Schedule of Long-Term Debt .....	21
Audit Results and Comments:	
Condition of Records .....	22
Certified Report Not Filed .....	22-23
Official Bonds .....	23
Internal Control Approved Salary Schedule .....	23-24
Overdrawn Fund Balances .....	24
Condition of Records .....	24
Deposits .....	24-25
Bank Account Reconciliations .....	25
Nonuse of Ticket Sales Form SA-4 .....	25-26
Use of Form SA-6, Extra Curricular Ledgers .....	26
Supplemental Audit of Federal Awards:	
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 .....	28-29
Schedule of Expenditures of Federal Awards .....	32
Notes to Schedule of Expenditures of Federal Awards .....	33
Schedule of Findings and Questioned Costs .....	34-35
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings .....	36
Corrective Action Plan .....	37
Exit Conference .....	38
Official Response .....	39

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Dana Johnson	07-01-09 to 06-30-12
Superintendent of Schools	Kevin Teasley	07-01-09 to 06-30-12
President of the Board of Directors	Mark Bowell Rollin Dick	07-01-09 to 06-30-11 07-01-11 to 06-30-12



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENT  
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 statement of the 21st Century Charter School at Fall Creek (School Corporation), for the years ended June 30, 2010 and 2011. This financial statement is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinion.

As discussed in Note 1, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting noted above is a different basis than that used in the prior year.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the years ended June 30, 2010 and 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated February 8, 2012, 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 THE FINANCIAL STATEMENT  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(Continued)

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. 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 financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

The School Corporation's response to the Audit Results and Comments identified in our audit is described in the accompanying section of the report entitled Official Response. 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, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

February 8, 2012



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
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 statement of the 21st Century Charter School at Fall Creek (School Corporation), for the years ended June 30, 2010 and 2011, and have issued our report thereon dated February 8, 2012. 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 opinion on the financial statement, 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
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 statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the School Corporation's management, Board of Directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

February 8, 2012

## FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

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21st CENTURY CHARTER SCHOOL AT FALL CREEK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2010 and 2011

	Cash and Investments 07-01-09	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-10	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-11
General	\$ (244,779)	\$ 2,513,528	\$ 2,214,169	\$ -	\$ 54,580	\$ 2,779,166	\$ 2,690,843	\$ 75,169	\$ 218,072
School Lunch	-	140,302	142,997	-	(2,695)	189,815	181,714	-	5,406
Textbook Rental	25,733	-	51,394	-	(25,661)	22,217	24,664	-	(28,108)
Eli Lilly Supported Summer School Program	-	7,500	-	-	7,500	-	7,500	-	-
CICF Supported Summer School Program	-	15,000	-	-	15,000	-	15,000	-	-
Summer Enrichment Camp	-	-	22,461	-	(22,461)	-	-	22,461	-
Title I	(7,329)	-	-	7,329	-	-	-	-	-
Title I 2008-2009	22,462	-	22,462	-	-	-	-	-	-
Title I 2009-2010	-	246,115	212,989	(13,905)	19,221	-	1,062	(18,159)	-
Title I 2010-2011	-	-	-	-	-	160,134	229,396	25,489	(43,773)
P.LInnovative Education Program Strategies Title V (Part A)	798	-	798	-	-	-	-	-	-
(IDEA, Part B) LEA Capacity Building (Sliver) Grants	11,390	174,002	187,423	-	(2,031)	52,986	92,305	-	(41,350)
Title IV 2008 - Drug Free Schools	-	2,730	2,730	-	-	-	-	-	-
Title IV 2009 - Drug Free Schools	-	3,449	3,449	-	-	-	-	-	-
High Ability FY10	-	-	-	-	-	7,498	7,498	-	-
Improving Teaching Quality, No Child Left, Title II, Part A	45,329	38,019	58,222	-	25,126	13,923	34,515	-	4,534
Charter Facilities Grant	-	-	-	-	-	104,960	-	(104,960)	-
Fiscal Stabilization - Education	200,324	70,571	270,895	-	-	-	-	-	-
Title I - Grants to LEAs	-	142,816	172,851	-	(30,035)	61,200	31,165	-	-
Special Education - Part B	-	-	-	-	-	-	36,725	-	(36,725)
Education Technology	-	98,000	76,308	-	21,692	-	21,692	-	-
School Lunch Equipment	-	10,400	10,400	-	-	-	-	-	-
SIG ARRA	-	-	-	-	-	71,536	77,842	-	(6,306)
McKinney Vento	-	-	-	-	-	5,050	7,050	-	(2,000)
<b>Totals</b>	<b>\$ 53,928</b>	<b>\$ 3,462,432</b>	<b>\$ 3,449,548</b>	<b>\$ (6,576)</b>	<b>\$ 60,236</b>	<b>\$ 3,468,485</b>	<b>\$ 3,458,971</b>	<b>\$ -</b>	<b>\$ 69,750</b>

