

**Primavera Technical Learning Center
Chandler, Arizona**

Report

June 30, 2010

**Primavera Technical Learning Center
Chandler, Arizona**

Independent Auditor's Reports and Financial Statements

June 30, 2010

Primavera Technical Learning Center
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KLECKA, WILKINS & KLECKA

• CERTIFIED PUBLIC ACCOUNTANTS •

Daniel E. Klecka, CPA
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635 East Maryland Avenue
Phoenix, Arizona 85012

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Primavera Technical Learning Center
Chandler, Arizona

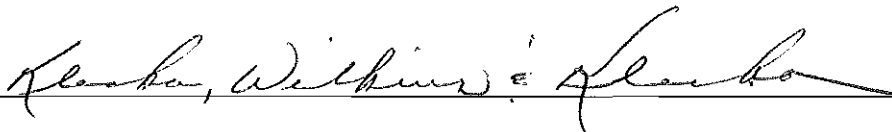
We have audited the accompanying statement of financial position of Primavera Technical Learning Center (an Arizona nonprofit corporation) as of June 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 the 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Primavera Technical Learning Center as of June 30, 2010, and the changes in net assets and its cash flows 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 on March 25, 2011, a report on our consideration of Primavera Technical Learning Center's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of functional expenses on page 9 is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards on page 11 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget *Circular A-133* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Phoenix, Arizona
March 25, 2011

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Primavera Technical Learning Center
Statement of Financial Position
June 30, 2010

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 11,033,915
Accounts Receivable	4,627,852
Loans from Officers	22,136
Prepaid Expenses	<u>24,435</u>
Total Current Assets	<u>15,708,338</u>
Property and Equipment, Net	<u>3,446,862</u>
TOTAL ASSETS	<u><u>\$ 19,155,200</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts Payable	\$ 27,885
Accrued Software Licensing Fees	2,793,324
Accrued Advertising	55,097
Accrued Payroll	<u>303,074</u>
Total Current/Total Liabilities	<u>3,179,380</u>
Net Assets	
Unrestricted	15,461,482
Temporarily Restricted	<u>514,338</u>
Total Net Assets	<u>15,975,820</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 19,155,200</u></u>

See Accompanying Notes and Auditor's Report

Primavera Technical Learning Center
Statement of Activities
For the Year Ended June 30, 2010

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total Net Assets
Revenues			
State of Arizona Equalization Funds	\$ 19,248,202	\$ -	\$ 19,248,202
Classroom Site Fund	-	672,556	672,556
Federal and State Grant Revenues	3,501,748	-	3,501,748
Interest and Dividend Income	160,489	-	160,489
Other Revenues	19,057	-	19,057
Net Assets Released From Restrictions	652,643	(652,643)	-
Total Revenues	<u>23,582,139</u>	<u>19,913</u>	<u>23,602,052</u>
Expenses			
Program Expenses	14,718,649	-	14,718,649
General and Administrative	3,125,157	-	3,125,157
Investment Loss/(Gain)	82,473	-	82,473
Total Expenses	<u>17,926,279</u>	<u>-</u>	<u>17,926,279</u>
Change in Net Assets	<u>5,655,860</u>	<u>19,913</u>	<u>5,675,773</u>
Net Assets at Beginning of Year before Restatement	8,732,559	494,425	9,226,984
Prior Year Adjustment	<u>1,073,063</u>	<u>-</u>	<u>1,073,063</u>
Net Assets at Beginning of Year, Restated	<u>9,805,622</u>	<u>494,425</u>	<u>10,300,047</u>
Net Assets at End of Year	<u>\$ 15,461,482</u>	<u>\$ 514,338</u>	<u>\$ 15,975,820</u>

See Accompanying Notes and Auditor's Report

Primavera Technical Learning Center
Statement of Cash Flows
For the Year Ended June 30, 2010

Cash Flows Provided by (Used for) Operating Activities:	
Increase in Net Assets	\$ 5,675,773
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities:	
Depreciation	147,224
Prior Year Adjustment	1,073,063
Changes in Assets and Liabilities:	
State Funds Receivable	(3,053,931)
Accounts Payable	6,045
Accounts Due to Related Party	673,899
Due from Officer	(18,778)
Prepaid Expenses	3,453
Deposits	1,354
Accrued Expenses	<u>(34,229)</u>
 Net Cash Provided by Operating Activities	 <u><u>4,473,873</u></u>
 Cash Flows Used for Investing Activities:	
Purchase of Property and Equipment	<u>(3,444,321)</u>
 Net Increase in Cash and Cash Equivalents	 1,029,552
 Cash and Cash Equivalents at June 30, 2009	 <u>10,004,363</u>
 Cash and Cash Equivalents at June 30, 2010	 <u><u>\$ 11,033,915</u></u>
 <u>Supplemental Information:</u>	
Cash Paid for Interest	<u>\$ -</u>
Cash Paid for Income Taxes	<u>\$ -</u>
 <u>Non-Cash Investing Activities:</u>	
Abandonment of Leasehold Property	<u><u>\$ 106,445</u></u>

