

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

EXAMINATION REPORT

OF

FLANNER HOUSE HIGHER LEARNING CENTER, INC.

MARION COUNTY, INDIANA

July 1, 2004 to June 30, 2007



**FILED**

02/26/2009



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials .....	2
Independent Accountant's Report.....	3
Financial Information:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis .....	4-6
Fund Financial Information:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds .....	7-9
Fiduciary Funds:	
Statement of Cash and Investments – Fiduciary Funds .....	10
Notes to Financial Information .....	11-15
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds .....	16-17
Examination Results and Comments:	
Public Records Retention .....	18
Penalties, Interest, and Other Charges .....	18-19
Disbursement Documentation .....	19
Overdrawn Cash Balance.....	19
Exit Conference.....	20

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	DeNeen Collins	07-01-04 to 06-30-07
Executive Director	Cynthia A. Diamond	07-01-04 to 06-30-07
President of the Board of Directors	Moses W. Gray	07-01-04 to 06-30-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE FLANNER HOUSE HIGHER  
LEARNING CENTER, INC., MARION COUNTY, INDIANA

We have examined the financial information presented herein of the Flanner House Higher Learning Center, Inc. (School Corporation), for the period of July 1, 2004 to June 30, 2007. The School Corporation's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Substantially all corroborating evidence in support of the ending cash balance, payroll disbursements, and contract payments was not presented for examination. The records that remain are not sufficient to permit the application of examination procedures that would be adequate for us to express an opinion on the accompanying financial information.

Since the School Corporation was not able to provide the corroborating evidence as discussed in the preceding paragraph and we were not able to apply other examination procedures to satisfy ourselves as to whether the financial information is presented in accordance with the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts, we accordingly express no opinion on them.

STATE BOARD OF ACCOUNTS

January 13, 2009

FLANNER HOUSE HIGHER LEARNING CENTER, INC.  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2005

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u> <u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u> <u>Totals</u>
Governmental activities:			
Instruction	\$ 192,663	\$ 16,484	\$ (176,179)
Support services	782,837	20,975	(761,862)
Nonprogrammed charges	3,683	-	(3,683)
Debt service	540	-	(540)
Total governmental activities	\$ 979,723	\$ 37,459	(942,264)
General receipts:			
Property taxes			380,493
Other local sources			3,685
State aid			657,652
Grants and contributions not restricted to specific programs			133,731
Total general receipts			1,175,561
Change in net assets			233,297
Net assets - beginning			130,196
Net assets - ending			\$ 363,493
 <u>Assets</u>			
Cash and investments			\$ 363,493
 <u>Net Assets</u>			
Unrestricted			\$ 363,493

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

FLANNER HOUSE HIGHER LEARNING CENTER, INC.  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2006

	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
<u>Functions/Programs</u>	<u>Disbursements</u>
Governmental activities:	
Instruction	\$ (106,149)
Support services	(831,311)
Debt service	<u>(1,395)</u>
Total governmental activities	<u>(938,855)</u>
General receipts:	
Property taxes	242,675
Other local sources	1,762
State aid	347,457
Sale of property, adjustments, and refunds	<u>15,286</u>
Total general receipts	<u>607,180</u>
Change in net assets	(331,675)
Net assets - beginning	<u>363,493</u>
Net assets - ending	<u><u>\$ 31,818</u></u>
<u>Assets</u>	
Cash and investments	<u><u>\$ 31,818</u></u>
<u>Net Assets</u>	
Unrestricted	<u><u>\$ 31,818</u></u>

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

FLANNER HOUSE HIGHER LEARNING CENTER, INC.  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2007

	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
<u>Functions/Programs</u>	<u>Totals</u>
Governmental activities:	
Support services	\$ <u>(37,276)</u>
Total governmental activities	<u>(37,276)</u>
General receipts:	
Sale of property, adjustments, and refunds	<u>5,458</u>
Total general receipts	<u>5,458</u>
Change in net assets	(31,818)
Net assets - beginning	<u>31,818</u>
Net assets - ending	<u>\$ -</u>
 <u>Assets</u>	
Cash and investments	<u>\$ -</u>
 <u>Net Assets</u>	
Unrestricted	<u>\$ -</u>