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

21<sup>st</sup> CENTURY CHARTER SCHOOL OF FALL CREEK ACADEMY  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

The accompanying financial statement presents the financial information for the School Corporation (primary government).

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

*C. Cash and Investments*

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Local sources which include taxes, revenue from local governmental units other than school corporations, investment income, food services, school corporation activities, revenue from community services activities, and other revenue from local sources.

State sources which include distributions from the State of Indiana to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources which include distributions from the federal government to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

21<sup>st</sup> CENTURY CHARTER SCHOOL OF FALL CREEK ACADEMY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Temporary loans which include money received from a loan obtained to pay current expenses prior to the receipt of revenue from taxes levied for that purpose. These loans, sometimes designated tax anticipation warrants, must be repaid from the next semiannual distribution of local property taxes levied for such fund.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Instruction which includes outflows for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services which include outflows for food service operations and community service operations.

Facilities acquisition and construction which includes outflows for the acquisition, development, construction, and improvement of new and existing facilities.

Debt services which include fixed obligations resulting from financial transactions previously entered into by the School Corporation. It includes all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

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

*F. Other financing sources and uses*

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses include the following:

Transfers in which includes money received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

Transfers out which includes money paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

21<sup>st</sup> CENTURY CHARTER SCHOOL OF FALL CREEK ACADEMY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the School Corporation. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the School Corporation submits a proposed operating budget to the governing board for the following calendar year.

**Note 3. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 4. Risk Management**

The School Corporation may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the School Corporation to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the School Corporation by recording as a disbursement and replacement items purchased.

21<sup>st</sup> CENTURY CHARTER SCHOOL OF FALL CREEK ACADEMY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 5. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

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

*Funding Policy and Annual Pension Cost*

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

*B. Teachers' Retirement Fund*

*Plan Description*

The Indiana Teachers' Retirement Fund (TRF) is a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

21<sup>st</sup> CENTURY CHARTER SCHOOL OF FALL CREEK ACADEMY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the TRF plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 286-3544

*Funding Policy and Annual Pension Cost*

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

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was prepared and/or approved by management of the School Corporation. It is presented as intended by the School Corporation.

21st CENTURY CHARTER SCHOOL AT FALL CREEK  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2010

	General	School Lunch	Textbook Rental	Eli Lilly Supported Summer School Program	CICF Supported Summer School Program	Summer Enrichment Camp	Title I	Title I 2008-2009	Title I 2009-2010	P.LInnovative Education Program Strategies Title V (Part A)
Cash and investments - beginning	\$ (244,779)	\$ -	\$ 25,733	\$ -	\$ -	\$ -	\$ (7,329)	\$ 22,462	\$ -	\$ 798
Receipts:										
Local sources	28,150	9,359	-	7,500	15,000	-	-	-	-	-
State sources	2,350,378	942	-	-	-	-	-	-	-	-
Federal sources	-	130,001	-	-	-	-	-	-	246,115	-
Temporary loans	135,000	-	-	-	-	-	-	-	-	-
Total receipts	2,513,528	140,302	-	7,500	15,000	-	-	-	246,115	-
Disbursements:										
Current:										
Instruction	678,122	-	51,394	-	-	-	-	22,462	126,689	798
Support services	1,151,151	-	-	-	-	22,461	-	-	86,300	-
Noninstructional services	10,854	142,997	-	-	-	-	-	-	-	-
Facilities acquisition and construction	202,555	-	-	-	-	-	-	-	-	-
Debt services	138,237	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	33,250	-	-	-	-	-	-	-	-	-
Total disbursements	2,214,169	142,997	51,394	-	-	22,461	-	22,462	212,989	798
Excess (deficiency) of receipts over disbursements	299,359	(2,695)	(51,394)	7,500	15,000	(22,461)	-	(22,462)	33,126	(798)
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	7,329	-	-	-
Transfers out	-	-	-	-	-	-	-	-	(13,905)	-
Total other financing sources (uses)	-	-	-	-	-	-	7,329	-	(13,905)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	299,359	(2,695)	(51,394)	7,500	15,000	(22,461)	7,329	(22,462)	19,221	(798)
Cash and investments - ending	\$ 54,580	\$ (2,695)	\$ (25,661)	\$ 7,500	\$ 15,000	\$ (22,461)	\$ -	\$ -	\$ 19,221	\$ -