See Accompanying Notes and Auditor's Report

Primavera Technical Learning Center
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 1 – NATURE OF OPERATIONS:

Primavera Technical Learning Center (the School) is an Arizona non-profit corporation formed in February 2001. The School agreed to a fifteen year charter with the Arizona State Board for Charter Schools (ASBCS). The charter is subject to renewal on June 30, 2016 with the consent of both parties. The School began operations as a classroom-based charter high school in Chandler, Arizona in August 2001. In 2003, the ASBCS approved the School's application to begin an internet-based campus providing online instruction. The online program is authorized to serve the educational needs of all high school students in both metropolitan and rural Arizona, and is ideally suited to educate students who are at risk of not graduating from high school: those with behavioral issues, those identified as dropouts, those who are pregnant and/or teen parents, those adjudicated as youthful offenders, and those with a poor academic standing as demonstrated by their failure to maintain with their cohort group. The School served approximately 10,000 individual students during the 2009-10 school year.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The financial statements use the accrual method of accounting and the presentation follows the recommendations for the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) in FASB ASC 958. Under FASB ASC 958, the School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The School has evaluated subsequent events through March 25, 2011, which is the date the financial statements were available to be issued.

Cash Equivalents

For purposes of the statement of cash flows, all unrestricted highly liquid investments with an initial maturity of three months or less are considered to be cash equivalents.

Grants and Funds Receivable

The School recognizes income from funds provided by the state of Arizona in connection with its charter agreements. Due to the concentrated nature of the School's income sources and historical collectibility trends, the School does not provide an allowance for grants or funds receivable.

Property and Equipment

Leasehold improvements with a cost of \$3,000 or more and furniture and equipment with both a cost of \$300 or more and an estimated life of one year or more are capitalized. Assets are stated at cost or fair market value at date of gift, if contributed. Depreciation is calculated over the estimated useful lives of the assets on a straight-line basis of five years for furniture and equipment; fifteen years for buildings and improvements; and three to five years for software.

Maintenance and repairs are charged to expense as incurred. The costs of additions and improvements are capitalized and depreciated over the remaining useful lives of the assets. The costs and accumulated depreciation of assets sold or retired are removed from the accounts and any gain or loss is recognized in the year of disposal.

Revenue Recognition

The School recognizes revenue as earned calculated using a "base support level" determined by the Arizona Department of Education. The "base support level" is a calculation using student counts as a basis for allocating equalization funds to the School such that the School is funded at an amount approximating the amount which public schools in the same district receive on a per pupil basis. State equalization funds are allocated on a fiscal year that ends June 30 of each year and are paid to the School on a periodic basis throughout the school year.

Contributions

The School follows FASB ASC 958 for contributions. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a donor restriction expires; that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restriction. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Primavera Technical Learning Center
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Advertising

Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2010 was \$699,294.

Donated Services

Volunteers (primarily parents of attending students) have donated their labor to the School; however, these donated services are not reflected in the financial statements since the services do not require specialized skills.

Compensated Absences

Due to the nature of the School, it is impracticable to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements.

Functional Expenses

Expenses are charged directly to program or general and administrative categories based on direct expenditures incurred. All expenditures not directly chargeable are allocated based on personnel activity.

Income Taxes

The School qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code. The School is not a private foundation. The School has adopted ASC Topic 740-10, *Accounting for Uncertainty in Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For the year ended December 31, 2010, the School had no material uncertain tax positions to be accounted for in the financial statements under the rules, and had no any interest or penalties assessed by income taxing authorities.

Net Assets

Net assets at June 30, 2010 consist entirely of unrestricted and temporarily restricted net assets. Temporarily restricted net assets consist of Arizona Classroom Site Fund (Prop 301) monies totaling \$514,338 in cash. These funds are available only for restricted purposes designated in A.R.S. §15-977.

Savings Plan

The School has established a savings plan covering most employees. Eligible employees may contribute up to \$16,500 of compensation annually, and eligible employees over age 50 may contribute an additional \$5,500. The School contributed \$11,315 to the plan during the year ended June 30, 2010.

NOTE 3 – PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following at June 30, 2010:

Office Building	\$ 1,568,856
Building Improvements	1,036,930
Land	338,100
Furniture and Equipment	968,226
Software	<u>83,912</u>
Total Property and Equipment	3,996,024
(Less) Accumulated Depreciation	<u>(549,162)</u>
Property and Equipment, Net	<u>\$ 3,446,862</u>

The School began construction on new office facilities in Chandler for teaching and administration. The facilities were substantially completed at June 30, 2010.

Depreciation expense for the year ended June 30, 2010 totaled \$147,224.

NOTE 4 – CONCENTRATION OF RISKS:

Cash

Financial instruments that potentially expose the School to concentrations of credit and market risk consist primarily of deposits in checking accounts. During the year ended June 30, 2010, the Federal Deposit Insurance Corporation (FDIC) insured \$250,000 of the School's deposits; however, the balances in these accounts frequently exceed federally insured limits. The School has not experienced any losses on its cash.

