

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

FLANNER HOUSE ELEMENTARY SCHOOL
MARION COUNTY, INDIANA

July 1, 2009 to June 30, 2011



FILED

02/15/2012

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on the Financial Statement and Supplementary Schedule of Expenditures of Federal Awards	3-4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance With Government Auditing Standards	5-6
Financial Statement: Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis	9
Notes to Financial Statement	10-14
Supplementary Information: Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis	16-19
Schedule of Capital Assets	20
Schedule of Long-Term Debt	21
Audit Results and Comments: Indiana Special Education Charter Cooperative (ISECC)	22-23
Internal Controls Over Textbook Rental and School Lunch Receipts	23
Internal Controls Over the Authorization of Salaries and Wages	24
Official Bond	25
Average Daily Membership (ADM) – Incorrect Reporting to the State	25-26
School Lunch Reimbursements	26
Textbook Reimbursement Claim	26
Textbook Rental Calculations	26-27
Late Fees	27
Public Records Retention	27
Supplemental Audit of Federal Awards: Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	30-31
Schedule of Expenditures of Federal Awards	34
Note to Schedule of Expenditures of Federal Awards	35
Schedule of Findings and Questioned Costs	36
Auditee Prepared Schedule: Summary Schedule of Prior Audit Findings	37
Exit Conference	38
Official Response	39-45

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Frances Malone Latika Warthaw	07-01-09 to 06-30-10 07-01-10 to 06-30-12
Business Manager	Tanjla Lawrence	07-01-09 to 06-30-12
President of the School Board	Patricia Roe	07-01-09 to 06-30-12
Treasurer of the School Board	Brooke Dunn	07-01-09 to 06-30-12



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

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENT
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE FLANNER HOUSE ELEMENTARY
SCHOOL, MARION COUNTY, INDIANA

We have audited the accompanying financial statement of the Flanner House Elementary School (School Corporation), for the years ended June 30, 2010 and 2011. This financial statement is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

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

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

In accordance with Government Auditing Standards, we have also issued a report dated December 15, 2011, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENT
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

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

The School Corporation's response to the Audit Results and Comments identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

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

STATE BOARD OF ACCOUNTS

December 15, 2011



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

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

TO: THE OFFICIALS OF THE FLANNER HOUSE ELEMENTARY
SCHOOL, MARION COUNTY, INDIANA

We have audited the financial statement of the Flanner House Elementary School (School Corporation), for the years ended June 30, 2010 and 2011, and have issued our report thereon dated December 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

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

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

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

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

STATE BOARD OF ACCOUNTS

December 15, 2011

FINANCIAL STATEMENT

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

(This page intentionally left blank.)

FLANNER HOUSE ELEMENTARY SCHOOL
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2010 and 2011

	Cash and Investments 07-01-09	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-10	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-11
General	\$ 58,476	\$ 1,424,361	\$ 1,363,818	\$ 1,390	\$ 120,409	\$ 1,453,747	\$ 1,426,380	\$ 2,265	\$ 150,041
Special Education Preschool	100	-	100	-	-	-	-	-	-
School Lunch	136	94,768	90,768	-	4,136	80,092	84,228	-	-
Textbook Rental	12,715	8,516	19,614	-	1,617	2,039	3,656	-	-
Donations, Gifts, and Trusts	714	-	-	-	714	-	-	-	714
Miscellaneous Programs	7,079	5,588	6,099	-	6,568	-	6,568	-	-
School Administration	1,449	10,775	12,023	-	201	8,579	8,780	-	-
Title I 08-09	29,936	16,199	39,050	(7,085)	-	-	-	-	-
Title I 09-10	-	180,743	115,072	7,085	72,756	10,514	48,993	(34,277)	-
Title I 10-11	-	-	-	-	-	142,601	186,186	34,277	(9,308)
Facilities Grant	-	-	-	-	-	165,121	137,080	-	28,041
Fiscal Stabilization - Education	-	42,341	42,341	-	-	-	-	-	-
Title I - Grants to LEAs	-	131,539	119,169	-	12,370	32,000	44,370	-	-
Education Technology	-	98,000	94,750	-	3,250	-	3,250	-	-
Education Jobs	-	-	-	-	-	42,536	41,767	-	769
Totals	\$ 110,605	\$ 2,012,830	\$ 1,902,804	\$ 1,390	\$ 222,021	\$ 1,937,229	\$ 1,991,258	\$ 2,265	\$ 170,257

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

FLANNER HOUSE ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

Intermediate sources which include distributions from the County for fees collected for or on behalf of the School Corporation including educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

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

FLANNER HOUSE ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

Other receipts which include amounts received from various sources which include return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

E. Disbursements

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

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

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

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

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

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

F. Other financing sources and uses

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

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

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

FLANNER HOUSE ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENT
(Continued)

G. Fund Accounting

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

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. The budget is subject to final approval by the School Corporation's charting agency.