21st CENTURY CHARTER SCHOOL AT FALL CREEK  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2010  
 (Continued)

	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Title IV 2008 - Drug Free Schools	Title IV 2009 - Drug Free Schools	Improving Teaching Quality, No Child Left, Title II, Part A	Fiscal Stabilization - Education	Title I - Grants to LEAs	Education Technology	School Lunch Equipment	Totals
Cash and investments - beginning	\$ 11,390	\$ -	\$ -	\$ 45,329	\$ 200,324	\$ -	\$ -	\$ -	\$ 53,928
Receipts:									
Local sources	-	-	-	-	-	-	-	-	60,009
State sources	-	-	-	-	-	-	-	-	2,351,320
Federal sources	174,002	2,730	3,449	38,019	70,571	142,816	98,000	10,400	916,103
Temporary loans	-	-	-	-	-	-	-	-	135,000
Total receipts	174,002	2,730	3,449	38,019	70,571	142,816	98,000	10,400	3,462,432
Disbursements:									
Current:									
Instruction	88,930	573	-	-	228,324	75,490	69,436	-	1,342,218
Support services	3,493	-	-	58,222	42,571	21,944	6,872	-	1,393,014
Noninstructional services	-	1,584	2,002	-	-	19,100	-	-	176,537
Facilities acquisition and construction	-	573	1,447	-	-	56,317	-	10,400	271,292
Debt services	-	-	-	-	-	-	-	-	138,237
Nonprogrammed charges	95,000	-	-	-	-	-	-	-	128,250
Total disbursements	187,423	2,730	3,449	58,222	270,895	172,851	76,308	10,400	3,449,548
Excess (deficiency) of receipts over disbursements	(13,421)	-	-	(20,203)	(200,324)	(30,035)	21,692	-	12,884
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	7,329
Transfers out	-	-	-	-	-	-	-	-	(13,905)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	(6,576)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(13,421)	-	-	(20,203)	(200,324)	(30,035)	21,692	-	6,308
Cash and investments - ending	\$ (2,031)	\$ -	\$ -	\$ 25,126	\$ -	\$ (30,035)	\$ 21,692	\$ -	\$ 60,236

21st CENTURY CHARTER SCHOOL AT FALL CREEK  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2011

	General	School Lunch	Textbook Rental	Eli Lilly Supported Summer School Program	CICF Supported Summer School Program	Summer Enrichment Camp	Title I 2009-2010	Title I 2010-2011	(IDEA, Part B) LEA Capacity Building (Sliver) Grants
Cash and investments - beginning	\$ 54,580	\$ (2,695)	\$ (25,661)	\$ 7,500	\$ 15,000	\$ (22,461)	\$ 19,221	\$ -	\$ (2,031)
Receipts:									
Local sources	50,777	16,719	-	-	-	-	-	-	-
State sources	2,523,389	-	22,217	-	-	-	-	-	-
Federal sources	-	173,096	-	-	-	-	-	160,134	52,986
Temporary loans	205,000	-	-	-	-	-	-	-	-
Total receipts	2,779,166	189,815	22,217	-	-	-	-	160,134	52,986
Disbursements:									
Current:									
Instruction	1,019,117	-	24,664	7,500	15,000	-	-	181,047	71,921
Support services	1,348,760	-	-	-	-	-	1,062	44,805	-
Noninstructional services	9,482	181,714	-	-	-	-	-	3,544	-
Facilities acquisition and construction	42,334	-	-	-	-	-	-	-	-
Debt services	205,000	-	-	-	-	-	-	-	-
Nonprogrammed charges	66,150	-	-	-	-	-	-	-	20,384
Total disbursements	2,690,843	181,714	24,664	7,500	15,000	-	1,062	229,396	92,305
Excess (deficiency) of receipts over disbursements	88,323	8,101	(2,447)	(7,500)	(15,000)	-	(1,062)	(69,262)	(39,319)
Other financing sources (uses):									
Transfers in	66,150	-	-	-	-	-	-	25,489	-
Transfers out	9,019	-	-	-	-	22,461	(18,159)	-	-
Total other financing sources (uses)	75,169	-	-	-	-	22,461	(18,159)	25,489	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	163,492	8,101	(2,447)	(7,500)	(15,000)	22,461	(19,221)	(43,773)	(39,319)
Cash and investments - ending	\$ 218,072	\$ 5,406	\$ (28,108)	\$ -	\$ -	\$ -	\$ -	\$ (43,773)	\$ (41,350)