Revenue Sources

Approximately 82% of the School's revenues for the year ended June 30, 2010 were derived from Arizona funds, including state charter school equalization assistance and other funds. An additional 15% of the School's revenues for the year came from federal grants available to schools. Collection from the State of Arizona is reasonably assured, provided that the School complies with contract terms stipulated in its contract with the ASBCS. The School's compliance with certain laws and regulations is subject to review by the Arizona Department of Education and the ASBCS. Although such reviews could result in a reduction of state equalization assistance, in the opinion of the School's management, any reductions that may result are not expected to be significant. Changes in state funding levels for charter schools could have a significant impact on the School's ability to operate.

Primavera Technical Learning Center
Notes to Financial Statements
For the Year Ended June 30, 2010

NOTE 5 – LEASE AND CURRICULUM AGREEMENTS:

American Virtual Academy (Related Party)

The School contracts with The American Virtual Academy, Inc. (AVA) (formerly the Institute for Educational Development) for software and materials. AVA is wholly owned by two of the directors of the School. Licensing expenses are charged to the School based on the number of classes taken by students. The term of the contract is continuous until terminated by either the School or AVA with a ninety day notice. During the year ended June 30, 2010, the School recognized \$10,312,082 in licensing and database expenses, and paid AVA \$10,620,604. The School owed AVA \$2,831,390 at June 30, 2010.

Subsequent to June 30, 2010, the School tentatively renewed its agreement with AVA. The new agreement calls for a single annual price (to be paid monthly) for curriculum services, independent of the number of students enrolled or classes available for enrollment. The transfer price was determined in accordance with IRC §482 using the Residual Profit Split method and the Comparable Uncontrolled Transaction method. At June 30, 2010, the annual transfer price was calculated between \$9,403,100 and \$10,038,240.

The School entered into a lease agreement dated April 1, 2010 to rent its newly constructed property to AVA. The lease term is for three years with an available renewal for two years at the option of AVA. Under the terms of the lease, AVA is required to make monthly rental payments of \$3,080 through March 2013.

The following is a schedule by years of future minimum lease payments due to the School for all operating leases except those with terms of a month or less as of June 30, 2010:

<u>Year Ended June 30,</u>	
2011	\$ 36,960
2012	36,930
2013	<u>27,720</u>
Total Minimum Lease Payments	<u>\$ 101,610</u>

Chandler Office

The School entered into a lease agreement for office space and instructional facilities. The lease agreement expired March 31, 2010. Under the terms of the agreement, the School paid \$49,783 in rental expenses during the year ended June 30, 2010.

NOTE 6 – PRIOR YEAR ADJUSTMENT:

Subsequent to June 30, 2010, the Arizona Department of Education (ADE) notified the School that ADE made an error in calculating the School's equalization assistance for the year ended June 30, 2009. The correction resulted in an additional \$1,073,063 equalization payment to the School and an increase in net assets of \$1,073,063.

Primavera Technical Learning Center
Supplemental Information
Statement of Functional Expenses
For the Year Ended June 30, 2010

	<u>Program Expenses</u>	<u>General and Administrative</u>	<u>Total</u>
Personnel Services			
Salaries	\$ 3,114,330	\$ 1,465,567	\$ 4,579,897
Payroll Taxes and Benefits	651,379	306,531	957,910
Total Personnel Services	<u>3,765,709</u>	<u>1,772,098</u>	<u>5,537,807</u>
Operating Expenses			
Software Licensing Fees	10,312,082	-	10,312,082
Advertising	-	699,294	699,294
Professional Fees	209,590	213,733	423,323
Supplies	85,813	128,392	214,205
Telephone	136,820	7,201	144,021
Occupancy	97,477	45,871	143,348
Depreciation	100,112	47,112	147,224
Travel	11,046	99,343	110,389
Insurance	-	38,679	38,679
Other Expenses	-	73,434	73,434
Total Operating Expenses	<u>10,952,940</u>	<u>1,353,059</u>	<u>12,305,999</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 14,718,649</u>	<u>\$ 3,125,157</u>	<u>\$ 17,843,806</u>

See Accompanying Notes and Auditor's Report

KLECKA, WILKINS & KLECKA

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

To the Board of Directors
Primavera Technical Learning Center
Chandler, Arizona

We have audited the financial statements of Primavera Technical Learning Center as of and for the year ended June 30, 2010. We conducted our audit in accordance with generally accepted auditing standards 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 Primavera Technical Learning Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

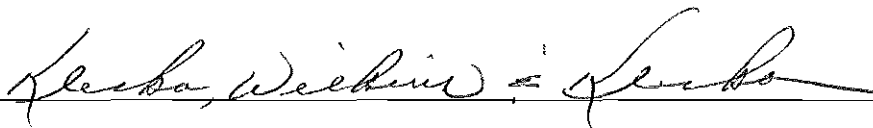
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination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

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

Compliance and Other Matters

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

This report is intended for the information and use of management, others within the School, federal and state awarding agencies, pass-through entities and the Arizona State Board for Charter Schools and is not intended to be and should not be used by anyone other than these specified parties.