Note 3. Deposits and Investments

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

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

Note 4. Risk Management

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

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

FLANNER HOUSE ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 5. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

B. Teachers' Retirement Fund

Plan Description

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

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

FLANNER HOUSE ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Funding Policy and Annual Pension Cost

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

SUPPLEMENTARY INFORMATION – UNAUDITED

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

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

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

FLANNER HOUSE ELEMENTARY SCHOOL
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010

	General	Special Education Preschool	School Lunch	Textbook Rental	Donations, Gifts, and Trusts	Miscellaneous Programs	School Administration
Cash and investments - beginning	\$ 58,476	\$ 100	\$ 136	\$ 12,715	\$ 714	\$ 7,079	\$ 1,449
Receipts:							
Local sources	20,844	-	3,676	1,523	-	5,588	10,775
Intermediate sources	75	-	-	-	-	-	-
State sources	1,403,442	-	297	6,993	-	-	-
Federal sources	-	-	90,795	-	-	-	-
Total receipts	<u>1,424,361</u>	<u>-</u>	<u>94,768</u>	<u>8,516</u>	<u>-</u>	<u>5,588</u>	<u>10,775</u>
Disbursements:							
Current:							
Instruction	737,340	100	-	19,614	-	697	642
Support services	451,551	-	-	-	-	60	10,121
Noninstructional services	21,773	-	90,768	-	-	3,352	-
Facilities acquisition and construction	142,067	-	-	-	-	1,990	1,260
Debt services	11,087	-	-	-	-	-	-
Total disbursements	<u>1,363,818</u>	<u>100</u>	<u>90,768</u>	<u>19,614</u>	<u>-</u>	<u>6,099</u>	<u>12,023</u>
Excess (deficiency) of receipts over disbursements	<u>60,543</u>	<u>(100)</u>	<u>4,000</u>	<u>(11,098)</u>	<u>-</u>	<u>(511)</u>	<u>(1,248)</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	1,390	-	-	-	-	-	-
Total other financing sources (uses)	<u>1,390</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>61,933</u>	<u>(100)</u>	<u>4,000</u>	<u>(11,098)</u>	<u>-</u>	<u>(511)</u>	<u>(1,248)</u>
Cash and investments - ending	<u>\$ 120,409</u>	<u>\$ -</u>	<u>\$ 4,136</u>	<u>\$ 1,617</u>	<u>\$ 714</u>	<u>\$ 6,568</u>	<u>\$ 201</u>

FLANNER HOUSE ELEMENTARY SCHOOL
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010
 (Continued)

	Title I 08-09	Title I 09-10	Fiscal Stabilization - Education	Title I - Grants to LEAs	Education Technology	Totals
Cash and investments - beginning	\$ 29,936	\$ -	\$ -	\$ -	\$ -	\$ 110,605
Receipts:						
Local sources	-	-	16	-	-	42,422
Intermediate sources	-	-	-	-	-	75
State sources	-	-	-	-	-	1,410,732
Federal sources	16,199	180,743	42,325	131,539	98,000	559,601
Total receipts	<u>16,199</u>	<u>180,743</u>	<u>42,341</u>	<u>131,539</u>	<u>98,000</u>	<u>2,012,830</u>
Disbursements:						
Current:						
Instruction	30,582	99,549	-	43,816	-	932,340
Support services	6,658	14,346	-	74,514	55,260	612,510
Noninstructional services	-	394	-	-	-	116,287
Facilities acquisition and construction	1,810	783	42,341	839	39,490	230,580
Debt services	-	-	-	-	-	11,087
Total disbursements	<u>39,050</u>	<u>115,072</u>	<u>42,341</u>	<u>119,169</u>	<u>94,750</u>	<u>1,902,804</u>
Excess (deficiency) of receipts over disbursements	<u>(22,851)</u>	<u>65,671</u>	<u>-</u>	<u>12,370</u>	<u>3,250</u>	<u>110,026</u>
Other financing sources (uses):						
Transfers in	-	7,085	-	-	-	7,085
Transfers out	(7,085)	-	-	-	-	(5,695)
Total other financing sources (uses)	<u>(7,085)</u>	<u>7,085</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,390</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(29,936)</u>	<u>72,756</u>	<u>-</u>	<u>12,370</u>	<u>3,250</u>	<u>111,416</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 72,756</u>	<u>\$ -</u>	<u>\$ 12,370</u>	<u>\$ 3,250</u>	<u>\$ 222,021</u>

FLANNER HOUSE ELEMENTARY SCHOOL
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011