21st CENTURY CHARTER SCHOOL AT FALL CREEK  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2011  
 (Continued)

	High Ability FY10	Improving Teaching Quality, No Child Left, Title II, Part A	Charter Facilities Grant	Title I - Grants to LEAs	Special Education - Part B	Education Technology	SIG ARRA	McKinney Vento	Totals
Cash and investments - beginning	\$ -	\$ 25,126	\$ -	\$ (30,035)	\$ -	\$ 21,692	\$ -	\$ -	\$ 60,236
Receipts:									
Local sources	-	-	-	-	-	-	-	-	67,496
State sources	7,498	-	104,960	-	-	-	-	-	2,658,064
Federal sources	-	13,923	-	61,200	-	-	71,536	5,050	537,925
Temporary loans	-	-	-	-	-	-	-	-	205,000
Total receipts	7,498	13,923	104,960	61,200	-	-	71,536	5,050	3,468,485
Disbursements:									
Current:									
Instruction	6,966	31,485	-	-	2,032	-	77,842	7,050	1,444,624
Support services	532	3,030	-	6,000	154	18,642	-	-	1,422,985
Noninstructional services	-	-	-	-	-	-	-	-	194,740
Facilities acquisition and construction	-	-	-	25,165	9,539	3,050	-	-	80,088
Debt services	-	-	-	-	-	-	-	-	205,000
Nonprogrammed charges	-	-	-	-	25,000	-	-	-	111,534
Total disbursements	7,498	34,515	-	31,165	36,725	21,692	77,842	7,050	3,458,971
Excess (deficiency) of receipts over disbursements	-	(20,592)	104,960	30,035	(36,725)	(21,692)	(6,306)	(2,000)	9,514
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	91,639
Transfers out	-	-	(104,960)	-	-	-	-	-	(91,639)
Total other financing sources (uses)	-	-	(104,960)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(20,592)	-	30,035	(36,725)	(21,692)	(6,306)	(2,000)	9,514
Cash and investments - ending	\$ -	\$ 4,534	\$ -	\$ -	\$ (36,725)	\$ -	\$ (6,306)	\$ (2,000)	\$ 69,750

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21ST CENTURY CHARTER SCHOOL AT FALL CREEK  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 June 30, 2011

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Notes and loans payable	\$ 1,433,664	\$ 1,039,063

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

**CONDITION OF RECORDS**

The following deficiencies relating to the recordkeeping were noted.

The general ledgers used to account for the School Corporation's accounts were not prescribed or approved by the State Board of Accounts.

The School Corporation maintains their records electronically on a modified accrual basis of accounting. The computer software allows for individual funds to be established, but all of the cash is reported in the General Fund. To determine the cash balances of the individual funds, computations must be made using prior period ending cash balances, revenues and expenses which must be converted to actual cash receipts and disbursements. Furthermore, the ledger contained numerous cash and accrual transactions which were commingled, making it difficult to determine that the cash receipts and disbursements presented in the financial statement were an accurate reflection of the cash activity of the School Corporation.

Furthermore, some transactions were recorded as negative and disbursements.

A similar comment appeared in prior Report B38553.

Indiana Code 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). . ."

Indiana Code 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.

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 Indiana Public School Corporations, Chapter 9)

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)

**CERTIFIED REPORT NOT FILED**

The School Corporation did not file a Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100-R or its equivalent) with the State Board of Accounts for the year 2011.

Indiana Code 5-11-13-1 states in part:

"Every . . . school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and addresses of each and all officers, employees, and agents in their respective offices, departments, boards, commissions, and institutions, and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts. . . ."

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

Indiana Code 5-11-13-2 states: "The State Examiner shall accept all such reports for filing and keep the same as public records which shall be open to public inspection and examination at reasonable times.