Phoenix, Arizona
March 25, 2011

Primavera Technical Learning Center
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

<u>Federal Grantor / Program Title / Recipient School</u>	<u>Federal CFDA Number</u>	<u>Federal Award Number or State Project Number</u>	<u>Federal Expenditures</u>
Passed Through from Arizona Department of Education:			
IDEA Basic Entitlement, Part B - Special Education Grants	84.027A	10FESCBG-060413-06A	<u>\$ 181,038</u>
ARRA Education Stabilization Fund			
ARRA Education Stabilization Fund	84.394	10FAAGSG-060413-02A	1,204,837
ARRA Education Stabilization Fund - June	84.394	10FAASFJ-060413-07A	1,270,698
ARRA Education Stabilization Fund - May	84.394	10FAAGSG-060413-05A	<u>597,412</u>
			<u>3,072,947</u>
ARRA IDEA Basic			
ARRA IDEA Basic - 2010	84.391	10FESAIG-060413-04A	59,688
ARRA IDEA Basic - 2009	84.391	09FESAIG-960413-04A	<u>21,753</u>
			<u>81,441</u>
Total Expenditures of Federal Awards			<u><u>\$ 3,335,426</u></u>

Primavera Technical Learning Center
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

NOTE 1 – REPORTING ENTITY:

Primavera Technical Learning Center (the School) is an Arizona nonprofit corporation which operates public charter schools in Arizona.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The expenditures in the accompanying schedule of expenditures of federal awards are reported under the accrual basis of accounting. Purchases of fixed assets are recorded as expenditures in the year the expenditure is accrued, rather than in the year depreciation expense is taken.

Schedule of Expenditures of Federal Awards

The awards schedule presents only the expenditures incurred by the School that are reimbursable under federal programs of federal agencies providing financial assistance. Only the portion of program expenditures reimbursable with such federal funds is reported in the schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the schedule.

The schedule was prepared from only the accounts of the grant programs and therefore does not represent the financial position or results of operations of the School. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

KLECKA, WILKINS & KLECKA

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Primavera Technical Learning Center
Chandler, Arizona

Compliance

We have audited the compliance of Primavera Technical Learning Center with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. Primavera Technical Learning Center'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 Primavera Technical Learning Center's management. Our responsibility is to express an opinion on Primavera Technical Learning Center'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 Primavera Technical Learning Center'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 Primavera Technical Learning Center's compliance with those requirements.

In our opinion, Primavera Technical Learning Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

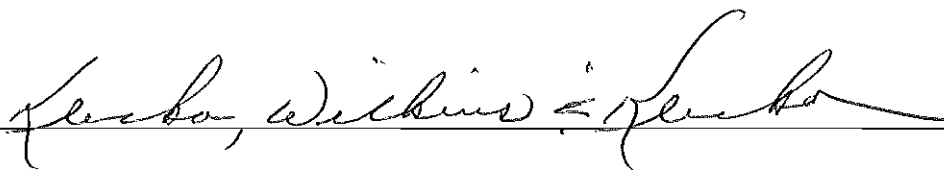
Internal Control over Compliance

Management of Primavera Technical Learning Center is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Primavera Technical Learning Center's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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 Primavera Technical Learning Center's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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 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.

This report is intended solely for the information and use of management, the Arizona State Board for Charter Schools, 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.

A handwritten signature in cursive script that reads "Kerba, Wilkins & Kerba". The signature is written in black ink and is positioned above a horizontal line.

Phoenix, Arizona
March 25, 2011

Primavera Technical Learning Center
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

A. SUMMARY OF AUDIT RESULTS:

1. The auditor's report dated March 25, 2011 expresses an unqualified opinion on the financial statements of Primavera Technical Learning Center.
2. No significant deficiencies were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Primavera Technical Learning Center were disclosed during the audit of the financial statements.
4. No significant deficiencies were identified during the audit of the major federal award programs.
5. *The Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133* expresses an unqualified opinion with respect to compliance with the requirements of the major award programs.
6. There are no audit findings relative to the major federal award programs for Primavera Technical Learning Center.
7. One program was a major program: ARRA Education Stabilization Fund – Education State Grants, Recovery Act (84.394).
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. The auditee did not qualify as a low-risk auditee.

B. FINDINGS REQUIRED TO BE REPORTED UNDER *GOVERNMENT AUDITING STANDARDS*:

1. No findings are required to be reported under generally accepted government auditing standards.

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS:

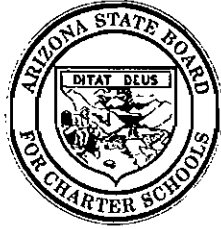
1. No findings or questioned costs relating to the audit of the federal award programs are required to be reported.

**Primavera Technical Learning Center
Corrective Action Plan
Year Ended June 30, 2010**

Not applicable.

**Primavera Technical Learning Center
Schedule of Prior Year Audit Findings
Year Ended June 30, 2010**

Not applicable.



