

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

For The Year Ended June 30, 2008

- This page intentionally left blank -

**NOBLE ACADEMY
 CHARTER SCHOOL NO. 4171
 TABLE OF CONTENTS**

	<u>Reference</u>	<u>Page Number</u>
INTRODUCTORY SECTION		
School Board		3
FINANCIAL SECTION		
Independent Auditor's Report		7
Management's Discussion and Analysis		11
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Assets	Statement 1	18
Statement of Activities	Statement 2	19
Fund Financial Statements:		
Balance Sheet - Governmental Funds	Statement 3	20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	Statement 4	21
Notes to Financial Statements		23
Required Supplementary Information:		
Budgetary Comparison Schedule - General Fund	Statement 5	32
Budgetary Comparison Schedule - Food Service Special Revenue Fund	Statement 6	34
Budgetary Comparison Schedule - Note to RSI		35
Individual Fund Statements:		
Balance Sheet - General Fund	Statement 7	38
Balance Sheet - Food Service Special Revenue Fund	Statement 8	39
Supplemental Information:		
Uniform Financial Accounting and Reporting Standards Compliance Table	Schedule 1	42
OTHER REQUIRED REPORTS		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		45
Report on Compliance with Minnesota Legal Compliance Audit Guide for Local Government		49
Schedule of Findings and Responses		51

- This page intentionally left blank -

INTRODUCTORY SECTION

- This page intentionally left blank -

BOARD OF DIRECTORS

Name	Board Position During 2007 - 2008
Xulivong Moua	Board Chair
Cherpheng Thao	Board Treasurer
Aemillianna Thao	Board Secretary
Neal Thao	Board Member
Matthew Xiong	Board Member
Lee Seng	Board Member

- This page intentionally left blank -

FINANCIAL SECTION

- This page intentionally left blank -



Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Noble Academy
Charter School No. 4171
Brooklyn Park, Minnesota

We have audited the accompanying financial statements of the governmental activities and each major fund of Noble Academy, as of and for the year ended June 30, 2008 which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of Noble Academy's management. Our responsibility is to express opinions on these basic 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, of Noble Academy, as of June 30, 2008, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 17, 2008 on our consideration of Noble Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

The Management's Discussion and Analysis and the budgetary comparison information, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Noble Academy's basic financial statements. The introductory section and individual fund statements, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund statements 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 introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it. The Uniform Financial Accounting and Reporting Standards Compliance Table is presented as supplemental information as required by the Minnesota Department of Education, and is also not a required part of the basic financial statements of Noble Academy. The supplemental information has 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.

HLB Tautges Redpath, Ltd.

HLB TAUTGES REDPATH, LTD.
White Bear Lake, Minnesota

December 17, 2008

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

This section of Noble Academy’s (the School) annual financial reporting presents our discussion and analysis of the School’s financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the School’s financial statements, which immediately follow this section. The Management’s Discussion and Analysis (MD&A) is a required new element of Requirement Supplementary Information specified in the Government Accounting Standard Board’s (GASB) Statement No. 34 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* issued in June 1999.

Financial Highlights

Key financial highlights for the 2007-2008 fiscal year includes the following:

- Net revenues of \$2,692,888 were received and net expenses of \$2,021,647 were incurred, which resulted in a \$671,241 increase in net assets

Overview of the Financial Statements

The financial section of the annual report consists of four parts – Independent Auditor’s Report, required supplementary information which includes the MD&A (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are School-wide financial statements that provide both short-term and long-term information about the School’s overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School, reporting the School’s operations in more detail than the School-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

School-Wide Statements

The School-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the School’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

The two School-wide statements report the School’s net assets and how they have changed. Net assets – the difference between the School’s assets and liabilities – is one way to measure the School’s financial health or position.

- Over time, increases or decreases in the School’s net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the School you need to consider additional non-financial factors such as changes in the School’s creditworthiness and the condition of school buildings and other facilities.

In the School-wide financial statements the School’s activities are shown in one category:

- Governmental activities – all of the School’s basic services are included here, such as regular and special education, transportation, and administration. Federal and foundation grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the School’s funds – focusing on its most significant or “major” funds – not the School as a whole. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The School may establish other funds to control and manage money for a specific purpose.