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

FLANNER HOUSE HIGHER LEARNING CENTER, INC.  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2005

	General	School Lunch	Textbook Rental	Alternative Education	Donations, Gifts, and Trusts	Technology T1 Lines	Federal Start-Up Grant	Other	Totals
<b>Receipts:</b>									
Local sources	\$ 384,178	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,500	\$ 401,678
State sources	674,136	-	3,475	-	-	-	-	-	677,611
Federal sources	-	-	-	-	-	-	126,499	7,232	133,731
<b>Total receipts</b>	<b>1,058,314</b>	<b>-</b>	<b>3,475</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>126,499</b>	<b>24,732</b>	<b>1,213,020</b>
<b>Disbursements:</b>									
<b>Current:</b>									
Instruction	173,246	-	-	-	395	-	19,022	-	192,663
Support services	661,380	26,889	-	-	3,565	-	29,917	61,086	782,837
Nonprogrammed charges	3,683	-	-	-	-	-	-	-	3,683
Debt services	256	-	-	-	-	-	284	-	540
<b>Total disbursements</b>	<b>838,565</b>	<b>26,889</b>	<b>-</b>	<b>-</b>	<b>3,960</b>	<b>-</b>	<b>49,223</b>	<b>61,086</b>	<b>979,723</b>
Excess (deficiency) of receipts over disbursements	219,749	(26,889)	3,475	-	(3,960)	-	77,276	(36,354)	233,297
Cash and investments - beginning	(46,000)	-	9,279	5,940	28,330	6,000	72,793	53,854	130,196
Cash and investments - ending	<u>\$ 173,749</u>	<u>\$ (26,889)</u>	<u>\$ 12,754</u>	<u>\$ 5,940</u>	<u>\$ 24,370</u>	<u>\$ 6,000</u>	<u>\$ 150,069</u>	<u>\$ 17,500</u>	<u>\$ 363,493</u>
<b>Cash and Investment Assets - Ending</b>									
Cash and investments	<u>\$ 173,749</u>	<u>\$ (26,889)</u>	<u>\$ 12,754</u>	<u>\$ 5,940</u>	<u>\$ 24,370</u>	<u>\$ 6,000</u>	<u>\$ 150,069</u>	<u>\$ 17,500</u>	<u>\$ 363,493</u>
<b>Cash and Investment Fund Balance - Ending</b>									
Unrestricted	<u>\$ 173,749</u>	<u>\$ (26,889)</u>	<u>\$ 12,754</u>	<u>\$ 5,940</u>	<u>\$ 24,370</u>	<u>\$ 6,000</u>	<u>\$ 150,069</u>	<u>\$ 17,500</u>	<u>\$ 363,493</u>

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

FLANNER HOUSE HIGHER LEARNING CENTER, INC.  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2006

	General	School Lunch	Textbook Rental	Alternative Education	Donations, Gifts, and Trusts	Technology T1 Lines	Federal Start-Up Grant	Other	Totals
<b>Receipts:</b>									
Local sources	\$ 244,437	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 244,437
State sources	347,457	-	-	-	-	-	-	-	347,457
Sale of property, adjustments, and refunds	15,286	-	-	-	-	-	-	-	15,286
<b>Total receipts</b>	<b>607,180</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>607,180</b>
<b>Disbursements:</b>									
<b>Current:</b>									
Instruction	91,439	-	-	-	-	-	14,710	-	106,149
Support services	658,799	16,903	-	-	3,052	-	135,057	17,500	831,311
Debt services	1,093	-	-	-	-	-	302	-	1,395
<b>Total disbursements</b>	<b>751,331</b>	<b>16,903</b>	<b>-</b>	<b>-</b>	<b>3,052</b>	<b>-</b>	<b>150,069</b>	<b>17,500</b>	<b>938,855</b>
Deficiency of receipts over disbursements	(144,151)	(16,903)	-	-	(3,052)	-	(150,069)	(17,500)	(331,675)
Cash and investments - beginning	173,749	(26,889)	12,754	5,940	24,370	6,000	150,069	17,500	363,493
Cash and investments - ending	\$ 29,598	\$ (43,792)	\$ 12,754	\$ 5,940	\$ 21,318	\$ 6,000	\$ -	\$ -	\$ 31,818
<b>Cash and Investment Assets - Ending</b>									
Cash and investments	\$ 29,598	\$ (43,792)	\$ 12,754	\$ 5,940	\$ 21,318	\$ 6,000	\$ -	\$ -	\$ 31,818
<b>Cash and Investment Fund Balance - Ending</b>									
Unrestricted	\$ 29,598	\$ (43,792)	\$ 12,754	\$ 5,940	\$ 21,318	\$ 6,000	\$ -	\$ -	\$ 31,818

