

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

EXAMINATION REPORT

OF

PRAIRIE HEIGHTS COMMUNITY SCHOOL CORPORATION

LAGRANGE COUNTY, INDIANA

July 1, 2004 to June 30, 2006



FILED
02/16/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Mary Jo Rheinheimer Karen Eagleson Marcia Helmuth	07-01-04 to 03-12-06 03-13-06 to 09-28-06 09-29-06 to 06-30-07
Superintendent of Schools	Paul E. Thomas, Jr.	07-01-04 to 06-30-07
President of the School Board	Aaron Pfafman Mark Thrasher	07-01-04 to 06-30-06 07-01-06 to 06-30-07



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF PRAIRIE HEIGHTS COMMUNITY
SCHOOL CORPORATION, LAGRANGE COUNTY, INDIANA

We have examined the financial information presented herein of Prairie Heights Community School Corporation (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 present 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.

STATE BOARD OF ACCOUNTS

January 16, 2007

PRAIRIE HEIGHTS COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ <u>963,900</u>
<u>Net Assets</u>	
Unrestricted	\$ <u>963,900</u>

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

PRAIRIE HEIGHTS COMMUNITY SCHOOL CORPORATION
 STATEMENT OF CASH AND INVESTMENTS
 June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 4,307,732
Restricted assets:	
Cash and investments	<u>1,040,414</u>
Total Assets	<u>\$ 5,348,146</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 1,040,414
Unrestricted	<u>4,307,732</u>
Total net assets	<u>\$ 5,348,146</u>

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

PRAIRIE HEIGHTS COMMUNITY SCHOOL CORPORATION
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	\$ 5,749,218	\$ -	\$ 79,701	\$ (5,669,517)
Support services	6,827,251	561,880	237,590	(6,027,781)
Community services	109,680	-	-	(109,680)
Nonprogrammed charges	4,003,437	-	-	(4,003,437)
Debt service	6,693,661	-	-	(6,693,661)
Total governmental activities	<u>\$ 23,383,247</u>	<u>\$ 561,880</u>	<u>\$ 317,291</u>	<u>(22,504,076)</u>
General receipts:				
Property taxes				7,637,756
Other local sources				1,310,076
State aid				6,362,827
Grants and contributions not restricted				230,011
Bonds and loans				5,899,252
Sale of property, adjustments, and refunds				52,665
Investment earnings				41,454
Transfers:				
Intergovernmental				116,831
				<u>21,650,872</u>
				(853,204)
				<u>1,817,104</u>
				<u>\$ 963,900</u>

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

PRAIRIE HEIGHTS COMMUNITY SCHOOL CORPORATION
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	\$ 5,558,227	\$ -	\$ 66,379	\$ (5,491,848)
Support services	8,087,309	531,659	275,114	(7,280,536)
Community services	87,083	-	-	(87,083)
Nonprogrammed charges	666,035	-	-	(666,035)
Debt service	4,480,935	-	-	(4,480,935)
Total governmental activities	\$ 18,879,589	\$ 531,659	\$ 341,493	(18,006,437)
General receipts:				
Property taxes				12,287,890
Other local sources				1,709,517
State aid				6,506,489
Grants and contributions not restricted				223,934
Bonds and loans				1,207,448
Sale of property, adjustments, and refunds				108,574
Investment earnings				79,092
Transfers:				
Intergovernmental				267,739
Total general receipts and transfers				22,390,683
Change in cash and investments				4,384,246
Net assets - beginning				963,900
Net assets - ending				\$ 5,348,146

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

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

	General	Transportation Operating	School Lunch	Textbook Rental	Debt Service	Capital Projects	School Bus Replacement	Construction	Other	Totals
Receipts:										
Local sources	\$4,131,891	\$ 1,273,553	\$ 373,135	\$ 189,014	\$ 1,846,322	\$ 1,089,847	\$ 226,794	\$ 6,548	\$ 409,235	\$ 9,546,339
Intermediate sources	1,078	-	-	-	-	-	-	-	3,600	4,678
State sources	6,426,777	-	11,342	33,122	-	-	-	-	60,995	6,532,236
Federal sources	-	-	193,127	-	-	-	-	-	184,766	377,893
Bonds and loans	4,079,485	860,429	-	-	764,490	75,414	66,180	-	53,254	5,899,252
Sale of property, adjustments and refunds	16,133	-	-	-	-	-	-	-	36,532	52,665
Intergovernmental transfers	4,475	110,886	-	-	-	-	-	-	1,470	116,831
Total receipts	14,659,839	2,244,868	577,604	222,136	2,610,812	1,165,261	292,974	6,548	749,852	22,529,894
Disbursements:										
Current:										
Instruction	5,421,559	-	-	-	-	-	-	-	327,659	5,749,218
Support services	4,165,934	1,059,432	563,819	200,461	-	606,495	172,683	2,215	56,634	6,827,673
Community services	109,680	-	-	-	-	-	-	-	-	109,680
Nonprogrammed charges	1,410,482	966,220	-	-	1,280,976	194,305	90,828	-	60,626	4,003,437
Debt services	4,563,420	86,334	-	-	1,773,808	49,469	-	-	220,630	6,693,661
Total disbursements	15,671,075	2,111,986	563,819	200,461	3,054,784	850,269	263,511	2,215	665,549	23,383,669
Excess (deficiency) of total receipts over (under) total disbursements	(1,011,236)	132,882	13,785	21,675	(443,972)	314,992	29,463	4,333	84,303	(853,775)
Cash and investments - beginning	1,568,602	(55,165)	92,546	83,816	(434,601)	84,831	62,348	220,381	179,231	1,801,989
Cash and investments - ending	\$ 557,366	\$ 77,717	\$ 106,331	\$ 105,491	\$ (878,573)	\$ 399,823	\$ 91,811	\$ 224,714	\$ 263,534	\$ 948,214