The School has the following fund type:

- Governmental funds – the School’s basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School’s programs. Because this information does not encompass the additional long-term focus of the School-wide statements, we provide additional information at the bottom of the governmental funds statements to explain the relationship (or differences) between them.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Assets

The School's net assets were \$673,023 on June 30, 2008 as shown below:

	June 30	
	2008	2007
Current and other assets	\$804,581	\$15,472
Capital assets, net	118,105	1,782
Total	922,686	17,254
Current liabilities	249,663	15,472
Net assets:		
Invested in capital assets	118,105	1,782
Unrestricted	554,918	-
Total net assets	\$673,023	\$1,782

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Changes in Net Assets

The School's total revenues were \$2,692,888 for the year ended June 30, 2008. Program revenues accounted for 25% of total revenue for the year.

	As of June 30	
	2008	2007
Revenues:		
Program revenues:		
Operating grants and contributions	\$659,637	\$80,623
Capital grants and contributions	4,957	1,980
General revenues:		
Local sources	135,966	-
State sources	1,892,328	-
Total revenues	<u>2,692,888</u>	<u>82,603</u>
Expenses:		
School support services	512,633	67,151
Regular instruction	755,909	-
Special education instruction	46,348	-
Instructional support services	24,160	-
Pupil support services	314,755	-
Site, building and equipment	367,842	-
Fiscal and other fixed costs	-	13,670
Total expenses	<u>2,021,647</u>	<u>80,821</u>
Change in net assets	671,241	1,782
Net assets - beginning	<u>1,782</u>	<u>-</u>
Net assets - ending	<u>\$673,023</u>	<u>\$1,782</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The financial performance of the School as a whole is reflected in its governmental funds as well. The School had one fund for the year ended June 30, 2007 and two funds for June 30, 2008. Financial information from the fund statements is as follows:

	2008			2007
	General Fund	Food Service Fund	Total	General Fund
Assets	\$794,985	\$9,596	\$804,581	\$15,472
Liabilities	240,067	9,596	249,663	15,472
Fund balance	<u>\$554,918</u>	<u>\$0</u>	<u>\$554,918</u>	<u>\$0</u>

	2008			2007
	General Fund	Food Service Fund	Total	General Fund
Revenue	\$2,544,457	\$148,431	\$2,692,888	\$82,603
Expenditures	1,989,539	148,431	2,137,970	82,603
Change in fund balance	<u>\$554,918</u>	<u>\$0</u>	<u>\$554,918</u>	<u>\$0</u>

BUDGETARY INFORMATION

Following approval of the budget prior to the beginning of the fiscal year, the School would normally revise the annual operating budget in mid-year. These budget amendments typically fall into two categories:

- Implementing budgets for specially funded projects, which include both federal and state grants and reinstating unexpended funds being carried over from the prior fiscal year.
- Legislation passes subsequent to budget adoption, changes necessitated by employment agreements, and increases in appropriations for significant unbudgeted costs.

Actual revenues were about \$155,924 (or 6.5 percent) more than expected.

The actual expenditures were \$193,769 below budget or about an 8.8 percent variance.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

While the School's final budget for the General Fund anticipated that revenues would exceed expenditures by \$205,225, the actual results for the year show an excess of \$554,918 for a net difference of \$349,369.

CAPITAL ASSETS

As of June 30, 2008, the School had capital assets net of accumulated depreciation of \$118,105.

FACTORS BEARING ON THE SCHOOL'S FUTURE

The board of directors has mandated that the school management develops balanced budgets and monitor revenues and expenditures throughout the year. The School is dependent on the State of Minnesota for most of its revenue. This revenue source is mostly impacted by two variables: legislation and school enrollment. Recent experience demonstrates that legislative revenue increases have not been sufficient to meet increased costs due to inflation. Due to the anticipated state budget shortfall, an increase in per pupil funding is not expected and has not been assumed in the future year budget.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our stakeholders with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact: Neal Thao, Executive Director, 763-255-2460.