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

FLANNER HOUSE HIGHER LEARNING CENTER, INC.  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2007

	General	School Lunch	Textbook Rental	Alternative Education	Donations, Gifts, and Trusts	Technology T1 Lines	Totals
Receipts:							
Local sources	\$ 5,458	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,458
Disbursements:							
Current:							
Support services	37,276	-	-	-	-	-	37,276
Deficiency of receipts over disbursements	(31,818)	-	-	-	-	-	(31,818)
Other financing sources (uses):							
Transfers in	2,220	43,792	-	-	-	-	46,012
Transfers out	-	-	(12,754)	(5,940)	(21,318)	(6,000)	(46,012)
Total other financing sources (uses)	2,220	43,792	(12,754)	(5,940)	(21,318)	(6,000)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(29,598)	43,792	(12,754)	(5,940)	(21,318)	(6,000)	(31,818)
Cash and investments - beginning	29,598	(43,792)	12,754	5,940	21,318	6,000	31,818
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

FLANNER HOUSE HIGHER LEARNING CENTER, INC.  
STATEMENT OF CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2005

	<u>Agency Fund</u>
Net assets:	
Cash and investments - held in trust	<u>\$ 1,042</u>

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

FLANNER HOUSE HIGHER LEARNING CENTER, INC.  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

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

Note 2. Fund Accounting

A. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Cash and Investments and the Statement of Cash Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

The textbook rental fund is used to account for receipts and disbursements for the textbook rental program.

The alternative education fund is used to account for receipts and disbursements for the alternative education program.

The donations, gifts, and trusts fund is used to account for donations, gifts, and trust receipts and disbursements for the donor specified programs.

FLANNER HOUSE HIGHER LEARNING CENTER, INC.  
NOTES TO FINANCIAL INFORMATION  
(Continued)

The technology T1 lines fund accounts for the grant distributions and disbursements for the technology T1 lines program.

The federal start-up grant fund accounts for the federal grant distributions received from the implementation grant from the Department of Education and the related program disbursements.

Agency funds account for assets held by the School Corporation as an agent for the federal government, state government, and various employee insurance companies.

**B. Measurement Focus and Basis of Accounting**

The government-wide, governmental fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The School Corporation has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any proprietary funds.

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

FLANNER HOUSE HIGHER LEARNING CENTER, INC.  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance).

Note 4. Deposits and Investments

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

State statute (IC 5-13-9) authorizes the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Interfund Transfers

Interfund transfers for the year ended June 30, 2007, were as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>2007</u>
General	Donations, Gifts, and Trusts	\$ 2,220
School Lunch	Textbook Rental	12,754
School Lunch	Alternative Education	5,940
School Lunch	Donations, Gifts, and Trusts	19,098
School Lunch	Technology T1 Lines	<u>6,000</u>
Total		<u>\$ 46,012</u>

The School Corporation typically uses transfers for cash flow purposes as provided by various statutory provisions.

FLANNER HOUSE HIGHER LEARNING CENTER, INC.  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

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

Teachers' Retirement Fund

Plan Description

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

FLANNER HOUSE HIGHER LEARNING CENTER, INC.  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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

Teachers' Retirement Fund  
150 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 232-3860

Funding Policy and Annual Pension Cost

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

Note 7. School Closing/Closing Fiscal Accounts/Records

The Flanner House Higher Learning Center (school facilities) was closed for educational purposes in December 2005.

