

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

HERRON HIGH SCHOOL  
MARION COUNTY, INDIANA

July 1, 2009 to June 30, 2011



**FILED**

02/23/2012



## 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.....	10-13
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
Average Daily Membership (ADM) - Lack of Records.....	23
Federal and State Agencies - Compliance Requirements, Free and Reduced Lunch Application Verifications .....	23-24
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.....	26-27
Schedule of Expenditures of Federal Awards .....	30
Note to Schedule of Expenditures of Federal Awards.....	31
Schedule of Findings and Questioned Costs .....	32-33
Auditee Prepared Schedules: Summary Schedule of Prior Audit Findings .....	34
Corrective Action Plan.....	35
Exit Conference.....	36
Official Response .....	37-38

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kathleen White Juli Woodrum	07-01-09 to 10-28-10 10-29-10 to 06-30-12
Superintendent of Schools	Janet H. McNeal	07-01-09 to 06-30-12
Board Treasurer	David Garrett Karen Kennelly	07-01-09 to 06-30-10 07-01-10 to 06-30-12
President of the School Board	Joanna Taft	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](http://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 HERRON HIGH SCHOOL, MARION COUNTY, INDIANA

We have audited the accompanying financial statement of the Herron High 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 January 10, 2012, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis, 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, Other Financing Sources (Uses), 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

January 10, 2012



**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)

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 HERRON HIGH SCHOOL, MARION COUNTY, INDIANA

We have audited the financial statement of the Herron High School (School Corporation), for the years ended June 30, 2010 and 2011, and have issued our report thereon dated January 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

The School Corporation's response to the findings 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

January 10, 2012

## FINANCIAL STATEMENT

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

φ

(This page intentionally left blank.)

HERRON HIGH 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	\$ 642,079	\$ 3,229,797	\$ 3,696,889	\$ 3,997,340	\$ 4,172,327	\$ 3,437,704	\$ 5,168,883	\$ 287,921	\$ 2,729,069
School Lunch	-	97,995	97,995	-	-	104,172	104,172	-	-
Textbook Rental	-	20,686	8,287	-	12,399	30,660	40,126	-	2,933
Donations, Gifts and Trusts	1,074	16,227	9,628	-	7,673	-	556	-	7,117
Walton Grant	2,621	-	2,621	-	-	-	-	-	-
Clowes Grant	-	510,000	117,124	-	392,876	1	392,877	-	-
American Student Achievement Grant	3,618	6,424	5,338	-	4,704	5,465	7,659	-	2,510
IMPACT 100	36,306	-	30,568	-	5,738	-	-	-	5,738
Safety Grant	-	35,858	34,753	-	1,105	1	1,106	-	-
Lilly Grant	468	-	468	-	-	-	-	-	-
Donations, Gifts and Trusts 2	16,667	-	11,167	-	5,500	-	225	-	5,275
School Administration	18,810	94,916	87,551	-	26,175	171,968	129,054	-	69,089
School Technology	-	-	-	-	-	6,576	5,672	-	904
Title I	-	3,600	3,600	-	-	-	-	-	-
Title I 09-10	-	79,746	57,857	-	21,889	4,199	29,964	3,876	-
Title I 10-11	-	-	-	-	-	145,273	157,656	(3,876)	(16,259)
Public Law 101-476 IDEA Special Ed	-	-	-	-	-	69,265	69,265	-	-
Drug Free Schools	537	-	-	-	537	-	537	-	-
Improving Teaching Quality, No Child Left, Title II, Part A	-	15,984	15,832	-	152	28,864	29,629	-	(613)
Charter Facilities Grant	-	-	-	-	-	145,280	145,280	-	-
Fiscal Stabilization - Education	-	87,688	87,688	-	-	-	-	-	-
Title I - Grants to LEAs	-	41,197	32,278	-	8,919	21,611	36,378	-	(5,848)
Special Education - Part B	-	56,688	56,688	-	-	-	-	-	-
Totals	\$ 722,180	\$ 4,296,806	\$ 4,356,332	\$ 3,997,340	\$ 4,659,994	\$ 4,171,039	\$ 6,319,039	\$ 287,921	\$ 2,799,915

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

HERRON HIGH 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 transportation fees, investment income, food services, school corporation activities, revenue from community services activities, and other revenue from local sources.

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

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

Temporary loans include money received from a loan to pay expenses.