BASIC FINANCIAL STATEMENTS

NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
STATEMENT OF NET ASSETS
June 30, 2008

Statement 1

	<u>Governmental Activities</u>
Assets:	
Cash	\$443,596
Due from other governments	357,952
Prepaid items	3,033
Capital assets (net of accumulated depreciation)	<u>118,105</u>
Total assets	<u>922,686</u>
Liabilities:	
Accounts payable	26,797
Salaries and taxes payable	76,404
Unearned revenue	<u>146,462</u>
Total liabilities	<u>249,663</u>
Net assets:	
Invested in capital assets	118,105
Unrestricted	<u>554,918</u>
Total net assets	<u>\$673,023</u>

The accompanying notes are an integral part of these financial statements.

NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2008

Statement 2

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Governmental activities:					
School support services	\$512,633	\$ -	\$46,085	\$4,957	(\$461,591)
Regular instruction	755,909	-	159,545	-	(596,364)
Special education instruction	46,348	-	46,350	-	2
Instructional support services	24,160	-	7,464	-	(16,696)
Pupil support services	314,755	-	148,431	-	(166,324)
Site, building and equipment	367,842	-	251,762	-	(116,080)
Total governmental activities	<u>\$2,021,647</u>	<u>\$0</u>	<u>\$659,637</u>	<u>\$4,957</u>	<u>(1,357,053)</u>
General revenues:					
Local sources					135,966
State sources					1,892,328
Total general revenues					<u>2,028,294</u>
Change in net assets					671,241
Net assets - beginning					<u>1,782</u>
Net assets - ending					<u>\$673,023</u>

The accompanying notes are an integral part of these financial statements.

NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

Statement 3

	<u>General</u>	<u>Food Service Fund</u>	<u>Governmental Funds</u>
Assets			
Cash	\$443,596	\$ -	\$443,596
Due from Minnesota Department of Education	293,231	574	293,805
Due from Federal Government through Minnesota Department of Education	55,125	9,022	64,147
Prepaid items	<u>3,033</u>	<u>-</u>	<u>3,033</u>
Total assets	<u><u>\$794,985</u></u>	<u><u>\$9,596</u></u>	<u><u>\$804,581</u></u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$17,201	\$9,596	\$26,797
Deferred revenue	146,462	-	\$146,462
Salaries and taxes payable	<u>76,404</u>	<u>-</u>	<u>76,404</u>
Total liabilities	<u><u>240,067</u></u>	<u><u>9,596</u></u>	<u><u>249,663</u></u>
Fund balance:			
Reserved for prepaid items	3,033	-	3,033
Unreserved:			
Undesignated reported in:			
General Fund	551,885	-	551,885
Special Revenue Fund	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u><u>554,918</u></u>	<u><u>0</u></u>	<u><u>554,918</u></u>
Total liabilities and fund balance	<u><u>\$794,985</u></u>	<u><u>\$9,596</u></u>	<u><u>\$804,581</u></u>

Amounts reported for governmental activities in the statement of net assets are different because:

Fund balance reported above	\$554,918
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds	<u>118,105</u>
Net assets of governmental activities (Statement 1)	<u><u>\$673,023</u></u>

The accompanying notes are an integral part of these financial statements.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171**

Statement 4

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2008

	General	Food Service Fund	Governmental Funds
Revenues:			
Local sources	\$135,966	\$ -	\$135,966
State sources	2,157,903	8,760	2,166,663
Federal sources	250,588	139,671	390,259
Total revenues	<u>2,544,457</u>	<u>148,431</u>	<u>2,692,888</u>
Expenditures:			
School support services	612,976	-	612,976
Regular instruction	771,889	-	771,889
Special education instruction	46,348	-	46,348
Instructional support services	24,160	-	24,160
Pupil support services	166,324	148,431	314,755
Site, building and equipment	367,842	-	367,842
Total expenditures	<u>1,989,539</u>	<u>148,431</u>	<u>2,137,970</u>
Revenues over (under) expenditures	554,918	0	554,918
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$554,918</u>	<u>\$0</u>	<u>\$554,918</u>

Amounts reported for governmental activities in the statement of activities are different because:

Revenues over expenditures reported above	\$554,918
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Depreciation	(11,672)
Capital outlay	<u>127,995</u>
Change in net assets of governmental activities (Statement 2)	<u>\$671,241</u>

The accompanying notes are an integral part of these financial statements.

- This page intentionally left blank -

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Noble Academy (the School) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the School are described below:

The School's financial statements include all funds, departments, agencies, boards, commissions and other organizations for which the School is considered to be financially accountable.

