

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

EXAMINATION REPORT
OF

COMMUNITY SCHOOL CORPORATION
OF SOUTHERN HANCOCK COUNTY
HANCOCK COUNTY, INDIANA

July 1, 2004 to June 30, 2006



FILED
02/12/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Robert L. Yoder	07-01-04 to 06-30-07
Superintendent of Schools	James M. Halik	07-01-04 to 06-30-07
President of the School Board	Thomas Tucker Joerg Pfeifer Mark Cox	07-01-04 to 12-31-04 01-01-05 to 12-31-06 01-01-07 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE COMMUNITY SCHOOL CORPORATION
OF SOUTHERN HANCOCK COUNTY, HANCOCK COUNTY, INDIANA

We have examined the financial information presented herein of the Community School Corporation of Southern Hancock County (School Corporation), for the period of July 1, 2004 to June 30, 2006. The School Corporation's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

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

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the School Corporation for the years ended June 30, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts. The Schedule of Capital Assets and Schedule of Long-Term Debt are presented for additional analysis and are not a required part of the basic financial statements. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the examination procedures applied by us in the examination of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

January 11, 2007

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY
STATEMENT OF CASH AND INVESTMENTS
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 2,693,680
Restricted assets:	
Cash and investments	<u>2,047,226</u>
Total assets	<u>\$ 4,740,906</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 2,047,226
Unrestricted	<u>2,693,680</u>
Total net assets	<u>\$ 4,740,906</u>

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

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY
STATEMENT OF CASH AND INVESTMENTS
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 4,162,265
Restricted assets:	
Cash and investments	<u>2,354,155</u>
Total assets	<u>\$ 6,516,420</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 2,354,155
Unrestricted	<u>4,162,265</u>
Total net assets	<u>\$ 6,516,420</u>

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

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 7,853,170	\$ -	\$ 176,862	\$ (7,676,308)
Support services	12,112,038	1,209,561	138,609	(10,763,868)
Community services	251,450	-	-	(251,450)
Nonprogrammed charges	2,833,345	-	-	(2,833,345)
Debt service	6,593,108	-	-	(6,593,108)
Total governmental activities	\$ 29,643,111	\$ 1,209,561	\$ 315,471	(28,118,079)
General receipts:				
Property taxes				15,527,058
Other local sources				3,509,810
State aid				10,172,653
Grants and contributions not restricted				424,334
Sale of property, adjustments, and refunds				348,806
Investment earnings				85,881
Intergovernmental transfers				1,399,750
Total general receipts and intergovernmental transfers				31,468,292
Change in cash and investments				3,350,213
Net assets - beginning				1,390,693
Net assets - ending				\$ 4,740,906

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

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 8,151,608	\$ -	\$ 89,640	\$ (8,061,968)
Support services	12,759,634	1,249,563	175,223	(11,334,848)
Community services	237,412	-	-	(237,412)
Nonprogrammed charges	1,991,675	-	-	(1,991,675)
Debt service	4,713,101	-	-	(4,713,101)
Total governmental activities	<u>\$ 27,853,430</u>	<u>\$ 1,249,563</u>	<u>\$ 264,863</u>	<u>(26,339,004)</u>
General receipts:				
Property taxes				11,929,339
Other local sources				3,071,734
State aid				10,797,999
Grants and contributions not restricted				429,260
Bonds and loans				985,000
Sale of property, adjustments, and refunds				329,165
Investment earnings				186,311
Intergovernmental transfers				<u>385,710</u>
				Total general receipts and intergovernmental transfers
				<u>28,114,518</u>
				Change in cash and investments
				1,775,514
				Net assets - beginning
				<u>4,740,906</u>
				Net assets - ending
				<u><u>\$ 6,516,420</u></u>

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

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General	Transportation Operating	School Lunch	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 7,205,125	\$ 1,396,359	\$ 988,818	\$ 6,740,523	\$ 2,787,069	\$ 365,771	\$ 844,552	\$ 20,328,217
Intermediate sources	47	-	-	-	-	-	2,044	2,091
State sources	10,330,512	-	19,859	-	-	-	267,729	10,618,100
Federal sources	-	-	101,499	-	-	-	194,860	296,359
Sale of property, adjustments and refunds	30,062	1,909	1,124	-	608	-	315,104	348,807
Intergovernmental transfers	741,527	107,972	-	-	-	-	550,251	1,399,750
Total receipts	18,307,273	1,506,240	1,111,300	6,740,523	2,787,677	365,771	2,174,540	32,993,324
Disbursements:								
Current:								
Instruction	7,674,574	-	-	-	-	-	178,596	7,853,170
Support services	7,080,499	1,139,657	1,045,460	-	2,349,091	238,504	258,827	12,112,038
Community services	251,450	-	-	-	-	-	-	251,450
Nonprogrammed charges	1,218,631	300,000	-	347,972	-	-	966,742	2,833,345
Debt services	1,584,382	-	-	4,352,349	-	-	656,377	6,593,108
Total disbursements	17,809,536	1,439,657	1,045,460	4,700,321	2,349,091	238,504	2,060,542	29,643,111
Excess of total receipts over total disbursements	497,737	66,583	65,840	2,040,202	438,586	127,267	113,998	3,350,213
Cash and investments - beginning	543,611	5,739	385,969	6,411	14,104	49,900	384,959	1,390,693
Cash and investments - ending	<u>\$ 1,041,348</u>	<u>\$ 72,322</u>	<u>\$ 451,809</u>	<u>\$ 2,046,613</u>	<u>\$ 452,690</u>	<u>\$ 177,167</u>	<u>\$ 498,957</u>	<u>\$ 4,740,906</u>