HERRON HIGH SCHOOL  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*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, summer school programs, enrichment programs, remediation, and payments to other governmental units.

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

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

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

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

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

*F. Other financing sources and uses*

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

Proceeds of long-term debt which includes money received in relation to the issuance of bonds or other long-term debt issues.

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.

*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.

HERRON HIGH SCHOOL  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 2. Budgets**

The operating budget is 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 fiscal year.

**Note 3. Deposits and Investments**

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

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

**Note 4. Risk Management**

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

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

**Note 5. Pension Plan**

*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.

HERRON HIGH SCHOOL  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

*Funding Policy and Annual Pension Cost*

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

The School Corporation also offers a 403(b) retirement plan through the Indiana Public Charter School Association. Information regarding these plans may be obtained from the School Corporation.

(This page intentionally left blank.)

## 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 Report 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.

HERRON HIGH 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	School Lunch	Textbook Rental	Donations, Gifts and Trusts	Walton Grant	Clowes Grant	American Student Achievement Grant	IMPACT 100	Safety Grant	Lilly Grant
Cash and investments - beginning	\$ 642,079	\$ -	\$ -	\$ 1,074	\$ 2,621	\$ -	\$ 3,618	\$ 36,306	\$ -	\$ 468
Receipts:										
Local sources	66,748	37,461	11,959	16,227	-	510,000	6,424	-	-	-
State sources	2,731,676	788	8,727	-	-	-	-	-	-	-
Federal sources	-	59,746	-	-	-	-	-	-	35,858	-
Temporary loans	431,373	-	-	-	-	-	-	-	-	-
Total receipts	3,229,797	97,995	20,686	16,227	-	510,000	6,424	-	35,858	-
Disbursements:										
Current:										
Instruction	1,591,992	-	8,187	-	-	9,818	1,507	746	-	-
Support services	1,177,296	194	100	6,329	2,621	7,306	3,460	565	22,126	-
Noninstructional services	17,346	97,801	-	519	-	-	371	1,769	-	-
Facilities acquisition and construction	881,060	-	-	2,780	-	100,000	-	27,488	12,627	468
Debt services	26,045	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	3,150	-	-	-	-	-	-	-	-	-
Total disbursements	3,696,889	97,995	8,287	9,628	2,621	117,124	5,338	30,568	34,753	468
Excess (deficiency) of receipts over disbursements	(467,092)	-	12,399	6,599	(2,621)	392,876	1,086	(30,568)	1,105	(468)
Other financing sources (uses):										
Proceeds of long-term debt	4,000,000	-	-	-	-	-	-	-	-	-
Transfers in	946,816	-	-	-	-	500,000	-	-	-	-
Transfers out	(949,476)	-	-	-	-	(500,000)	-	-	-	-
Total other financing sources (uses)	3,997,340	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,530,248	-	12,399	6,599	(2,621)	392,876	1,086	(30,568)	1,105	(468)
Cash and investments - ending	\$ 4,172,327	\$ -	\$ 12,399	\$ 7,673	\$ -	\$ 392,876	\$ 4,704	\$ 5,738	\$ 1,105	\$ -

HERRON HIGH 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)

	Donations, Gifts and Trusts 2	School Administration	Title I	Title I 09-10	Drug Free Schools	Improving Teaching Quality, No Child Left, Title II, Part A	Fiscal Stabilization - Education	Title I - Grants to LEAs	Special Education - Part B	Totals
Cash and investments - beginning	\$ 16,667	\$ 18,810	\$ -	\$ -	\$ 537	\$ -	\$ -	\$ -	\$ -	\$ 722,180
Receipts:										
Local sources	-	94,916	-	-	-	-	-	-	56,688	800,423
State sources	-	-	-	-	-	-	-	-	-	2,741,191
Federal sources	-	-	3,600	79,746	-	15,984	87,688	41,197	-	323,819
Temporary loans	-	-	-	-	-	-	-	-	-	431,373
Total receipts	-	94,916	3,600	79,746	-	15,984	87,688	41,197	56,688	4,296,806
Disbursements:										
Current:										
Instruction	6,667	17,024	-	8,564	-	-	13,915	3,854	-	1,662,274
Support services	70	20,354	3,600	46,444	-	15,832	24,838	28,424	299	1,359,858
Noninstructional services	-	36,556	-	1,974	-	-	1,951	-	-	158,287
Facilities acquisition and construction	4,430	13,617	-	875	-	-	46,984	-	56,389	1,146,718
Debt services	-	-	-	-	-	-	-	-	-	26,045
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	3,150
Total disbursements	11,167	87,551	3,600	57,857	-	15,832	87,688	32,278	56,688	4,356,332
Excess (deficiency) of receipts over disbursements	(11,167)	7,365	-	21,889	-	152	-	8,919	-	(59,526)
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	4,000,000
Transfers in	-	-	-	-	-	-	-	-	-	1,446,816
Transfers out	-	-	-	-	-	-	-	-	-	(1,449,476)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	3,997,340
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(11,167)	7,365	-	21,889	-	152	-	8,919	-	3,937,814
Cash and investments - ending	\$ 5,500	\$ 26,175	\$ -	\$ 21,889	\$ 537	\$ 152	\$ -	\$ 8,919	\$ -	\$ 4,659,994