A. FINANCIAL REPORTING ENTITY

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the School (the primary government) and its component units. Generally, component units are legally separate organizations for which the officials of the primary government are financially accountable. The School does not have any component units, nor is it a component unit of any other entity.

The School is sponsored by The Audubon Society of the North Woods. The sponsor has limited oversight responsibility but is not financially accountable for the School. Therefore, the School is not considered a component unit of the sponsor.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* generally are financed through intergovernmental revenues, and other nonexchange transactions.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not included among program revenues are reported instead as *general revenues*.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

As required by State Statute, the School operates as a nonprofit corporation under Minnesota Statutes §317A. However, State law also requires that the School comply with Uniform Financial Accounting and Reporting Standards for Minnesota School Districts (UFARS) which mandates the use of a governmental accounting structure.

NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Intergovernmental revenues, grants, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School.

Fund Financial Statements: The fund financial statements provide information about the School's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The School reports the following major governmental funds:

The *General Fund* is the general operating fund of the School. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

The *Food Service Fund* is used to account for food service revenues and expenditures.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

When both restricted and unrestricted resources are available for an allowable use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

D. INCOME TAXES

The School is classified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and comparable sections of the Minnesota income tax statutes.

E. BUDGETS

A budget for each fund is prepared on the same basis of accounting as the financial statements. The School's Board adopts an annual budget for the following fiscal year for the General and Special Revenue Funds. Legal budgetary control is at the fund level. Budgeted amounts are as originally adopted or as amended by the Board. Budgeted expenditure appropriations lapse at year end. Encumbrance accounting is not used.

F. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. CAPITAL ASSETS

Capital assets, which include property, plant and equipment are reported in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$1,500, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Furniture and equipment	5 years
Vehicles	7 years

H. USE OF ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

I. ASSETS, LIABILITIES AND FUND EQUITY

Deferred Revenue

Deferred revenue represents amounts received under grant programs but not expended in the current year. Such amounts are deferred until subsequent periods when the funds are expended.

Fund Equity

Fund balances of governmental fund types are classified as unreserved, undesignated which represents that portion of fund balance which is available for expenditures in future periods.

J. STUDENT ACTIVITIES

There were no student activities that were not under board control.

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

In accordance with Minnesota Statutes, the School maintains deposits at those depository banks authorized by the School Board, all of which are members of the Federal Reserve System.

Minnesota Statutes require that all School deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Authorized collateral is outlined in Minnesota Statutes. The School does not have a deposit policy that is more restrictive than Minnesota Statutes.

At June 30, 2008, all of the School's deposits were covered by insurance.

B. INVESTMENTS

The School may also invest idle funds as authorized by Minnesota Statutes, as follows: direct obligations or obligations guaranteed by the United States of its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better, general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States' bank eligible for purchase by the Federal Reserve System; commercial paper issued by United States' corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with

NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

Credit risk – State law limits investments as discussed above. The School has no investment policy that would further limit its investment choices.

At June 30, 2008, the School had \$356,546 invested in a Federated money market mutual fund that invests primarily in short-term U.S. Treasury Securities. The fund is rated AAAM by Standard & Poors.

Note 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Furniture and equipment	\$1,980	\$101,259	\$ -	\$103,239
Vehicles	-	26,736	-	26,736
Total	<u>1,980</u>	<u>127,995</u>	<u>0</u>	<u>129,975</u>
Less accumulated depreciation for:				
Furniture and equipment	198	9,762	-	9,960
Vehicles	-	1,910	-	1,910
Total	<u>198</u>	<u>11,672</u>	<u>0</u>	<u>11,870</u>
Capital assets - net	<u>\$1,782</u>	<u>\$116,323</u>	<u>\$0</u>	<u>\$118,105</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
School support services	\$11,213
Regular instruction	459
	<u>\$11,672</u>

Note 4 PENSION PLANS

A. PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION (PERA)

PLAN DESCRIPTION

All full-time and certain part-time employees of the School (other than teachers) are covered by a defined benefit plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. The School does not have any employees participating under the Basic Plan.

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF and PEPFF. That report may be obtained on the internet at www.mnpera.org, by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651)296-7460 or (800)652-9026.