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

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2006

	General	Transportation Operating	School Lunch	Debt Service	Capital Projects	School Bus Replacement	Construction Fund 2006	Other	Totals
Receipts:									
Local sources	\$ 5,953,642	\$ 1,206,197	\$ 1,019,458	\$ 4,649,377	\$ 2,657,251	\$ 260,522	\$ -	\$ 688,191	\$ 16,434,638
Intermediate sources	47	-	-	-	-	-	-	2,263	2,310
State sources	10,871,959	-	20,300	-	-	-	-	273,005	11,165,264
Federal sources	-	1,124	143,204	-	-	-	-	182,530	326,858
Bonds and loans	-	-	-	-	-	-	985,000	-	985,000
Sale of property, adjustments and refunds	23,311	361	1,249	-	-	-	-	304,243	329,164
Intergovernmental transfers	316,960	53,986	-	-	-	-	-	14,764	385,710
Total receipts	17,165,919	1,261,668	1,184,211	4,649,377	2,657,251	260,522	985,000	1,464,996	29,628,944
Disbursements:									
Current:									
Instruction	7,931,892	-	-	-	-	-	-	219,716	8,151,608
Support services	7,166,050	1,221,483	1,064,046	-	2,689,075	285,436	17,644	315,900	12,759,634
Community services	237,212	-	-	-	-	-	-	200	237,412
Nonprogrammed charges	1,391,465	-	-	59,036	-	-	-	541,174	1,991,675
Debt services	-	-	-	4,495,375	-	-	-	217,726	4,713,101
Total disbursements	16,726,619	1,221,483	1,064,046	4,554,411	2,689,075	285,436	17,644	1,294,716	27,853,430
Excess (deficiency) of total receipts over (under) total disbursements	439,300	40,185	120,165	94,966	(31,824)	(24,914)	967,356	170,280	1,775,514
Cash and investments - beginning	1,041,348	72,322	451,809	2,046,613	452,690	177,167	-	498,957	4,740,906
Cash and investments - ending	\$ 1,480,648	\$ 112,507	\$ 571,974	\$ 2,141,579	\$ 420,866	\$ 152,253	\$ 967,356	\$ 669,237	\$ 6,516,420

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

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2005

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Local sources	\$ -	\$ 82,249
Total additions	<u>-</u>	<u>82,249</u>
Deductions:		
Instruction	-	31,793
Support services	67,360	36,217
Nonprogrammed charges	<u>-</u>	<u>20,800</u>
Total deductions	<u>67,360</u>	<u>88,810</u>
Deficiency of total additions over total deductions	(67,360)	(6,561)
Cash and investments - beginning	<u>646,072</u>	<u>948,372</u>
Cash and investments - ending	<u>\$ 578,712</u>	<u>\$ 941,811</u>

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

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2006

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Local sources	\$ -	\$ 256,321
Intermediate sources	-	12,000
	<u>-</u>	<u>268,321</u>
Total additions	-	268,321
Deductions:		
Instruction	-	6,458
Support services	90,859	208,200
Nonprogrammed charges	-	43,676
	<u>90,859</u>	<u>258,334</u>
Total deductions	90,859	258,334
Excess (deficiency) of total additions over (under) total deductions	(90,859)	9,987
Cash and investments - beginning	<u>578,712</u>	<u>941,811</u>
Cash and investments - ending	<u>\$ 487,853</u>	<u>\$ 951,798</u>

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

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2005

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 578,712	\$ 941,811	\$ 19,904
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	<u>\$ 578,712</u>	<u>\$ 941,811</u>	

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

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY
 STATEMENT OF CASH AND INVESTMENTS
 FIDUCIARY FUNDS
 June 30, 2006

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 487,853	\$ 951,798	\$ 36,660
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	\$ 487,853	\$ 951,798	

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

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

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

Note 2. Fund Accounting

The School Corporation uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

Note 5. Deposits and Investments

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

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

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plans

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Teacher's Retirement Fund

Plan Description

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

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY
NOTES TO FINANCIAL INFORMATION
(Continued)

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

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

Funding Policy and Annual Pension Cost

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

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

June 30, 2006

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 are included if acquired (purchased, constructed, or donated) after July 1, 1980, or if they received major renovations, restorations, or improvements after that date. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 724,827
Infrastructure	347,807
Licensed Vehicles	870,128
Machinery and equipment	1,065,118
Assets under capital lease	<u>31,817,212</u>
 Total governmental activities, capital assets not being depreciated	 <u><u>\$ 34,825,092</u></u>

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

June 30, 2006

	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
New Palestine High School	\$ 10,625,514	\$ 808,292
New Palestine Elementary	3,680,113	659,913
Doe Creek Middle School	3,185,879	388,150
Brandywine Elementary	1,291,447	168,622
Southern Hancock 1998 School	12,515,000	675,000
Notes and loans payable		
School Improvement Note of 2004	704,187	156,093
Bonds payable:		
Retirement/Severance Bonds	3,680,000	265,000
School Improvement Bonds of 2006	985,000	160,000
	-	-
Total governmental activities long-term debt	\$ 36,667,140	\$ 3,281,070

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on January 11, 2007, with James M. Halik, Superintendent of Schools; and Robert L. Yoder, Assistant Superintendent of Schools/Treasurer. Our examination disclosed no material items that warrant comment at this time.