HERRON HIGH 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	Clowes Grant	American Student Achievement Grant	IMPACT 100	Safety Grant	Donations, Gifts and Trusts 2	School Administration
Cash and investments - beginning	\$ 4,172,327	\$ -	\$ 12,399	\$ 7,673	\$ 392,876	\$ 4,704	\$ 5,738	\$ 1,105	\$ 5,500	\$ 26,175
Receipts:										
Local sources	228,689	42,018	21,367	-	1	5,465	-	-	-	171,968
State sources	3,209,015	1,841	9,293	-	-	-	-	-	-	-
Federal sources	-	60,313	-	-	-	-	-	1	-	-
Total receipts	3,437,704	104,172	30,660	-	1	5,465	-	1	-	171,968
Disbursements:										
Current:										
Instruction	1,595,642	-	39,526	-	182	2,429	-	-	225	40,389
Support services	1,231,057	103	600	556	-	4,875	-	1,106	-	26,004
Noninstructional services	16,596	104,069	-	-	-	355	-	-	-	41,797
Facilities acquisition and construction	2,098,365	-	-	-	392,695	-	-	-	-	20,864
Debt services	220,664	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	6,559	-	-	-	-	-	-	-	-	-
Total disbursements	5,168,883	104,172	40,126	556	392,877	7,659	-	1,106	225	129,054
Excess (deficiency) of receipts over disbursements	(1,731,179)	-	(9,466)	(556)	(392,876)	(2,194)	-	(1,105)	(225)	42,914
Other financing sources (uses):										
Proceeds of long-term debt	284,000	-	-	-	-	-	-	-	-	-
Transfers in	6,904,993	-	-	-	89,180	-	-	-	-	-
Transfers out	(6,901,072)	-	-	-	(89,180)	-	-	-	-	-
Total other financing sources (uses)	287,921	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,443,258)	-	(9,466)	(556)	(392,876)	(2,194)	-	(1,105)	(225)	42,914
Cash and investments - ending	\$ 2,729,069	\$ -	\$ 2,933	\$ 7,117	\$ -	\$ 2,510	\$ 5,738	\$ -	\$ 5,275	\$ 69,089

HERRON HIGH 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)

	School Technology	Title I 09-10	Title I 10-11	Public Law 101-476 IDEA Special Ed	Drug Free Schools	Improving Teaching Quality, No Child Left, Title II, Part A	Charter Facilities Grant	Title I - Grants to LEAs	Totals
Cash and investments - beginning	\$ -	\$ 21,889	\$ -	\$ -	\$ 537	\$ 152	\$ -	\$ 8,919	\$ 4,659,994
Receipts:									
Local sources	-	-	5	-	-	-	-	-	469,513
State sources	6,576	-	-	-	-	-	-	-	3,226,725
Federal sources	-	4,199	145,268	69,265	-	28,864	145,280	21,611	474,801
Total receipts	6,576	4,199	145,273	69,265	-	28,864	145,280	21,611	4,171,039
Disbursements:									
Current:									
Instruction	-	10,196	83,261	69,265	537	13,897	-	5,592	1,861,141
Support services	5,672	18,817	74,006	-	-	15,732	-	30,786	1,409,314
Noninstructional services	-	-	389	-	-	-	-	-	163,206
Facilities acquisition and construction	-	951	-	-	-	-	145,280	-	2,658,155
Debt services	-	-	-	-	-	-	-	-	220,664
Nonprogrammed charges	-	-	-	-	-	-	-	-	6,559
Total disbursements	5,672	29,964	157,656	69,265	537	29,629	145,280	36,378	6,319,039
Excess (deficiency) of receipts over disbursements	904	(25,765)	(12,383)	-	(537)	(765)	-	(14,767)	(2,148,000)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	284,000
Transfers in	-	3,876	-	-	-	-	139,670	-	7,137,719
Transfers out	-	-	(3,876)	-	-	-	(139,670)	-	(7,133,798)
Total other financing sources (uses)	-	3,876	(3,876)	-	-	-	-	-	287,921
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	904	(21,889)	(16,259)	-	(537)	(765)	-	(14,767)	(1,860,079)
Cash and investments - ending	\$ 904	\$ -	\$ (16,259)	\$ -	\$ -	\$ (613)	\$ -	\$ (5,848)	\$ 2,799,915