Indiana Code 5-11-13-3 states: "A person who violates the provisions of the statute requiring the report commits a class C infraction; if violated by an elected state officer, is liable to impeachment, and if violated by any other person, is subject to removal for neglect of duty under procedures in IC 34-17."

**OFFICIAL BONDS**

There was no bond coverage during the audit period for the Treasurer or Extra-Curricular Account Treasurer.

The Treasurer of the School Corporation, and the Deputy Treasurer if one is appointed, for each school year commencing July 1, shall each give a bond for the faithful performance of duty, written by an insurance company licensed to do business in the State of Indiana, in an amount determined by the governing body. The Treasurer shall be responsible under the treasurer's bond for the acts of any deputy treasurer appointed as provided in Indiana Code 20-26-4-5. All bonds must be made payable to the State of Indiana, Indiana Code 5-4-1-10; and approved by the governing body of the school corporation. The State Board of Accounts is of the audit position bonds should be filed and recorded in the office of the county recorder. No charge is made for recording official bonds, Indiana Code 36-2-7-10.

The treasurer of each extra-curricular account shall provide a faithful performance of duty bond for one year, the term of the office. The amount of the bond shall be fixed and approved by the school superintendent and principal approximating the total amount of anticipated funds which will come into the hands of the treasurer at any one time during the regular school year, IC 20-41-1-6. The State Board of Accounts is of the audit position bonds should be filed and recorded in the office of the county recorder and a new bond shall be issued and filed each year. If either school lunch funds or textbook rental funds are handled through an extra-curricular account, the governing body of the school corporation shall approve the amount of the bond of the treasurer, IC 20-41-2-6. The bond may be either an individual bond for each extra-curricular treasurer or a single blanket position bond for all extra-curricular treasurers, IC 20-41-1-6. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

**INTERNAL CONTROLS APPROVED SALARY SCHEDULE**

The controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient. All compensation and benefits received for the years ended June 30, 2010 and 2011, were not on a salary schedule adopted by the Board of Directors. Total salaries and benefits are submitted by the Treasurer and approved by the Board of Directors as part of the budget process, but no detail is provided for individual rates of pay. Failure to maintain adequate controls over the authorization of salaries and wages could result in unauthorized compensation being paid to employees.

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 Indiana Public School Corporations, Chapter 9)

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

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 13)

***OVERDRAWN FUND BALANCES***

The School Lunch Fund and Textbook Rental Fund were overdrawn in the amount of \$2,695 and \$25,661 respectively, on June 30, 2010. The Textbook Rental Fund was also overdrawn in the amount of \$28,108 on June 30, 2011.

The 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)

***CONDITION OF RECORDS (Applies to Extra-Curricular Account)***

Financial records presented for audit were incomplete and not reflective of the activity of the Extra-Curricular Fund. The records presented did not provide sufficient information to audit or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions. Furthermore, the bank statements for the period July 1, 2009 to June 30, 2010, were not presented, therefore the receipts, disbursements and ending balances for the period July 1, 2009 to June 30, 2010, could not be determined. We were able to view deposits in the amount of \$25,032 and disbursements in the amount of \$21,559 from bank statements for the period July 1, 2010 to June 30, 2011. This activity was aggregated in one fund and agreed to the checkbook provided.

In addition, receipt numbers 8401 through 8550 were not presented for audit.

Finally, the supporting detail for snacks served was not made available in order for us to verify reports submitted to the Indiana Department of Education (DOE) for reimbursement.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (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 Extra-Curricular Accounts, Chapter 7)

***DEPOSITS (Applies to Extra-Curricular Accounts School Lunch)***

Receipts were deposited on average 12 days subsequent to receipt of funds. Our audit also identified that a cash change fund had not been established and change was being made from daily cash receipts.

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

Indiana Code 5-13-6-1(c) states in part: ". . . all local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance. . ."

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

***BANK ACCOUNT RECONCILIATIONS (Applies to Extra Curricular Account)***

Depository reconciliations of the Extra-Curricular Fund balances to the bank account balances were not presented for the entire period; July 1, 2009 through June 30, 2011. A check register balance was provided for the period covering July 1, 2010 through June 30, 2011.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

***NONUSE OF TICKET SALES FORM SA-4 (Applies to Extra-Curricular Account)***

We identified that the Ticket Sales Form (SA-4) was not used. No information was presented for audit to indicate anyone at the School accounts for the revenue generated by admission to athletic and social events. Tickets are not sold and cash payments are taken at the time of admittance. As a result, full accountability for all money received from admissions could not be determined.