	General	School Lunch	Textbook Rental	Donations, Gifts, and Trusts	Miscellaneous Programs	School Administration	Title I 09-10
Cash and investments - beginning	\$ 120,409	\$ 4,136	\$ 1,617	\$ 714	\$ 6,568	\$ 201	\$ 72,756
Receipts:							
Local sources	2,456	2,479	2,039	-	-	8,579	-
Intermediate sources	281	-	-	-	-	-	-
State sources	1,411,010	250	-	-	-	-	-
Federal sources	-	77,363	-	-	-	-	10,514
Temporary loans	40,000	-	-	-	-	-	-
Total receipts	<u>1,453,747</u>	<u>80,092</u>	<u>2,039</u>	<u>-</u>	<u>-</u>	<u>8,579</u>	<u>10,514</u>
Disbursements:							
Current:							
Instruction	824,328	-	3,492	-	-	4,513	34,489
Support services	466,814	60	164	-	5,068	4,267	12,178
Noninstructional services	45,197	84,168	-	-	-	-	33
Facilities acquisition and construction	68,633	-	-	-	1,500	-	2,293
Debt services	21,408	-	-	-	-	-	-
Total disbursements	<u>1,426,380</u>	<u>84,228</u>	<u>3,656</u>	<u>-</u>	<u>6,568</u>	<u>8,780</u>	<u>48,993</u>
Excess (deficiency) of receipts over disbursements	<u>27,367</u>	<u>(4,136)</u>	<u>(1,617)</u>	<u>-</u>	<u>(6,568)</u>	<u>(201)</u>	<u>(38,479)</u>
Other financing sources (uses):							
Transfers in	15,000	-	-	-	-	-	-
Transfers out	(12,735)	-	-	-	-	-	(34,277)
Total other financing sources (uses)	<u>2,265</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(34,277)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>29,632</u>	<u>(4,136)</u>	<u>(1,617)</u>	<u>-</u>	<u>(6,568)</u>	<u>(201)</u>	<u>(72,756)</u>
Cash and investments - ending	<u>\$ 150,041</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 714</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FLANNER HOUSE ELEMENTARY SCHOOL
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	Title I 10-11	Facilities Grant	Title I - Grants to LEAs	Education Technology	Education Jobs	Totals
Cash and investments - beginning	\$ -	\$ -	\$ 12,370	\$ 3,250	\$ -	\$ 222,021
Receipts:						
Local sources	-	-	-	-	-	15,553
Intermediate sources	-	-	-	-	-	281
State sources	-	-	-	-	-	1,411,260
Federal sources	142,601	165,121	32,000	-	42,536	470,135
Temporary loans	-	-	-	-	-	40,000
Total receipts	<u>142,601</u>	<u>165,121</u>	<u>32,000</u>	<u>-</u>	<u>42,536</u>	<u>1,937,229</u>
Disbursements:						
Current:						
Instruction	110,370	-	34,250	-	41,767	1,053,209
Support services	46,217	-	10,120	-	-	544,888
Noninstructional services	1,080	-	-	-	-	130,478
Facilities acquisition and construction	28,519	137,080	-	3,250	-	241,275
Debt services	-	-	-	-	-	21,408
Total disbursements	<u>186,186</u>	<u>137,080</u>	<u>44,370</u>	<u>3,250</u>	<u>41,767</u>	<u>1,991,258</u>
Excess (deficiency) of receipts over disbursements	<u>(43,585)</u>	<u>28,041</u>	<u>(12,370)</u>	<u>(3,250)</u>	<u>769</u>	<u>(54,029)</u>
Other financing sources (uses):						
Transfers in	34,277	-	-	-	-	49,277
Transfers out	-	-	-	-	-	(47,012)
Total other financing sources (uses)	<u>34,277</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,265</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(9,308)</u>	<u>28,041</u>	<u>(12,370)</u>	<u>(3,250)</u>	<u>769</u>	<u>(51,764)</u>
Cash and investments - ending	<u>\$ (9,308)</u>	<u>\$ 28,041</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 769</u>	<u>\$ 170,257</u>

FLANNER HOUSE ELEMENTARY SCHOOL
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2011

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets completed in the future will be reported. Retroactive reporting of general infrastructure assets is not required.

	<u>Ending Balance</u>
Capital assets, not being depreciated:	
Buildings	\$ 112,111
Improvements other than buildings	125,619
Machinery and equipment	<u>411,714</u>
Total capital assets not being depreciated	<u>\$ 649,444</u>

FLANNER HOUSE ELEMENTARY SCHOOL
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2011

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year	Fund/ Department
Line of Credit	\$ <u>93,383</u>	<u>**</u>	General Fund

**Information not available

FLANNER HOUSE ELEMENTARY SCHOOL
AUDIT RESULTS AND COMMENTS

INDIANA SPECIAL EDUCATION CHARTER COOPERATIVE (ISECC)

During 2009-2010 and 2010-2011, Indiana Department of Education (IDOE) awarded Special Education IDEA, Part B grants to Flanner House Elementary School in the amounts of \$35,546 and \$39,377, respectively.

The School Corporation entered into a joint services agreement with the Indiana Special Education Charter Cooperative (ISECC) to provide special education related services.

We identified a couple major concerns with the agreement. The agreement states in part: ". . . this Agreement is authorized by Indiana Code 20-35-5 and shall be operated pursuant thereto." However, Indiana Code 20-35-5 does not authorize this type of agreement between a not for profit organization and a school corporation. This type of agreement is only allowable between two or more participating school corporations.