Arizona State Board for Charter Schools
Legal Compliance Questionnaire
Primavera Technical Learning Center
Fiscal Year Ended June 30, 2010

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INSTRUCTIONS

NOTE: This questionnaire should only be used for schools that are exempt from the Uniform System of Financial Records for Arizona Charter Schools (schools that HAVE an exception). If a school is subject to procurement requirements pursuant to A.R.S. §15-189.02 and 41-2535(A), this questionnaire should be used in conjunction with the Procurement Questionnaire (see audit guidelines memo dated 6/10) which is available on the Arizona State Board for Charter Schools' website <http://asbcs.az.gov>.

In order to determine whether a charter school that is exempt from the requirements of the Uniform System of Financial Records for Arizona Charter Schools (USFRCS) is complying with applicable legal requirements, the auditors must complete the following Legal Compliance Questionnaire (Note: This questionnaire is not comprehensive of all legal requirements for charter schools. As such, this document should not be the sole reference to determine all laws and regulations that are applicable to charter schools).

The following prescribed minimum audit standards for completing the Legal Compliance Questionnaire must be used in all audits. The State Board for Charter Schools may reject audits not meeting these standards.

- ◆ Sufficient, appropriate evidence must be obtained annually for each question to satisfactorily determine whether the school complies with the legal requirements, and the evidence must be documented in the working papers.
- ◆ Evidence may be obtained through test work, observation, examination, and client assertion. However, client assertion alone is not adequate evidence to support "Yes" answers to the questionnaire.
- ◆ Population size should be considered in determining the number of items to test, and the items selected should be representative of the population.
- ◆ The number of items tested must be sufficient to determine whether a deficiency was the result of an isolated incident or a recurring problem. Therefore, testing one transaction, record, or item is not sufficient.
- ◆ The sample size should be expanded if the auditor cannot clearly determine whether the school complies with the legal requirements on that question.
- ◆ If sufficient evidence has been obtained and documented during the current audit, that evidence may be referenced to answer questions.

- ◆ All “No” and “N/A” answers must be adequately explained in the comments column or in an attachment. Findings must be described in sufficient detail to enable the State Board for Charter Schools to describe the finding in a letter. The description should include the number of items tested and the number of exceptions noted.

- ◆ A “Yes” answer indicates that the auditor has determined that the school complies with the legal requirements of the question and a “No” answer indicates the school does not comply. However, the final determination of compliance on each question, as well as overall compliance with legal requirements, is made by the State Board for Charter Schools based on the evidence presented in the questionnaire, audit reports, the auditor’s working papers, and any other sources.

The resulting audit working papers supporting auditors’ answers to the Legal Compliance Questionnaire must be made available on request for review by the State Board for Charter Schools. To facilitate this review, auditors may wish to include in the working papers a copy of the Questionnaire containing references to audit procedures performed for each question.

Legal Compliance Questionnaire

Questions/Subject Area	Yes/No	Comments
Personnel		
1. Did the school have fingerprint clearance cards (FCC) for 100% of the required personnel as of the testing date? A.R.S. §15-183 (C)(4)	Yes	
(QUESTIONS #2a THROUGH 2c ONLY APPLY TO NEW HIRES AND DO NOT APPLY IF AN INDIVIDUAL'S FCC HAS EXPIRED.)		
2. For each individual referenced in #1 that did not have a FCC, please provide the following information (provide supplemental pages, if necessary) (See agency guidance available on the Board's website prior to completing these questions):		
a. Was an application for a FCC on file with the Department of Public Safety (DPS) as of the testing date?	N/A	All required personnel had FCCs.
b. Did DPS receive the application prior to the hire date?	N/A	All required personnel had FCCs.
c. Prior to placement, did the school do all of the following?		
i) Document the necessity for hiring/placing the individual prior to receiving a FCC?	N/A	All required personnel had FCCs.
ii) Obtain statewide criminal history information on the individual as required by Laws 2005, Chapter 21?	N/A	All required personnel had FCCs.
iii) Obtain references from the applicant's current and previous employers as required by Laws 2005, Chapter 21?	N/A	All required personnel had FCCs.
3. Did the charter school maintain up-to-date fingerprints of all governing board members as of the testing date? Charter Contract ¹	Yes	
4. Were all other personnel fingerprint checked as of the testing date? A.R.S. §15-183 (C)(4); A.R.S. §15-512	No	Two non-instructional employees had expired FCCs but were not fingerprint checked.
5. Did the charter school inform the parents and guardians of pupils enrolled in the school of the availability of resume information for all employees who provide instruction to pupils? A.R.S. §15-183 (F)	Yes	

¹ Specific contract cites could not be provided as term references vary per contract year.