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 Extra-Curricular Accounts, Chapter 7)

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)

Ticket sales conducted by any activity should be accounted for as follows:

The treasurer should be responsible for the proper accounting for all tickets and should keep a record of the number purchased, the number issued for sale, and the number returned. The treasurer should see that proper accounting is made for the cash received from those sold. All tickets shall be prenumbered, with a different ticket color and numerical series for each price group. When cash for ticket sales is deposited with the treasurer, the treasurer's receipt issued therefore should show the number of tickets issued to the seller, the number returned unsold and the balance remitted in cash. All tickets (including free or reduced) must be listed and accounted for on the SA-4 Ticket Sales Form. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

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

Serially prenumbered tickets by the printing supplier should be used for all athletic and other extra-curricular activities and events for which admission is charged. Part of the prenumbered ticket should be given to the person paying for the ticket upon admission to the event. The other part of the ticket (which should also be prenumbered, referred to as the stub) should be retained. All tickets (unused tickets and stubs) should be retained for audit. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

Tickets for each price group should be different colors and/or different in their series number. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

***USE OF FORM SA-6, EXTRA-CURRICULAR LEDGER***

The Extra-Curricular Account Treasurer does not use the Extra-Curricular Ledger Form (SA-6) to maintain a control ledger.

The Extra-Curricular Ledger (SA-6) is a 9 1/4" x 11 7/8" stock ledger form which provides separate amount columns for posting receipts and disbursements and a third amount column for entering the balance. The same form is to be used for the control account and for each of the individual funds. The Extra-Curricular Ledger (SA-6) is designed to be contained in a standard post binder. The form also provides space for entering the date and receipt or check numbers as well as an item or description column. (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 Extra-Curricular Accounts, Chapter 7)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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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 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, 2010 and 2011. 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, 2010 and 2011.

Internal Control Over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal controls over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report is intended solely for the information and use of the School Corporation's management, Board of Directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

February 8, 2012

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

21ST CENTURY CHARTER SCHOOL AT FALL CREEK  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2010 and 2011

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 06-30-10	Total Federal Awards Expended 06-30-11
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Pass-Through Indiana Department of Education Child Nutrition Cluster School Breakfast Program	10.553		\$ 25,121	\$ -
		FY 2009-10	-	31,412
		FY 2010-11	-	-
Total for program			25,121	31,412
National School Lunch Program	10.555		104,880	-
		FY 2009-10	-	149,910
		FY 2010-11	-	-
Total for program			104,880	149,910
Total for cluster			130,001	181,322
ARRA - Child Nutrition Discretionary Grants Limited Availability, Recovery Act	10.579		10,400	-
		FY 2009-10	-	-
Total for federal grantor agency			140,401	181,322
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Pass-Through Indiana Department of Education Title I, Part A Cluster Title I Grants to Local Educational Agencies	84.010		242,027	-
		10-9370	-	160,134
		11-9370	-	-
Total for program			242,027	160,134
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389		172,851	-
		FY 2009-10	-	132,736
		FY 2010-11	-	-
Total for program			172,851	132,736
Total for cluster			414,878	292,870
Special Education Cluster Special Education - Grants to States	84.027		187,423	-
		FY 2009-10	-	52,985
		FY 2010-11	-	-
Total for cluster			187,423	52,985
Education Technology State Grants Cluster ARRA - Education Technology State Grants, Recovery Act	84.386		76,308	-
		FY 2009-10	-	-
State Fiscal Stabilization Fund Cluster ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394		270,895	-
		FY 2009-10	-	-
Safe and Drug-Free Schools and Communities - State Grants	84.186		6,179	-
		FY 2009-10	-	-
Education of Homeless Children and Youth Cluster Education of Homeless Children and Youth McKinney Vento-Grant	84.196		-	5,050
		FY 2010-11	-	-
State Grants for Innovative Programs	84.298		798	-
		FY 2009-10	-	-
Improving Teacher Quality State Grants	84.367		58,222	-
		FY 2009-10	-	13,922
		FY 2010-11	-	-
Total for program			58,222	13,922
Total for federal grantor agency			1,014,703	364,827
Total federal awards expended			\$ 1,155,104	\$ 546,149

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

21<sup>st</sup> CENTURY CHARTER SCHOOL OF FALL CREEK ACADEMY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Fall Creek Academy (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. 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 Indiana Code (IC 5-11-1 et seq.), audits of School Corporation shall be conducted biennially. Such audits shall include both years within the biennial period.