FUNDING POLICY

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These Statutes are established and amended by the state legislature. The School makes annual contributions to the pension plans equal to the amount required by State Statutes. PERF Coordinated Plan members are required to contribute 6.0%, of their annual covered salary (prior to January 1, 2008 the rate was 5.75%). The School is required to contribute 6.25% through December 31, 2007 and 6.5% thereafter. The School's contributions for the years ending June 30, 2008, 2007 and 2006 were \$12,158, \$2,100 and \$0, respectively. The School's contributions were equal to the contractually required contributions for each year as set by State Statute.

B. TEACHERS' RETIREMENT ASSOCIATION (TRA)

PLAN DESCRIPTION

All teachers employed by the School are covered by a cost-sharing, multiple employer defined benefit plan administered by the State of Minnesota Teachers Retirement Association (TRA). TRA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. These plans are established and administered in accordance with Minnesota Statutes, Chapters 354 and 356. The School does not have any employees participating under the Basic Plan.

TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five consecutive years of allowable service, age, and years of credit at termination of service.

TRA publicly issues a Comprehensive Annual Financial Report (CAFR) presenting financial statements, supplemental information on funding levels, investment performance, and further information on benefits provisions. The report may be accessed at the TRA web site, www.tra.state.mn.us. Alternatively a copy of the report may be obtained by writing or calling TRA at 60 Empire Drive Suite 400, St. Paul, Minnesota 55103-4000, (651)296-6449, (800)657-3853.

FUNDING POLICY

Minnesota Statutes Chapter 354.42 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. Coordinated Plan members are required to contribute 5.5%, of their annual covered salary. The School is required to contribute 5.0% of annual covered payroll. The contribution rate increased to 5.5% in July 2007. The School's contributions for the years ended June 30, 2008, 2007 and 2006 were \$27,812, \$0 and \$0, respectively, which were materially equal to the required contributions for each year as set by State Statute.

Note 5 COMMITMENTS AND CONTINGENCIES

A. GRANTS

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the School expects such amounts, if any, to be immaterial. The federal financial assistance received may be subject to an audit pursuant to OMB Circular A-133 or audits by the grantor agency.

B. LEASE COMMITMENTS

The School entered into a lease agreement for educational space through June 2012. Each year the School has the option to continue or cancel the lease by providing 165 days notice. Total cost for the building lease for the year ended June 30, 2008 was \$276,800. Future minimum lease payments are as follows:

Year Ended June 30	
2009	\$264,000
2010	\$276,000
2011	\$276,000
2012	\$276,000

Note 6 RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School purchases commercial insurance for such risks. Settled claims resulting from these risks have not exceeded insurance coverage in the past two fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For The Year Ended June 30, 2008

	2008			Variance with Final Budget - Over (Under)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues:				
Local sources	\$230,000	\$115,000	\$135,966	\$20,966
State sources	1,270,221	2,018,833	2,157,903	139,070
Federal sources	244,967	254,700	250,588	(4,112)
Total revenues	<u>1,745,188</u>	<u>2,388,533</u>	<u>2,544,457</u>	<u>155,924</u>
Expenditures:				
School support services:				
Current:				
Salaries	155,000	229,250	224,271	(4,979)
Employee benefits	40,288	54,243	52,532	(1,711)
Purchased services	121,850	224,985	194,606	(30,379)
Supplies and materials	56,250	47,077	42,453	(4,624)
Other expenditures	10,900	13,330	11,447	(1,883)
Capital expenditures	88,000	103,521	87,667	(15,854)
Total school support services	<u>472,288</u>	<u>672,406</u>	<u>612,976</u>	<u>(59,430)</u>
Regular instruction:				
Current:				
Salaries	339,455	528,582	498,279	(30,303)
Employee benefits	52,400	90,615	82,130	(8,485)
Purchased services	9,050	39,544	19,831	(19,713)
Supplies and materials	208,750	220,213	147,376	(72,837)
Capital expenditures	27,500	34,270	24,273	(9,997)
Total regular instruction	<u>637,155</u>	<u>913,224</u>	<u>771,889</u>	<u>(141,335)</u>
Special education instruction:				
Current:				
Salaries	85,250	22,800	20,000	(2,800)
Employee benefits	21,000	11,200	2,711	(8,489)
Purchased services	23,700	17,570	22,237	4,667
Supplies and materials	-	1,130	1,400	270
Total special education instruction	<u>129,950</u>	<u>52,700</u>	<u>46,348</u>	<u>(6,352)</u>
Instructional support services:				
Current:				
Salaries	-	4,750	10,023	5,273
Employee benefits	-	550	1,005	455
Purchased services	9,500	12,330	11,031	(1,299)
Supplies and materials	-	759	2,101	1,342
Total instructional support services	<u>9,500</u>	<u>18,389</u>	<u>24,160</u>	<u>5,771</u>