The last fiscal transaction of the School Corporation occurred on June 12, 2007.

Financial and other School Corporation records were transferred to the Charter Schools Director, Office of the Mayor, 200 E. Washington St. Room 2501, Indianapolis, IN 46204. Ph. (317) 327-3602.

FLANNER HOUSE HIGHER LEARNING CENTER, INC.  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2005

	NESSI Grant	Title I FY04/05	Totals
Receipts:			
Local sources	\$ 17,500	\$ -	\$ 17,500
Federal sources	-	7,232	7,232
	<u>17,500</u>	<u>7,232</u>	<u>24,732</u>
Total receipts			
Disbursements:			
Current:			
Support services	-	61,086	61,086
	<u>-</u>	<u>61,086</u>	<u>61,086</u>
Excess (deficiency) of receipts over disbursements	<u>17,500</u>	<u>(53,854)</u>	<u>(36,354)</u>
Cash and investments - beginning	<u>-</u>	<u>53,854</u>	<u>53,854</u>
Cash and investments - ending	<u>\$ 17,500</u>	<u>\$ -</u>	<u>\$ 17,500</u>
<u>Cash and Investment Assets - Ending</u>			
Cash and investments	<u>\$ 17,500</u>	<u>\$ -</u>	<u>\$ 17,500</u>
<u>Cash and Investment Fund Balance - Ending</u>			
Unrestricted	<u>\$ 17,500</u>	<u>\$ -</u>	<u>\$ 17,500</u>

FLANNER HOUSE HIGHER LEARNING CENTER, INC.  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2006

	NESSI Grant	Title I FY04/05	Totals
Receipts	\$ -	\$ -	\$ -
Disbursements:			
Current:			
Support services	17,500	-	17,500
Deficiency of receipts over disbursements	(17,500)	-	(17,500)
Cash and investments - beginning	17,500	-	17,500
Cash and investments - ending	\$ -	\$ -	\$ -
<u>Cash and Investment Assets - Ending</u>			
Cash and investments	\$ -	\$ -	\$ -
<u>Cash and Investment Fund Balance - Ending</u>			
Unrestricted	\$ -	\$ -	\$ -

FLANNER HOUSE HIGHER LEARNING CENTER, INC.  
EXAMINATION RESULTS AND COMMENTS

PUBLIC RECORDS RETENTION

The following records were not presented for examination:

- Board Minutes for meetings held after September 19, 2005
- Bank Statements for April 2007 and May 2007
- Bank Account Closing Documentation
- Signed Board Dockets documenting approval of claims per IC 5-11-10-1.6(5)
- Actual or optical images of cancelled checks
- Employee Contracts or Salary Schedules
- Employee Earnings Records (Form 99B)
- Employee Service Records (Form 99A)
- Teacher Service Records (Form 514)
- Employee Withholdings Form (Federal Form W-4)
- Contracts for Tyson Corporation Modular Construction and Rental,  
Administrative Services, Gym Services, Security Services, Technical  
Services, and Tutoring Services.

IC 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$602.39 were paid to the Internal Revenue Service on January 17, 2005, for the late filing of the Return of Organization Exempt From Income Tax (Form 990) and a late payment fee of \$29 was paid to American Express on September 9, 2005.

FLANNER HOUSE HIGHER LEARNING CENTER, INC.  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

DISBURSEMENT DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation such as receipts, and invoices, including a payment to the Internal Revenue Service in the amount of \$8,735 on April 12, 2007. Due to the lack of supporting information, the validity and accountability for some monies disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OVERDRAWN CASH BALANCE

The cash balance of the School Lunch Fund was overdrawn during the examination period.

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

FLANNER HOUSE HIGHER LEARNING CENTER, INC.  
EXIT CONFERENCE

The contents of this report were discussed on January 13, 2009, with Karega Rausch, Charter Schools Director, Office of the Mayor, City of Indianapolis.