According to the joint services agreement, ISECC is "a service of the Institute for School Excellence, a 501(c)3 organization under Indiana law governing non-profit organizations" and designated the Institute for School Excellence as the administrator and fiscal agent of the cooperative. ISECC does not have a separate governing board and relies on the governing board of the Institute for School Excellence.

The joint services agreement requires that all federal funds awarded to participating schools be used for ISECC operations and flow directly to ISECC. ISECC prepares and submits special education grant applications to IDOE each year on behalf of all participating schools as a cooperative program. IDOE awards each school an amount based on their eligibility under one project number for the cooperative. ISECC prepares and submits draw down and reimbursement requests as one amount under the cooperative project number. However, the Institute for School Excellence and ISECC are not established as school corporations and are not entitled to receive funds directly from IDOE. Therefore, the Institute for School Excellence designates a participating school corporation each year to act as the Local Education Agency (LEA) to receive the special education grant funds. Once the grant funds are received by the LEA, they are immediately disbursed to ISECC. ISECC disburses the grant funds and retains all supporting documentation for their records. Summarized reports are provided to participating schools and the LEA upon request. However, detailed documentation to support the disbursements of special education grant funds by ISECC was not made available to participating schools or the LEA. Proper internal controls were not in place at the school corporations to ensure accountability for the federal funds awarded to them.

Indiana Code 20-35-5-1 defines a "participating school corporation" as ". . . a local public school corporation that: (A) is established under Indiana law. . . ." Indiana Code 20-35 does apply to charter schools pursuant to Indiana Code 20-24-8-5(3).

Indiana Code 20-35-5-2 states in part: "Two (2) or more participating school corporations may form a special education cooperative in accordance with the provisions of either sections 13 through 15 . . . or section 16"

Indiana Code 20-35-5-13:

"A special education cooperative may: (1) be attached to a participating school corporation that has responsibility for administrative and financial controls; or (2) establish a separate treasury with separate accounts. If a special education cooperative is not attached to a participating school corporation, it must comply with the state board of accounts' approved forms and rules for fiscal accountability and is subject to audit by the state board of accounts."

FLANNER HOUSE ELEMENTARY SCHOOL
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 20-35-5-14 states in part: ". . . The board of managers consists of one (1) designated member from each participating school corporation . . ."

Indiana Code 20-35-5-15 states: "Meetings of the board of managers shall be held in accordance with IC 20-26-4-3."

Indiana Code 20-35-5-16 states: "The special education cooperative may be organized in accordance with IC 20-26-10 or IC 36-1-7."

INTERNAL CONTROLS OVER TEXTBOOK RENTAL AND SCHOOL LUNCH RECEIPTS

Proper segregation of duties for the collection, receipting, and tracking of delinquent accounts for textbook rental and school lunch fees were insufficient. Informal procedures were established for collecting fees for school lunch and textbook rental monies, but the procedures were inconsistent and were not always followed. Monies were collected various ways: by the teachers, paid directly to the Business Manager, or given to the school lunch workers. Receipts or receipt registers were not used or maintained at the point of collection. At times, monies collected by the teachers were delivered to the office by students. Receipts were issued by the Business Manager at the point monies were delivered to the office and receipts were returned to the classrooms to be distributed to appropriate students.

The Business Manager was responsible for maintaining students' textbook rental and school lunch accounts to determine who was delinquent and was also responsible for sending delinquent notices. The School does not have a formal policy for uncollectible accounts. According to the Business Manager, delinquent accounts were not actively pursued. Information regarding payments on school lunch accounts and delinquent students was maintained by the Business Manager and not made available to the school lunch workers at the point meals were served. Due to the insufficient controls and lack of source documents available for school lunch and textbook rental fees, tests could not be performed to ensure that all monies received were properly deposited and receipted into the financial records.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

Documentation should exist for all efforts by the governmental unit to collect amounts owed prior to any write-offs.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

FLANNER HOUSE ELEMENTARY SCHOOL
AUDIT RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS OVER THE AUTHORIZATION OF SALARIES AND WAGES

Internal controls over payroll disbursements were not adequate. The following deficiencies and errors were noted:

1. Noncontractual employees were paid salaries and wages during the audit period that were not established by a formal salary resolution or schedule approved and signed by the governing board.
2. A 2010-2011 contract for one certified teacher tested was not included in the employee's personnel file and was not presented for audit.
3. Information provided to the School Corporation's payroll servicing company regarding employee compensation, as well as any changes in compensation, was informal, and did not provide adequate evidence of authorization from the governing board.
4. Some of the time sheets reviewed were not signed by the employee and/or the supervisor.
5. Timesheets, including Title I timesheets, for the School Principal/Treasurer were not signed by another employee or governing board member.
6. Teacher contracts did not include compensation for additional Title I hours for the after-school program or professional development hours.