	Yes/No	Comments
Required Filings		
1. Is the school in good standing with the following regulatory bodies:		
a. Internal Revenue Service for payroll taxes, income taxes (if applicable) and required tax forms? (26 U.S.C. §3402)	Yes	
b. Corporation Commission (annual report)? (Charter Contract)	Yes	
c. Arizona Department of Revenue for payroll taxes, state income taxes (if applicable) and applicable tax forms? (A.R.S. §43-401 and §43-1111)	Yes	
d. State unemployment contribution requirements? (A.R.S. § 23-721 et seq)	Yes	
2. Was a copy of the adopted budget signed by a majority of the Governing Board members and filed with the Superintendent of Public Instruction by July 18? A.R.S. §15-905 (B) and (E) and §15-183 (E)(6)	Yes	
3. Was the Annual Financial Report (AFR) sent to the Superintendent of Public Instruction by October 15 th ? A.R.S. §15-183 (E) (6) and 15-904 (A)	Yes	
Special Education		
1. Is the staff the school uses to provide special education services (internal or contracted) certified in special education?	Yes	
2. Does the school conduct 45 day screening on all new students? AAC R7-2-401	Yes	
3. Are evaluations and IEP's on file for special education students? 34 CFR 300.341-350 and 300.531-536	Yes	
Classroom Site Fund - A.R.S. §15-977 & OAG Memorandum #44		
1. Did the School properly allocate Classroom Site Fund receipts among the following projects: 1011 – Base Salary (20%), 1012 – Performance Pay (40%), and 1013 – Other (40%)?	Yes	
2. For Project 1011, were expenses only for teacher base salary increases and employment-related expenses?	Yes	
3. For Project 1012, were expenses only for performance-based teacher compensation increases and employment-related expenses?	Yes	
4. For Project 1013, were expenses only for class size reduction, teacher compensation increases, AIMS intervention programs, teacher development, dropout prevention programs, and teacher liability insurance premiums?	Yes	
5. Did the School use Classroom Site monies to supplement rather than supplant, existing funding from all other sources?(See USFRCS Memorandum No. 44 for guidance for Classroom Site Projects.)	Yes	

6. If the School had monies remaining at year-end, were they properly carried forward in the three Classroom Site Projects (1011, 1012, and 1013) to help ensure that the restrictions placed on the original allocation of revenues is applied in future years?	Yes	
7. Did the School have sufficient cash at year- end to cover the carry over monies?	Yes	
Student Attendance Reporting		
If test work performed in questions 3-16 and 19 of this section discloses a net overstatement or understatement of membership and/or absence days, report the net overstatement or understatement in the “Comments” column.		
	Yes/No	Comments
1. Was school in session for at least 180 days or 144 days for schools operating on a 4-day week, or did the governing board adopt a calendar with an equivalent number of minutes of instruction per school year based on a different number of days of instruction and were membership and attendance recorded for each day school was in session? A.R.S. §§15-902 (H), (I), and (J) and 15-341.01.	Yes	
2. Did the School ensure that: (Note: Instruction hours do not include periods of the day in which an instructional program or course of study is not being offered, including, but not limited to, lunch, recesses, home room periods, study hall periods, and early release or late start hours. ADE’s <i>School Finance Procedures Manual</i>)		
a. Kindergarten was in session for at least 356 hours? A.R.S. §15-901(A)(2).	N/A	No K-8 students.
b. Grades 1 through 3 were in session for at least 712 hours? A.R.S. §15-901(A)(2).	N/A	No K-8 students.
c. Grades 4 through 6 were in session for at least 890 hours? A.R.S. §15-901(A)(2).	N/A	No K-8 students.
d. Grades 7 and 8 were in session for at least 1,068 hours for fiscal year 2010 (1,000 hours for FY 2011 and thereafter)? A.R.S. §15-901(A)(2).	N/A	No K-8 students.
e. For high school, a full-time instructional program meets at least 720 hours during the minimum number of days required? A.R.S. §15-901(A)(2).	Yes	
f. For high school, a full-time instructional program includes at least four subjects, each of which if taught each school day for the minimum number of days required in a school year, would meet a minimum of 123 hours a year; or any number of subjects totaling at least 20 hours per week, prorated for any week with fewer than 5 school days? A.R.S. §15-901(A)(2).	Yes	