NOBLE ACADEMY
 CHARTER SCHOOL NO. 4171
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For The Year Ended June 30, 2008

	2008			Variance with Final Budget - Over (Under)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Expenditures: (continued)				
Pupil support services:				
Current:				
Purchased services	\$115,000	\$148,200	\$136,847	(\$11,353)
Supplies and materials	-	2,215	4,266	2,051
Capital expenditures	30,000	-	25,211	25,211
Total pupil support services	<u>145,000</u>	<u>150,415</u>	<u>166,324</u>	<u>15,909</u>
Site, building and equipment:				
Current:				
Purchased services	213,000	356,885	353,728	(3,157)
Supplies and materials	6,000	6,000	829	(5,171)
Capital expenditures	40,000	13,289	13,285	(4)
Total site, building and equipment	<u>259,000</u>	<u>376,174</u>	<u>367,842</u>	<u>(8,332)</u>
Total expenditures	<u>1,652,893</u>	<u>2,183,308</u>	<u>1,989,539</u>	<u>(193,769)</u>
Revenues over expenditures	<u>\$92,295</u>	<u>\$205,225</u>	554,918	<u>\$349,693</u>
Fund balance - beginning			-	
Fund balance - ending			<u>\$554,918</u>	

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171**

Statement 6

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - FOOD SERVICE SPECIAL REVENUE FUND
For The Year Ended June 30, 2008

	2008			Variance with Final Budget - Over (Under)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues:				
State sources	\$4,500	\$8,760	\$8,760	\$ -
Federal sources	37,590	143,572	139,671	(3,901)
Total revenues	<u>42,090</u>	<u>152,332</u>	<u>148,431</u>	<u>(3,901)</u>
Expenditures:				
Pupil support services:				
Current:				
Purchased services	<u>46,119</u>	<u>152,333</u>	<u>148,431</u>	<u>(3,902)</u>
Revenues over (under) expenditures	<u>(\$4,029)</u>	<u>(\$1)</u>	0	<u>\$1</u>
Fund balance - beginning			-	
Fund balance - ending			<u>\$0</u>	

NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
June 30, 2008

Note A LEGAL COMPLIANCE – BUDGETS

The General and Special Revenue Funds budgets are legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the fund level.

- This page intentionally left blank -

INDIVIDUAL FUND STATEMENTS

NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
 BALANCE SHEET - GENERAL FUND
 June 30, 2008
 With Comparative Amounts For June 30, 2007

Statement 7

Assets	2008	2007
Cash and investments	\$443,596	\$4,294
Due from Minnesota Department of Education	293,231	10,603
Due from Federal Government through Minnesota Department of Education	55,125	-
Prepaid items	3,033	575
 Total assets	 \$794,985	 \$15,472
 Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$17,201	\$15,472
Deferred revenue	146,462	-
Salaries payable	76,404	-
Total liabilities	240,067	15,472
Fund balance:		
Reserved for prepaid items	3,033	575
Unreserved, undesignated	551,885	(575)
Total fund balance	554,918	0
 Total liabilities and fund balance	 \$794,985	 \$15,472

NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
BALANCE SHEET - FOOD SERVICE SPECIAL REVENUE FUND
June 30, 2008

Statement 8

Assets	<u>2008</u>
Due from Minnesota Department of Education	\$574
Due from Federal Government through Minnesota: Department of Education	<u>9,022</u>
Total assets	<u><u>\$9,596</u></u>
Liabilities and Fund Balance	
Liabilities:	
Accounts payable	\$9,596
Fund balance:	
Unreserved, undesignated	<u>-</u>
Total liabilities and fund balance	<u><u>\$9,596</u></u>