HERRON HIGH 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.

	Unit Reported Ending Balance
<u>Primary Government</u>	
School Capital Assets	
Capital assets, not being depreciated:	
Land	\$ 307,000
Buildings	3,256,520
Bond Issue Costs	80,000
Machinery and equipment	<u>755,135</u>
Total School Capital Assets	<u>\$ 4,398,655</u>

HERRON HIGH SCHOOL  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 June 30, 2011

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
School Debt:		
Notes and Loans:		
Advancement of Common School Fund A067	\$ 256,738	\$ -
Advancement of Common School Fund A082	137,048	-
Advancement of Common School Fund A099	542,267	-
Advancement of Common School Fund A0123	499,346	-
Advancement of Common School Fund A0153	420,589	-
Bonds:		
Qualified School Construction Bonds:		
Indiana Bank & Trust	4,000,000	9,200
Local Initiatives Support Corporation	<u>284,000</u>	<u>16,481</u>
<b>Total Debt</b>	<b><u>\$ 6,139,988</u></b>	<b><u>\$ 25,681</u></b>

HERRON HIGH SCHOOL  
AUDIT RESULTS AND COMMENTS

***INDIANA SPECIAL EDUCATION CHARTER COOPERATIVE (ISECC)***

During 2009-2010, the Indiana Department of Education (IDOE) awarded IDEA, Part B special education grants to Herron High School in the amount of \$49,673 which was administered by the Indiana Special Education Charter Cooperative (ISECC). The School Corporation entered into a joint services agreement with ISECC to provide special education related services. We identified some major concerns with the agreement.

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 drawdown 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 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.

In 2010, Herron High School withdrew from the ISECC and administered its own special education program.

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 states:

"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."

HERRON HIGH 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."

***AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS***

Records presented for audit to support the ADM claimed by the School Corporation for reimbursements received during the audit period were lists of Student Identification Numbers and did not contain the names of students claimed for ADM. The lists were not certified by the principal.

Officials shall 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.) is 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. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

***FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS,  
FREE AND REDUCED LUNCH APPLICATION VERIFICATIONS***

Proper internal controls over the free and reduced lunch application verification procedures and reporting were not in place to ensure that grant requirements were met. An adequate number of applications were reported by the school to have been tested, but it was difficult to determine which applications were selected for testing. The school did not maintain a list of names selected for verification or segregate the applications verified. Upon review of all free and reduced applications for both years, it was noted that the "Verification" section on the back of the applications was completed for only two applications in the FY 2010-2011 year. However, the Verification Summary report indicates a total of six applications were verified in both FY 2009-2010 and FY 2010-2011. There were not sufficient internal controls in place which would have ensured the unit maintained proper supporting documentation and properly reported on the verification process. Due to the lack of supporting documentation, we were not able to verify exactly which applications were selected for verification or determine if any changes were made to the statuses of the applications verified.

7CFR245.6a states in part:

". . . (f) Verification procedures and assistance for households . . .

(7) Eligibility changes. Based on the verification activities, the local educational agency shall make appropriate modifications to the eligibility determinations made initially. The local educational agency must notify the household of any change. . . .

HERRON HIGH SCHOOL  
AUDIT RESULTS AND COMMENTS  
(Continued)

(h) Verification reporting and recordkeeping requirements. By March 1, each year, local educational agency must report information related to its annual statutorily required verification activity, which excludes verification conducted in accordance with paragraph (c)(7) of this section, to the State agency in accordance with guidelines provided by FNS. . . ."