Failure to maintain adequate controls over the authorization of salaries and wages could result in unauthorized compensation being paid to employees.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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

Indiana Code 5-15-6-3(f) 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)

FLANNER HOUSE ELEMENTARY SCHOOL
 AUDIT RESULTS AND COMMENTS
 (Continued)

OFFICIAL BOND

The School Board Treasurer and the School Corporation Treasurer were not bonded during the audit period. The School Corporation Treasurer is currently bonded for the period September 1, 2011 through September 1, 2012.

Indiana Code 20-26-4-5 states in part:

"For each school year commencing July 1, the treasurer of each governing body and the governing body's school corporation and a deputy treasurer, if so appointed, shall give a bond for the faithful performance of the treasurer's and deputy treasurer's duties written by an insurance company licensed to do business in Indiana, in an amount determined by the governing body. . . ."

Indiana Code 5-4-1-10 states in part: "All bonds must be made payable to the State of Indiana . . ."

The State Board of Accounts is of the audit position bonds should be filed and recorded in the office of the county recorder. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

AVERAGE DAILY MEMBERSHIP (ADM) - INCORRECT REPORTING TO THE STATE

The information presented for audit indicated enrollment figures on Form Number 30A, the Report of Average Daily Membership (ADM) for State Support, was incorrect for the school years ending June 30, 2010, and June 30, 2011. The enrollment count date for the years 2009-2010 and 2010-2011 was September 18, 2009, and September 17, 2010, respectively. Attendance reports for each class were presented to support the ADM count; however, the reports were not certified by a school official and did not agree with the ADM count. The difference between the count reported on the ADM and the attendance report figures are shown below:

School Year	Grade	Count as Reported on Form Number 30A	Actual Enrollment Figures	Difference
2009-2010	Kindergarten	22.5	22.5	-
	1 through 12	183.0	184.0	(1)
2010-2011	Kindergarten	23.0	23.0	-
	1 through 12	163.0	162.0	1

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

Officials should maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM.

The building level official (Principal, Assistant Principal, etc.) responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of

FLANNER HOUSE ELEMENTARY SCHOOL
AUDIT RESULTS AND COMMENTS
(Continued)

the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

SCHOOL LUNCH REIMBURSEMENTS

Indiana Department of Education's most recent review of school lunch indicated that the October 2009 reimbursement report was incorrect and requested that the School submit a revised report. As a result of the revision, \$657.68 was deducted from their May 2010 claim for reimbursement.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

TEXTBOOK REIMBURSEMENT CLAIM

The School Corporation did not submit a Textbook Reimbursement claim to the State for the 2010-2011 school year; therefore, the School Corporation did not receive the amounts due to the School Corporation for textbook assistance for students approved for free and reduced lunch. Sufficient information was not provided to determine the amount due for 2010-2011.

Additionally, the Textbook Reimbursement claim presented for the 2009-2010 school year requested reimbursement in the amount of \$8,089.50. However, the amount received was \$6,992.55. The difference of \$1,096.95 between the amount claimed and the amount received could not be explained by the School Corporation officials. Information to support the amounts reported on the 2009-2010 claim was not presented for audit.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

TEXTBOOK RENTAL CALCULATIONS

Textbook rental fees charged to students for the 2009-2010 and 2010-2011 school years were not properly calculated. Kindergarten and first grade students were charged \$120; second, third, and fourth grade students were charged \$115; fifth grade students were charged \$110; and sixth grade students were charged \$100. A new calculation for textbook rental fees was not performed for each school year and these same fees were charged over the last several years. Documentation to support the amounts charged was not presented for audit.

FLANNER HOUSE ELEMENTARY SCHOOL
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 20-26-12-2 states in part:

"(a) . . . The annual rental rate may not exceed twenty-five percent (25%) of the retail price of the textbooks.

(b) Notwithstanding subsection (a), the governing body may not assess a rental fee of more than fifteen percent (15%) of the retail price of a textbook that has been:

- (1) extended for usage by students under section 24(e) of this chapter; and
- (2) paid for through rental fees previously collected.

(c) This section does not limit other laws."

LATE FEES

The School Corporation has an ongoing line of credit with a local bank that requires a minimum monthly payment equal to the amount of interest for that month. The School Corporation did not make all required payments in a timely manner which resulted in the assessment of late fees for payments due in October 2009 and February 2010. For the 2009-2010 school year, late fees totaling \$80 were paid.

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)

PUBLIC RECORDS RETENTION

School Board minutes for May 12, 2010, and July 14, 2010, were not presented for audit.

Indiana Code 5-15-6-3(f) 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)

(This page intentionally left blank.)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE FLANNER HOUSE ELEMENTARY
SCHOOL, MARION COUNTY, INDIANA

Compliance

We have audited the compliance of the Flanner House Elementary School (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to the major federal program for the years ended June 30, 2010 and 2011. The School Corporation's major federal program is 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 the major federal program is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended June 30, 2010 and 2011.