**Note 2. Noncash Assistance**

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2010 and 2011. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2010	2011
School Breakfast Program	10.553	\$ -	\$ 1,255
National School Lunch Program	10.555	-	6,518

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

**Section I – Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	yes
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:

Name of Federal Program or Cluster

Child Nutrition Cluster  
Title I Part A, 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 were reportable.

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

**Section III – Federal Award Findings and Questioned Costs**

**FINDING 2011-1 - REPORTING**

Federal Agency: U.S. Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Number and Year (or Other Identifying Number): 11-9370  
Pass-Through Entity: Indiana Department of Education

As part of the Title I Grants to Local Educational Agencies grant agreements between the School Corporation and the Indiana Department of Education, the School Corporation is required to submit quarterly reports by the 10th of the month following the end of the quarter. Of the four quarterly reports due for the audit period, two were not filed timely.

According to the Title I Quarterly Monitoring Report, the reports are due on the following schedule:

July 1 - September 30	Due October 10
October 1 - December 31	Due January 10
January 1 - March 31	Due April 10
April 1 - June 30	Due July 10

Circular A-133 section .300 (d) Subpart C -- Auditees \$\_\_\_\_.300 Auditee responsibilities states in part:

"The auditee shall: . . . (c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs."

The School Corporation is not in compliance with reporting requirements for the program. Failure to comply with these requirements could cause the School Corporation to be ineligible to receive future federal awards.

We recommended that School Corporation Officials prepare all required reports on a timely basis.

21<sup>st</sup> CENTURY CHARTER SCHOOL OF FALL CREEK ACADEMY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters were reportable.



Fall Creek Academy Corrective Action Plan

Finding No. 2011-1 – Reporting

Federal Agency – US Department of Education

Federal Program – Title I Grants to Local Educational Agencies

CFDA Number – 84.010

Federal Award Number and Year – 11-9370

Pass-through Entity – Indiana Department of Education

Contact – Dana Johnson, Treasurer, 317-713-4207

Expected Completion Date – Completed

Corrective Action – The entity has established additional controls to ensure all reports are submitted in a timely fashion. A second staff member has been assigned to double-check all reports and deadlines to ensure all reports are properly filed in a timely manner.

  
Dana L. Johnson, Treasurer

2-7-12  
Date

21ST CENTURY CHARTER SCHOOL AT FALL CREEK  
EXIT CONFERENCE

The contents of this report were discussed on February 8, 2012, with Kevin Teasley, Superintendent of Schools; Dana Johnson, Treasurer; Paul Dennison, Accountant; Rollin Dick, President of the Board of Directors; and Michael Smith, Board member. The Official Response has been made a part of this report and may be found on page 39.

21<sup>st</sup> CENTURY CHARTER SCHOOL AT FALL CREEK  
dba FALL CREEK ACADEMY

OFFICIAL RESPONSE to  
INDIANA STATE BOARD OF ACCOUNTS  
Fiscal Audit: July 1, 2009-June 30, 2011

Fall Creek Academy is appreciative of the work and guidance of the Indiana State Board of Accounts for their audit of the above period. We wish to offer the following commentary on the findings.

**CONDITION OF RECORDS** – This finding has already been addressed, as a new accounting system, approved by the State Board of Accounts, was implemented beginning in July, 2011.

**ANNUAL 100-R REPORT** – This finding has already been corrected, beginning in January 2012.

**OFFICIAL BOND** – The school will have these bonds established as soon as possible.

**INTERNAL CONTROLS AND SALARY SCHEDULE** – Going forward, the school board will approve all salaries on an annual basis.

**OVERDRAWN FUND BALANCES** – The negative fund balances are in two accounts – school lunch and textbooks – that are not fully funded through matching student contributions. Students in high poverty schools such as Fall Creek Academy are often unable to pay for lunches, and the school will certainly not let a child go hungry. Further, the school does not charge textbook rental fees to students, as many other schools do. This means, however, that the fund balances may sometimes be negative as the school absorbs those costs.

The school has asked for guidance from the State Board of Accounts on how to resolve this issue, and we appreciate the advice received. In the future, we will allocate funds from the general fund to accommodate the unreimbursed expenses in these areas, and will ensure that the fund balances do not run a negative balance.