<p>For Student Attendance Reporting questions 3-16, the audit firm must select and test the specified number of transactions (records, entries, withdrawals, or days) as shown in the sample size instructions before each section. That sample should include 3 or more grade levels and 3 or more campuses, where applicable. The listed sample sizes represent the minimum level of required test work. The audit firm should use its judgment in determining whether a larger sample is needed. All student attendance records tested in steps 3-10 and 16 should be selected from the 100th day reporting period.</p> <p>In the parentheses provided in questions 3-16, indicate the actual number of transactions tested. If all transactions were tested, indicate such in the “Comments” column.</p> <p>For questions 3-5 select at least 3 student attendance records.</p>										
<p>3. If the School had an early (pre-)kindergarten program, based upon review of (0) early (pre-) kindergarten students’ attendance records, did the School only calculate and submit ADM data to ADE for this program if the program was designed to advance students to the first grade at the end of the of the school year? A.R.S. §15-901(A)(2)(a)(i) and USFRCS Memorandum No. 33.</p>	N/A	No K-8 students.								
<p>4. Based upon review of (0) students’ attendance records in kindergarten programs with instructional time between 356 and 692 hours a year, were students not in attendance for at least three-quarters of the day counted as being absent? If the instructional time for the year was 692 hours or more, were students not in attendance at least one-half of the day counted as being absent? A.R.S. §§15-901(A)(2)(a)i and 15-901(A)(6)(a)(i).</p>	N/A	No K-8 students.								
<p>5. If the School had an early first grade program, based upon review of (0) early first grade students’ attendance records, did the School calculate and submit ADM for this program as it would for kindergarten in accordance with ADE’s <i>School Finance Procedures Manual</i>? A.R.S. §15-901(A)(2)(b)(i).</p>	N/A	No K-8 students.								
<p>For questions 6 and 7, use the following sample sizes:</p>										
<table border="1"> <thead> <tr> <th><u>SCHOOLWIDE ADM</u></th> <th><u>Student Attendance Records</u></th> </tr> </thead> <tbody> <tr> <td><1,000</td> <td>5</td> </tr> <tr> <td>1,000-5,000</td> <td>10</td> </tr> <tr> <td>>5,000</td> <td>15</td> </tr> </tbody> </table>	<u>SCHOOLWIDE ADM</u>	<u>Student Attendance Records</u>	<1,000	5	1,000-5,000	10	>5,000	15		
<u>SCHOOLWIDE ADM</u>	<u>Student Attendance Records</u>									
<1,000	5									
1,000-5,000	10									
>5,000	15									

<p>6. Based on review of (0) students' attendance records at elementary and junior high schools, in which attendance was based on half days, were students in attendance for less than one-half the day counted as being absent for one full day? Were students in attendance for at least one-half day, but less than three-quarters of a day, counted as being absent for one-half day? Were students in attendance for at least three-quarters of a day counted in attendance for a day? A.R.S. §15-901(A)(6)(b)(ii).</p>	N/A	No K-8 students.								
<p>7. Based upon review of (0) students' attendance records at elementary and junior high schools where attendance was based on quarter days, were students in attendance for more than three-quarters of the day counted in attendance for a day? Were students in attendance for three-quarters of the day or less counted in attendance for each quarter of the day in attendance? A.R.S. §15-901(A)(6)(b)(i).</p>	N/A	No K-8 students.								
<p>For questions 8 through 12, use the following sample sizes:</p>										
<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">SCHOOLWIDE ADM</th> <th style="text-align: center;">Student Attendance Records</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;"><1,000</td> <td style="text-align: center;">3</td> </tr> <tr> <td style="text-align: center;">1,000-5,000</td> <td style="text-align: center;">5</td> </tr> <tr> <td style="text-align: center;">>5,000</td> <td style="text-align: center;">7</td> </tr> </tbody> </table> <p>8. Based upon review of the attendance records for a 1 month period for (5) students whose attendance was reported in minutes, did the School report minutes of attendance only for actual classroom instruction attended by the students in accordance with ADE's <i>School Finance Procedures Manual</i>?</p>	SCHOOLWIDE ADM	Student Attendance Records	<1,000	3	1,000-5,000	5	>5,000	7	Yes	
SCHOOLWIDE ADM	Student Attendance Records									
<1,000	3									
1,000-5,000	5									
>5,000	7									
<p>9. Based upon review of (0) high school students' records whose attendance was reported in terms of absences, for all absence days reported in a 1 month period, did the School report the absences in accordance with the method(s) provided in ADE's <i>School Finance Procedures Manual</i>?</p>	N/A	All attendance reported in minutes.								
<p>10. Based upon review of (5) high school students' attendance records, did the School prorate the membership of the high school students enrolled in less than four subjects as provided in ADE's <i>School Finance Procedures Manual</i>?</p>	Yes									

<p>11. For schools offering an Arizona Online Instruction (AOI) Program, based upon a review of (5) AOI students' attendance records for 4 weeks:</p> <p>a. Was the guardian-approved or School computer-generated daily log describing the amount of time spent by the student on academic tasks maintained by the participating AOI School? A.R.S. §15-808(E)</p>	Yes									
<p>b. Did the hours reported to ADE agree to the guardian-approved or School computer-generated daily log?</p>	Yes									
<p>12. Based upon review of (0) students' attendance records (all grades) for students withdrawn for having 10 consecutive unexcused absences, was the student only counted in membership through the last day of actual attendance? A.R.S. §15-901(A)(2).</p>	N/A	Attendance policy based on minutes spent online.								
<p>For questions 13 through 15, use the following sample sizes:</p>										
<table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th style="text-decoration: underline;">SCHOOLWIDE ADM</th> <th style="text-decoration: underline;">Entries/Withdrawals</th> </tr> </thead> <tbody> <tr> <td><1,000</td> <td>5</td> </tr> <tr> <td>1,000-5,000</td> <td>10</td> </tr> <tr> <td>>5,000</td> <td>15</td> </tr> </tbody> </table>	SCHOOLWIDE ADM	Entries/Withdrawals	<1,000	5	1,000-5,000	10	>5,000	15		
SCHOOLWIDE ADM	Entries/Withdrawals									
<1,000	5									
1,000-5,000	10									
>5,000	15									
<p>13. Based upon review of (5) entries: (Note: Enrollment forms are not required for continuing students at the same school.)</p>										
<p>a. Were the entry dates entered into the School's computerized attendance system within 5 working days after the actual date of entry and was documentation maintained to support the date of data entry?</p>	Yes									
<p>b. Did the entry date in the computerized attendance system agree to the entry form?</p>	Yes									
<p>c. Did the teacher's attendance registers, if used, and other documentation support the entry date in the computerized attendance system?</p>	Yes									
<p>d. Did membership for continuing/pre-enrolled students begin with either the first day of actual attendance or the first day that classroom instruction was offered, provided that the students actually attended within the first 10 days of school? For all other students, membership begins with the first day of actual attendance. ADE's <i>School Finance</i></p>	Yes									