Internal Control Over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

STATE BOARD OF ACCOUNTS

December 15, 2011

(This page intentionally left blank.)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

FLANNER HOUSE ELEMENTARY SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2010 and 2011

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-10	Total Federal Awards Expended 06-30-11
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	11-9390	\$ -	\$ 8,706
National School Lunch Program	10.555	09-9390 10-9390 11-9390	8,896 81,872 -	- 1,037 67,648
Total for program			<u>90,768</u>	<u>68,685</u>
Total for federal grantor agency			<u>90,768</u>	<u>77,391</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010	09-9390 10-9390 11-9390	39,050 115,073 -	- 48,993 176,877
Total for program			<u>154,123</u>	<u>225,870</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	10-9390	<u>119,168</u>	<u>44,371</u>
Total for cluster			<u>273,291</u>	<u>270,241</u>
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY10	<u>42,341</u>	-
ARRA - Charter Schools, Recovery Act Per Pupil Facilities Funding	84.282	FY10 FY11	- -	60,119 76,961
Total for program			<u>-</u>	<u>137,080</u>
Educational Technology State Grants Cluster				
ARRA - Education Technology State Grants, Recovery Act Learning Technologies Competitive Grant Program	84.386	FY10	<u>94,750</u>	<u>3,250</u>
ARRA - Education Jobs Fund, Recovery Act	84.410	FY11	-	<u>41,767</u>
Total for federal grantor agency			<u>410,382</u>	<u>452,338</u>
Total federal awards expended			<u>\$ 501,150</u>	<u>\$ 529,729</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

FLANNER HOUSE ELEMENTARY SCHOOL
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

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

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1 et seq.), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

FLANNER HOUSE ELEMENTARY SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no

Identification of Major Programs:

Name of Federal Program or Cluster

Title I, Part A Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

FLANNER HOUSE ELEMENTARY SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

FLANNER HOUSE ELEMENTARY SCHOOL
EXIT CONFERENCE

The contents of this report were discussed on December 15, 2011, with Latika Warthaw, Treasurer; Tanjla Lawrence, Business Manager; and Brooke Dunn, Treasurer of the School Board. The Official Response has been made a part of this report and may be found on pages 39 through 45.



“The School Where Education Has No Limit

2424 Dr. Martin Luther King Jr. Street
(317) 925-4231 Fax: (317) 923-9632

Responses to audit for 2009-2010 and 2010-2011

December 15, 2011

INTERNAL CONTROLS OVER TEXTBOOK RENTAL AND SCHOOL LUNCH RECEIPTS

Proper segregation of duties for the collection, receipting, and tracking of delinquent accounts for textbook rental and school lunch fees were insufficient. Informal procedures were established for collecting fees for school lunch and textbook rental monies, but the procedures were inconsistent and were not always followed. Monies were collected various ways; by teachers, paid directly to the Business Manager, or given to the school lunch workers. Receipts or receipt registers were not used or maintained at the point of collection. At times, monies collected by the teachers were delivered to the office by students. Receipts were issued by the Business Manager at the point monies were delivered to the office and receipts were returned to the classrooms to be distributed to appropriate students.

The Business Manager was responsible for maintaining students' textbook rental and school lunch accounts to determine who was delinquent and was also responsible for sending delinquent notices. The School does not have a formal policy for uncollectible accounts. According to the Business Manager, delinquent accounts were not actively pursued. Information regarding payments on school lunch accounts and delinquent students was maintained by the Business Manager and not made available to the school lunch workers at the point meals were served.

Due to the insufficient controls and lack of source documents available for school lunch and textbook rental fees, tests could not be performed to ensure that all monies received were properly deposited and receipted into the financial records.

Response:

Formal procedures have been established for the collection, receipting, and tracking of delinquent accounts for textbook rental and school lunch fees.

The lunch coordinator is now responsible for tracking delinquent lunch fees and textbook rentals. Previously past due lunch notices were sent out weekly by the Business Manager. Notices are now sent out by the School Lunch Coordinator and are filed monthly. The lunch coordinator will work closely with Business Manager on collecting delinquent accounts.

Teachers will note payments received from students on the receipt register that is kept in their rooms and will then place the payments in a locked payment box. The teacher is responsible for delivering payments to the Business Manager, who will verify the amount provided and provide a receipt for the payment. A receipt register will be maintained in the Business Manager's office.

The Business Manager does, and will continue to, pursue delinquent accounts in house. Three attempts are made to collect bad debts and the notices are kept in a file. This information will be provided to the school lunch workers on a weekly basis. The school doesn't have enough paid students to use a collection agency.

INTERNAL CONTROLS OVER THE AUTHORIZATION OF SALARIES AND WAGES

1. Non-contractual employees were paid salaries and wages during the audit period that were not established by a formal salary resolution or schedule approved and signed by the governing board

Response:

Although it is reflected in the budget and minutes of the board, FHES will revise and develop a salary schedule for all non-contractual employees, FHES will also implement a non-contractual salary agreement that is to be signed by the governing body.