- This page intentionally left blank -

SUPPLEMENTAL INFORMATION

01 General Fund	
Total revenue	\$2,544,457
Total expenditures	1,989,539
Fund balance:	
Reserved:	
403 Staff development	-
406 Health and safety	-
407 Capital projects levy	-
408 Cooperative revenue	-
409 Deferred maintenance	-
410 Reemployment insurance	-
411 Severance pay	-
412 Bus purchase	-
414 Operating debt	-
416 Levy reduction	-
419 Encumbrances	-
423 Certain teacher programs	-
424 Operating capita	-
426 \$25 Taconite	-
427 Disabled accessibility	-
428 Learning and development	-
429 Parental involvement	-
433 Student transportation safety	-
434 Area learning center	-
435 Contracted Alt programs	-
436 State approved Alt programs	-
437 Grad standards staff dev.	-
438 Gifted and Talented	-
439 Grad standards	-
441 Basic skills programs	-
442 Class size reduction	-
443 Telecommunication access cost	-
445 Career and technical programs	-
446 First grade preparedness	-
Unreserved:	
418 Designated severance - insurance premium	-
422 Unreserved/undesignated	554,918
<hr/>	
02 Food Service	
Total revenue	\$148,431
Total expenditures	148,431
Fund balance:	
Reserved:	
411 Severances	-
419 Encumbrances	-
Unreserved:	
418 Designated severance - insurance premium	-
422 Unreserved/undesignated	-

Note: The District may report certain additional reserved fund balances for financial reporting purposes that are reported to the Minnesota Department of Education as unreserved for purposes of this table.

04 Community Service	
Total revenue	\$ -
Total expenditures	-
Fund balance:	
Reserved:	
411 Severances	-
419 Encumbrances	-
426 \$25 Taconite	-
431 Community education	-
432 E.C.F.E.	-
444 School readiness	-
447 Adult basic education	-
Unreserved:	
418 Designated severance - insurance premium	-
422 Unreserved/undesignated	-
<hr/>	
06 Building construction	
Total revenue	\$ -
Total expenditures	-
Fund balance:	
Reserved:	
407 Capital projects levy	-
409 Alternative fac. Program	-
419 Encumbrances	-
Unreserved:	
422 Unreserved/undesignated	-
<hr/>	
07 Debt Service	
Total revenue	\$ -
Total expenditures	-
Fund balance:	
Reserved:	
425 Bond refundings	-
Unreserved:	
422 Unreserved/undesignated	-
<hr/>	
08 Trust	
Total revenue	\$ -
Total expenditures	-
Fund balance:	
Reserved:	
419 Encumbrances	-
Unreserved:	
422 Unreserved/undesignated	-
<hr/>	
09 Agency	
Total revenue	\$ -
Total expenditures	-
Fund balance:	
Unreserved:	
422 Unreserved/undesignated	-
<hr/>	
20 Internal Service	
Total revenue	\$ -
Total expenditures	-
Retained earnings:	
Reserved:	
419 Encumbrances	-
Unreserved:	
422 Unreserved/undesignated	-

OTHER REQUIRED REPORTS

- This page intentionally left blank -



Tautges Redpath, Ltd.

Certified Public Accountants and Consultants

**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 Board of Directors
Noble Academy
Charter School No. 4171
Brooklyn Park, Minnesota

We have audited the financial statements of the governmental activities and each major fund, of Noble Academy, as of and for the year ended June 30, 2008, which collectively comprise Noble Academy's basic financial statements and have issued our report thereon dated December 17, 2008. 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 Noble Academy'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 Noble Academy's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of Noble Academy's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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. We consider the deficiencies

Noble Academy
Report on Internal Control over Financial Reporting
And on Compliance and Other Matters
Page 2

described in the accompanying schedule of findings and responses as items 2008-1 and 2008-2 to be significant deficiencies in internal control over financial reporting.

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 Noble Academy's internal control.

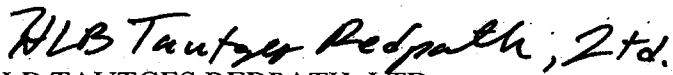
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that item 2008-1 described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Noble Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 and other matters that are required to be reported under *Government Auditing Standards*.