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)

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](http://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 HERRON HIGH SCHOOL, MARION COUNTY, INDIANA

Compliance

We have audited the compliance of Herron High 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 each of its major federal programs for the years ended June 30, 2010 and 2011. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2010 and 2011. The results of our auditing procedures also disclosed another instance of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1.

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)

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there is no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1 to be a material weakness.

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

This report is intended solely for the information and use of the School Corporation's management, 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

January 10, 2012

(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.

HERRON HIGH 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
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
National School Lunch Program	10.555	FY 2009-2010 FY 2010-2011	\$ 56,951 -	\$ - 53,277
Total for program			<u>56,951</u>	<u>53,277</u>
Summer Food Service Program For Children	10.559	FY 2009-2010 FY 2010-2011	2,795 -	- 7,978
Total for program			<u>2,795</u>	<u>7,978</u>
Total for federal grantor agency			<u>59,746</u>	<u>61,255</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010	09-9650 10-9650 11-9650	3,600 57,858 -	- 29,964 157,650
Total for program			<u>61,458</u>	<u>187,614</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	ARRA	<u>32,276</u>	<u>36,379</u>
Total for cluster			<u>93,734</u>	<u>223,993</u>
Special Education Cluster				
Special Education - Grants to States	84.027	10-9650	-	69,265
ARRA - Special Education - Grants To States (IDEA Part B), Recovery Act	84.391	ARRA	<u>56,687</u>	-
Total for cluster			<u>56,687</u>	<u>69,265</u>
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (Education Stabilization Fund)	84.394	10-9650	<u>87,687</u>	-
Direct Grant				
Safe and Drug-Free Schools and Communities - National Programs Readiness and Emergency Management for Schools	84.184	SAFETY	<u>34,854</u>	<u>1,105</u>
Pass-Through Indiana Department of Education				
Safe and Drug-Free Schools and Communities - State Grants	84.186	11-9650	-	537
Charter Schools	84.282	11-9650	-	145,280
Improving Teacher Quality State Grants	84.367	10-9650	<u>15,984</u>	<u>29,631</u>
ARRA - Education Jobs Fund, Recovery Act	84.410	11-9650	-	5,672
Total for federal grantor agency			<u>288,946</u>	<u>475,483</u>
Total federal awards expended			<u>\$ 348,692</u>	<u>\$ 536,738</u>

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

HERRON HIGH 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 Herron High 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.

HERRON HIGH 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 deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

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

Identification of Major Programs:

Name of Federal Program or Cluster

Title I, Part A Cluster  
Special Education 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**

**FINDING 2011-1 - CASH MANAGEMENT**

Federal Agency: U.S. Department of Education  
 Federal Program: Title I, Part A Cluster  
 CFDA Number: 84.010, 84.389  
 Federal Award Number and Year (or Other Identifying Number): 09-9650, 10-9650, 11-9650  
 Pass-Through Entity: Indiana Department of Education

HERRON HIGH SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Amounts received by the School Corporation for the Title I, Part A Cluster grants were drawn down in advance. School Corporation officials were required to review needs and draw funds as needed in accordance with federal guidelines. The drawdown requests were included in the applications for grant funds. The cash balance of Title I grant funds exceeded the allowable cash balance based on estimated future requirements for the Title I grant funds for 8 of the 12 months in 2009-2010 and 2 of the 12 months in 2010-2011. The cash balance of the Title I grants at June 30, 2010, as reported to the Indiana Department of Education, was \$21,889, which was approximately 27 percent of the total grants received during 2009-2010. The estimated cash needs in the few months subsequent to the year-end did not substantiate the need for this amount of cash. Cash drawdown requests were not revised to ensure there would not be excess cash on hand throughout the 2009-2010 year. The two months of excess cash balances in 2010-2011 were due to the large carryover of unspent funds from 2009-2010.

The School Corporation accounted for the ARRA - Title I funds separately as required. The cash balance of the ARRA - Title I grant funds exceeded the allowable cash balance based on estimated future requirements for the ARRA - Title I grant fund for 11 of the 12 months in 2009-2010 and 2 of the 12 months in 2010-2011. The cash balance of the ARRA - Title I grant at June 30, 2010, as reported to the Indiana Department of Education, was \$8,919 which was approximately 21 percent of the total ARRA - Title I funds.

As of July 1, 2010, the method for drawing down these Title I funds was changed by the pass-through agency for all School Corporations to a twice monthly filing of a reimbursement report.