2. A 2010-2011 contract for a Title I teacher tested was not included in the employee's personnel file and was not presented for audit.

Response:

The teachers Title 1 contract that was tested for 2010-2011 school year should have been for 2009-2010 school year, the contracts were initially given to the Mayor's Office. A copy was not retained in our personnel file. However, the Mayor's Office can confirm that they have received a copy of each teacher's contracts. The school will attempt to get copies from the Mayor's Office to be placed in each teacher's file.

3. Information provided to the School's payroll servicing company regarding employee compensation, as well as any changes in compensation, was informal and did not provide adequate evidence of authorization from the governing board.

Response:

The Salary change adjustment form will be implemented and signed by the governing board and will be reflected in the budget. All salary changes are recommended to and approved by the governing board. Going forward FHES will submit the salary change form to the board; get approval and signatures from the board, prior to being submitted to payroll.

4. Seven of the time sheets tested were not signed by the employee and/or the supervisor. Five of the seven were for employees paid with Title I funds.

Response:

The Title 1 timesheets were not signed by the principal because the employee had not signed the timesheet. The principal has made it a practice not to sign off on a timesheet unless there is an employee signature. Going forward the school will require that all employees sign his/her timesheets before payment is submitted.

5. Timesheets, including Title I timesheets, for the School Principal/Treasurer were not signed by another employee or governing board member.

Response:

The Business Manager or a governing board member will sign the Principal's time sheets.

6. Teacher contracts did not include compensation for additional Title I hours for the after-school program or professional development hours.

Response:

Going forward there will be a separate contract for Title 1 and Professional Development hours; to be signed by the Teacher, Principal, and governing board for approval.

OFFICIAL BOND

The School Board Treasurer and the School Corporation Treasurer were not bonded during the audit period. The School Corporation Treasurer is currently bonded for the period September 1, 2011 through September 1, 2012.

Response:

The Bond application was provided to the School Board Treasurer who will work to submit the application by the beginning of January. Going forward the School Board Treasurer and the School Corporation Treasurer will maintain bond status with an amount determined by the governing body.

AVERAGE DAILY MEMBERSHIP (ADM) – INCORRECT REPORTING TO THE STATE

The information presented for audit indicates enrollment figures on Form Number 30A, the Report of Average Daily Membership (ADM) for State Support, was incorrect for the school years ending June 30, 2010 and June 30, 2011. The enrollment count date for the 2009-2010 and 2010-2011 years were September 18, 2009 and September 17, 2010, respectively. Attendance reports for each class were presented to support the ADM count; however, the reports were not certified by a school official and did not agree with the ADM count. The difference between the count reported on the ADM and the attendance report figures are shown below:

<u>School</u>		<u>Count as</u>	<u>Actual</u>	
<u>Year</u>	<u>Grade</u>	<u>Reported on</u>	<u>Enrollment</u>	<u>Difference</u>
		<u>Form Number 30A</u>	<u>Figures</u>	
2009-2010	Kindergarten	22.5	22.5	--
	1 Through 12	183.0	184.0	(1)
2010-2011	Kindergarten	23.0	23.0	--
	1 Through 12	163.0	162.0	1

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

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."

Officials should maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM. The building level official (Principal, Assistant Principal, etc.) responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM

claimed. (The School Administrator and Uniform Compliance Guidelines, Volume 123, September 1993, and Volume 142, June 1998)

Response:

Business manager will contact DOE to determine how overpayment/underpayment will be corrected.

Going forward, the Business Manager will reconcile attendance records and will be sure to assign exit dates for students in the DOE website, to insure the school's information matches DOE's records.

SCHOOL LUNCH REIMBURSEMENTS

Indiana Department of Education considers claims late if not submitted within sixty days after the last day of the month covered. The June 2011 reimbursement claim was filed 83 days after month end.

Additionally, IDOE's most recent review of school lunch indicated that the October 2009 reimbursement report was incorrect and requested that the School submit a revised report. As a result of the revision, \$657.68 was deducted from their May 2010 claim for reimbursement.

June 2011 reimbursement claim was filed on time by Mrs. Hudson but AFR wasn't filed on time because this report wasn't previously required and Mrs. Hudson wasn't aware of this until August when she was notified by Indiana dept of school foods. At that time the AFR report was completed and approved and school received reimbursement.

TEXTBOOK REIMBURSEMENT CLAIM FROM THE STATE

The School did not submit a Textbook Reimbursement claim to the State for the 2010-2011 school years; therefore, the school did not receive the amounts due to the school for textbook assistance for students approved for free and reduced lunch. Sufficient information was not provided to determine the amount due for 2010-2011.

Additionally, the Textbook Reimbursement claim presented for the 2009-2010 school year requested reimbursement in the amount of \$8,089.50. However, the amount received was \$6,992.55. The difference of \$1,096.95 between the amount claimed and the amount received could not be explained by the school officials. Information to support the amounts reported on the 2009-2010 claim was not presented for audit.