<u>Procedures Manual.</u>										
14. Based upon review of (5) withdrawals:										
a. Were the withdrawal dates entered into the School's computerized attendance system within 5 working days after the actual date of withdrawal and was documentation maintained to support the date of data entry? (Note: "Day of withdrawal" means: a.) the later of the student's withdrawal date or the day the school is notified the student will not be returning; or b.) the 10 th day of non-attendance for students withdrawn for having ten consecutive unexcused absences.)	Yes									
b. Did the withdrawal date in the attendance system agree to the withdrawal form? (Note: If the computerized attendance system requires the school to input the first day of non-attendance for a student to be counted in membership through the last day of actual attendance, the withdrawal date on the system should be the school day following the withdrawal date on the form.)	Yes									
c. Did the teachers' attendance registers, if used, and other supporting documentation support the withdrawal date in the computerized attendance system?	Yes									
d. Was an Official Notice of Pupil Withdrawal form prepared and retained for each withdrawal and signed by a school administrator? A.R.S. §15-827.	Yes									
15. For schools offering an AOI program, based on a review of (5) student records were all pupils who participated in AOI residents of this State? A.R.S. §15-808(B).	Yes									
<p>For question 16, use the following sample sizes:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">SCHOOLWIDE ADM</th> <th style="text-align: center;">Days</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;"><1,000</td> <td style="text-align: center;">3</td> </tr> <tr> <td style="text-align: center;">1,000-5,000</td> <td style="text-align: center;">5</td> </tr> <tr> <td style="text-align: center;">>5,000</td> <td style="text-align: center;">7</td> </tr> </tbody> </table>		SCHOOLWIDE ADM	Days	<1,000	3	1,000-5,000	5	>5,000	7	
SCHOOLWIDE ADM	Days									
<1,000	3									
1,000-5,000	5									
>5,000	7									
16. Based upon review of (5) days for various campuses, grades, and classes in the computerized attendance system, did the student absences from each day agree to the teachers' attendance registers, absence slips, or other supporting documentation, if used?	Yes									

17. Did the school have adequate electronic or manual controls in place to ensure that any changes to the original record of student attendance data were properly authorized and documented, including the names or identification numbers of the persons making and authorizing the changes?	Yes	
18. Was the School's membership/absence information submitted to ADE electronically at least once every 20 school days through the last day of instruction (with the first 20 day period beginning the first session day of school or the opening of SAIS for current fiscal year data submission, whichever is later)? A.R.S. §15-1042(H).	Yes	
19. Based upon review of the School's 40 th and 100 th day information uploaded to ADE, did the membership and absences agree with the School's computerized attendance system records? (Note: For an AOI program, review year-end attendance information.)	Yes	
	Yes/No	Comments
Open Meeting Law A.R.S. § 38-431.01 and § 38-431.02 (See also Attorney General Opinion I00-009)		
1. Did the school file a disclosure statement with the Secretary of the State identifying where public notices of its meetings will be posted?	Yes	
2. Did the school maintain a record of notices that includes a copy of each notice that was posted and information regarding the date, time and place of posting?	Yes	
3. Were notices and agenda of public meetings posted at least 24 hours before the meeting?	Yes	
4. Were written minutes prepared or a recording made of Governing Body meetings?	Yes	
Insurance Requirements A.R.S. §15-183(M)		
Does the school have the required insurance for liability and property loss?	Yes	
Tuition A.R.S. §15-185 (B)(7) (See also Attorney General Opinion I98-007)		
Did the school refrain from charging fees that may be considered tuition?	Yes	

Records Management		
1. Did the school retain records in accordance with the Records Retention and Disposition for Arizona School Districts Manual published by the Arizona State Library, Archives and Public Records (based on the testing conducted during the course of the audit)?	Yes	
2. Was adequate documentation retained to support amounts in the financial statements (if the school is not the primary reporting entity - was adequate documentation retained to support revenue and expenses in the charter school)?	Yes	

This Questionnaire was completed in accordance with the minimum audit standards as set forth in the instructions on pages 2 and 3.

KLECKA, WILKINS & KLECKA, CPAs

March 25, 2011

Audit Firm

Date



Partner

Preparer's Signature (Audit Firm Representative)

Title