34 CFR 80.20 (b)(7) states in part:

"Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

Surplus cash indicated noncompliance with the cash management requirement as set forth by the grant agreement. Additionally, failure to minimize the cash on hand may cause future funding to be reduced by the pass-through agency.

We recommended that School Corporation officials develop and implement procedures and controls to ensure that the time between the receipt and disbursement of federal funds is minimized according to the grant requirements.

HERRON HIGH SCHOOL  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

**Herron High School**  
**Corrective Action Plan**

FEDERAL FINDING 2011-1, INTERNAL CONTROLS OVER CASH MANAGEMENT

Federal Agency: U.S. Department of Education

Federal Program: Title I, Part A Cluster

CFDA Number: 84.010, 84.389

Federal Award Number and Year (or Other Identifying Number): 09-9650, 10-9650, 11-9650

Pass-through Entity: Indiana Department of Education

The cash balance of Title I grant funds and ARRA-Title I grants funds exceeded the allowable cash balance based on estimated future requirements during the audit period.

Corrective Action Plan

Advance payment procedures are no longer used for Federal programs. Rather, all Federal programs are funded on a reimbursement basis. Programs are in a negative cash position at all times when utilizing this method.

In the event that a grant is awarded where advance payment procedures are used, Herron High School will ensure that cash balances are minimized by only requesting advance payment when expenditures are known, reasonably estimated and will occur within 30 days of the distribution. Positive cash balances will be expended prior to future advance payment requests are submitted.

HERRON HIGH SCHOOL  
EXIT CONFERENCE

The contents of this report were discussed on January 10, 2012, with Juli Woodrum, Treasurer; Karen Kennelly, Board Treasurer; and Janet H. McNeal, Superintendent of Schools. The Official Response has been made a part of this report and may be found on pages 37 and 38.

An Indianapolis  
Classical  
High School



110 East 16th Street  
Indianapolis, Indiana 46202  
317-231-0010  
www.herronhighschool.org

January 10, 2012

State Board of Accounts  
302 West Washington Street  
Room E 418  
Indianapolis, IN 46204-2765

Re: OFFICIAL RESPONSE

To Whom It May Concern:

As an official response to the Audit Results and Comments that accompany the Examination Report of Herron High School for the period July 1, 2009 to June 30, 2011, Herron High School respectively submits the following:

Average Daily Membership (ADM) – Lack of Records

Beginning with the 2011-2012 Report of Average Daily Membership (ADM), the Head of School has provided written certification of ADM. This includes a letter certifying the ADM count accompanied by a list detailing the names of the students. The letter also identifies the location of student records. This process will be incorporated into standard practice for future years.

Federal and State Agencies – Compliance Requirements, Free and Reduced Lunch Application Verifications

As stated in the Audit Results and Comments, Herron High School did conduct verification testing but did not document it appropriately. Beginning with the 2011-2012 school year, the applications selected for testing will be segregated and the "Verification" section on the back of the applications will be completed. This process will be incorporated into standard practice for future years.

Indiana Special Education Charter Cooperative (ISECCC)

As stated in the Audit Results and Comments, Herron High School withdrew from the Indiana Special Education Charter Cooperative (ISECC) in 2010 and now administers its own special education program. With this, Herron High School submits grant application and reimbursement requests for special education activities at Herron High School only. Herron High School had no part in the formation of ISECC nor in the establishment of internal controls for the cooperative as a whole. The same internal controls that were in place for other Federal Grants applied to the special education program and fiscal activities while Herron High School was a member of the cooperative.

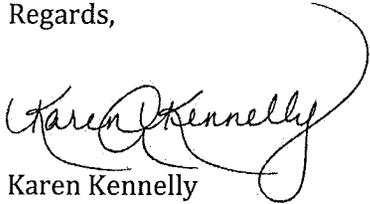
An Indianapolis  
Classical  
High School



110 East 16th Street  
Indianapolis, Indiana 46202  
317-231-0010  
[www.herronhighschool.org](http://www.herronhighschool.org)

Thank you for the opportunity to respond to the Audit Results and Comments. We sincerely appreciate the work of the State Board of Accounts and the audit process.

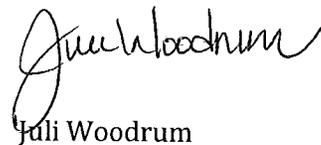
Regards,



Karen Kennelly  
Treasurer, Board of Directors



Janet H. McNeal  
Head of School



Juli Woodrum  
Business Manager/Treasurer