Noble Academy's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Noble Academy's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Directors, management, the Minnesota Department of Education and state and federal awarding agencies, and is not intended to be, and should not be, used by anyone other than these specified parties.


HLB TAUTGES REDPATH, LTD.
White Bear Lake, Minnesota

December 17, 2008



Certified Public Accountants and Consultants

REPORT ON COMPLIANCE WITH MINNESOTA LEGAL
COMPLIANCE AUDIT GUIDE FOR LOCAL GOVERNMENT

To the Board of Directors
Noble Academy
Charter School No. 4171
Brooklyn Park, Minnesota

We have audited the financial statements of Noble Academy, as of and for the year ended June 30, 2008 and have issued our report thereon dated December 17, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government* promulgated by the State Auditor pursuant to Minnesota Statutes Section 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* covers two main categories of compliance to be tested: uniform financial accounting and reporting standards, and charter schools. Our study included the listed categories.

The results of our tests indicate that for the items tested, Noble Academy complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the Board of Directors, management, the Minnesota Department of Education, and the Office of the Minnesota State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.

HLB Tautges Redpath, Ltd.
HLB TAUTGES REDPATH, LTD.
White Bear Lake, Minnesota

December 17, 2008

NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2008

INTERNAL CONTROL FINDINGS

Finding: 2008-01 Documentation of Approved Employee Pay Rates

Criteria: An effective system of internal controls dictates that employee pay rates should be clearly approved and documented.

Condition and context: One employee had an approved contract for the 2007/2008 school year, which was signed in June 2007 with an approved annual salary of \$80,000. In November of 2007 this employee informed the payroll clerk that they were to receive a retroactive raise, and the payroll clerk adjusted the employee's paychecks accordingly. The total effect was an increase in pay for an amount equivalent to a \$15,361 per year increase from the signed contract.

Upon follow up, the School produced various documentation and explanation that the amount in the signed contract was a voluntary reduction from what had been approved by the Board until the School's cash flow improved. However, this information was insufficient to clearly document that the School Board approved the higher amount.

Cause: Unknown

Effect: The lack of clear documentation of approval subjects the school to a higher risk that fraud or error could occur and not be detected in a timely manner.

Recommendation: We recommend the School clearly document pay rates and maintain evidence of approval.

Management Response:

Correction Action Plan (CAP): School and business management firm will ensure any pay rate adjustments are fully reviewed and approved by the Board of Directors prior to pay changes taking effect

Explanation of agreement or disagreement: During the first year of operations the Director chose to reduce his pay by \$20,000 to help ensure the financial stability of the School. After the midpoint of the year it was evident that the financial stability of the School was present. Without consent of the Board of Directors the Director chose to reinstate his pay to the previously approved rate.

Official responsible for ensuring CAP: Director of Noble Academy and the Board of Directors.

**NOBLE ACADEMY
CHARTER SCHOOL NO. 4171
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2008**

Planned completion date for CAP: July 1, 2008

Plan to monitor completion for CAP: Noble's business management firm will ensure any pay adjustments are fully approved by the Board of Directors prior to the change taking effect.

Finding: 2008-02 Financial Statement Misstatements

Criteria: Statement on Auditing Standards (SAS) 112 specifies that a misstatement of any magnitude that could occur and not be detected by the School's internal controls be considered a deficiency in internal control.

Condition and context: We identified an audit adjustment to record additional receivables and revenues of approximately \$18,900. Detecting audit adjustment(s) during any audit is a common occurrence.

Cause: The School's year-end closing process did not identify this adjustment.

Effect: Audit adjustments are an indicator of a higher risk that fraud or errors could occur and not be detected on a timely basis.

Recommendation: We recommend that the School continue to identify all adjustments during the year-end closing process.

Management Response

Correction Action Plan (CAP): School's business management firm will more accurately review year end accruals to ensure no audit adjustments are needed in future years.

Explanation of agreement or disagreement: School's business management firm overlooked a portion of the School's final general education entitlement calculations. This was due to a newly approved revenue source for FY08 that the accountant overlooked while reviewing the entitlement calculations.

Official responsible for ensuring CAP: School Director and Board of Directors

Planned completion date for CAP: School's business management firm and School's Director will ensure the year end accruals are complete and accurate.

Plan to monitor completion for CAP: July 1, 2008