Response:

Textbook Reimbursement claim that was submitted for the 2009-2010 school year requested reimbursement for \$8,089.50. Amount received for reimbursement was \$6,992.55; the difference in the amount of \$1,096.95 was due to science kits that were included on the requested reimbursement amount that we were not able to claim.

TEXTBOOK RENTAL CALCULATIONS

Textbook rental fees were charged to students for the 2009-2010 and 2010-2011 school years. The fees charged were not properly calculated. Kindergarten and first grade were charged \$120; second, third, and fourth grades were all charged \$115; fifth grade \$110 and sixth grade \$100. A new calculation for textbook rental fees was not performed for each school year and these same fees were charged over the last several years. Documentation to support the amounts charged was not presented for audit.

Response:

Charges were based on grades, lower grades textbooks and workbooks were set higher because they cost more. One set charge was previously set and school is now aware of formula for calculating the amounts.

The school is now aware of the formula that must be utilized in order to calculate amounts owed by students and will use this calculation when determining textbook rental fees. A new calculation will be performed annually. Documentation to support the amounts charged will be maintained with budget documents.

LATE FEES

The School has an ongoing line of credit with a local bank that requires a minimum monthly payment equal to the amount of interest for that month. The School did not make all required payments in a timely manner which resulted in the assessment of late fees for payments due in October 2009 and February 2010. For the 2009-2010 school years, late fees totaling \$80 were paid.

Response:

Late fees were assessed because this is during the transition of National City to PNC Bank and monthly statement was received and when payment was made a late fee was assessed. Business Manager called and tried to get fees canceled. The school will work to insure payments are made on time and if there is a late fee assessed, the Business Manager will work to get those fees refunded.

PUBLIC RECORDS RETENTION

School board minutes for May 12, 2010 and July 14, 2010 were not presented for audit.

Response:

The School does and will continue to maintain records/minutes for all board meetings. The School and Board Treasurer will be sure to note when the previous month's meetings are cancelled so that this is properly reflected in the School's records.

INDIANA SPECIAL EDUCATION CHARTER COOPERATIVE (ISECC)

The School Corporation entered into a joint services agreement with Indiana Special Education Charter Cooperative (ISECC) to provide special education related services. The agreement states "...this Agreement is authorized by Indiana Code 20-35-5 and shall be operated pursuant thereto." However, Indiana Code 20-35-5 does not authorize this type of agreement between a not for profit organization and a school corporation. This type of agreement is only allowable between two or more participating school corporations.

According to the joint services agreement, ISECC is "a service of the Institute for School Excellence, a 501(c) 3 organization under Indiana law governing non-profit organizations" and designated the Institute for School Excellence as the administrator and fiscal agent of the cooperative. ISECC does not have a separate governing board and relies on the governing board of the Institute for School Excellence.

The joint services agreement requires that all federal funds awarded to participating schools be used for ISECC operations and flow directly to ISECC. ISECC prepares and submits special education grant applications to IDOE each year on behalf of all participating schools as a cooperative program. IDOE awards each school an amount based on their eligibility under one project number for the cooperative. ISECC prepares and submits draw down and reimbursement requests as one amount under the cooperative project number. However, Institute for School Excellence and ISECC are not established as school corporations and are not entitled to receive funds directly from Indiana Department of Education (IDOE). Therefore, the Institute for School Excellence designates a participating school corporation each year to act as the Local Education Agency (LEA) to receive the special education grant funds. Once the grant funds are received by the LEA, they are immediately disbursed to ISECC. ISECC disburses the grant funds and retains all supporting documentation for their records. Summarized reports are provided to participating schools and the LEA upon request. However, detailed documentation to support the disbursements of special education grant funds by ISECC is not made available to participating schools or the LEA. Proper internal controls were not in place at the school corporation to ensure accountability for the federal funds awarded to them.

Response:

School has terminated contract with ISE and will maintain Special Education Funds in house.

* See attached letter submitted to the attention of Michelle Thompson at ISE on 12/5/2011

Sincerely,
Latika Warthaw



"The School Where Education Has No Limit"

2424 Dr. Martin Luther King Jr. Street

(317) 925-4231 Fax: (317) 923-9632

To: Ms. Michelle Thompson
From: Flanner House Elementary School (FHES)
Date: December 5, 2011

Re: Discontinuation of Services

Dear Ms. Thompson,

As Principal of FHES, I would like to take this opportunity to thank ISE for Special Education Services provided to our students.

At the December 7, 2011 meeting of the Flanner House Elementary School Board a decision was made to discontinue the services currently provided by ISE for Special Education Services. This letter shall serve as the official notification of our decision not to renew the contract with ISE for the 2012-2013 school year. We have identified alternative means of providing these services for our students and families.

We look forward to our work through the end of the 2011-2012 school year and will schedule an exit meeting to ensure a smooth transition.

Again, thank you for your support and dedication to our students.

Latika Warthaw
Principal