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

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF CASH ACTIVITIES

Net change in fund balances - total governmental funds	\$ (853,775)
Amounts reported for governmental activities in the statement of cash activities are different because:	
Internal service funds are not reported as a part of governmental funds.	<u>571</u>
Change in cash and investments of governmental activities.	<u>\$ (853,204)</u>

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

	General	Transportation Operating	School Lunch	Textbook Rental	Debt Service	Capital Projects	School Bus Replacement	Construction	Other	Totals
Receipts:										
Local sources	\$ 5,889,299	\$ 1,702,794	\$ 349,644	\$ 182,363	\$ 3,347,908	\$ 2,371,018	\$ 402,919	\$ 7,448	\$ 356,195	\$ 14,609,588
Intermediate sources	928	-	-	-	-	-	-	-	4,739	5,667
State sources	6,557,851	-	10,793	31,545	-	-	-	-	65,105	6,665,294
Federal sources	-	-	232,776	-	-	-	-	-	173,847	406,623
Bonds and loans	1,200,000	-	-	-	-	-	-	-	-	1,200,000
Sale of property, adjustments and refunds	32,494	-	-	-	-	-	-	-	76,080	108,574
Intergovernmental transfers	-	44,942	-	11,970	-	-	-	-	210,827	267,739
Total receipts	13,680,572	1,747,736	593,213	225,878	3,347,908	2,371,018	402,919	7,448	886,793	23,263,485
Disbursements:										
Current:										
Instruction	5,229,125	-	-	-	-	-	-	-	329,102	5,558,227
Support services	4,479,625	1,278,392	595,152	259,870	-	1,228,166	194,948	620	50,536	8,087,309
Community services	86,463	-	-	-	-	-	-	-	620	87,083
Nonprogrammed charges	428,217	24,511	-	-	109,580	34,453	5,668	-	63,606	666,035
Debt services	2,555,000	345,000	-	-	1,471,646	-	-	-	109,289	4,480,935
Total disbursements	12,778,430	1,647,903	595,152	259,870	1,581,226	1,262,619	200,616	620	553,153	18,879,589
Excess (deficiency) of total receipts over (under) total disbursements	902,142	99,833	(1,939)	(33,992)	1,766,682	1,108,399	202,303	6,828	333,640	4,383,896
Cash and investments - beginning	557,366	77,717	106,331	105,491	(878,573)	399,823	91,811	224,714	263,534	948,214
Cash and investments - ending	\$ 1,459,508	\$ 177,550	\$ 104,392	\$ 71,499	\$ 888,109	\$ 1,508,222	\$ 294,114	\$ 231,542	\$ 597,174	\$ 5,332,110

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

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF CASH ACTIVITIES

Net change in fund balances - total governmental funds	\$ 4,383,896
Amounts reported for governmental activities in the statement of cash activities are different because:	
Internal service funds are not reported as a part of governmental funds.	350
Change in cash and investments of governmental activities.	<u>\$ 4,384,246</u>

PRAIRIE HEIGHTS COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
PROPRIETARY FUNDS
For The Year Ended June 30, 2005

	Internal Service Fund
Receipts:	
Local sources	\$ 149
Sale of property, adjustments and refunds	1,198,517
Total receipts	1,198,666
Disbursements:	
Support services	1,198,095
Changes in cash and investments	571
Cash and investments - beginning	15,115
Cash and investments - ending	\$ 15,686

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

PRAIRIE HEIGHTS COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
PROPRIETARY FUNDS
For The Year Ended June 30, 2006

	<u>Internal Service Fund</u>
Receipts:	
Local sources	\$ 350
Sale of property, adjustments and refunds	<u>1,426,213</u>
Total receipts	<u>1,426,563</u>
Disbursements:	
Support services	<u>1,426,213</u>
Changes in cash and investments	350
Cash and investments - beginning	<u>15,686</u>
Cash and investments - ending	<u>\$ 16,036</u>

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

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

	<u>Pension Trust Funds</u>
Additions:	
Bonds and loans	\$ <u>1,285,766</u>
Deductions:	
Support services	<u>1,823,294</u>
Deficiency of total additions over total deductions	(537,528)
Cash and investments - beginning	<u>667,969</u>
Cash and investments - ending	<u><u>\$ 130,441</u></u>

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

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

	<u>Pension Trust Funds</u>
Deductions:	
Support services	\$ <u>8,316</u>
Deficiency of total additions over total deductions	(8,316)
Cash and investments - beginning	<u>130,441</u>
Cash and investments - ending	<u>\$ 122,125</u>

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

PRAIRIE HEIGHTS COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2005

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	<u>\$ 130,441</u>	<u>\$ 560</u>
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	<u>\$ 130,441</u>	

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

PRAIRIE HEIGHTS COMMUNITY SCHOOL CORPORATION
 STATEMENT OF CASH AND INVESTMENTS
 FIDUCIARY FUNDS
 June 30, 2006

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 122,125	\$ 611
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ 122,125	

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

PRAIRIE HEIGHTS COMMUNITY SCHOOL CORPORATION
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.

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.

PRAIRIE HEIGHTS COMMUNITY SCHOOL CORPORATION
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.

PRAIRIE HEIGHTS COMMUNITY SCHOOL CORPORATION
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.

PRAIRIE HEIGHTS COMMUNITY SCHOOL CORPORATION
EXAMINATION RESULT AND COMMENT

ECA EDUCATIONAL FEES

Some educational fees were being receipted to and retained in the Textbook Rental Fund, an extra-curricular fund. A similar comment appeared in prior Reports B20294 and B24837.

Indiana Code 20-26-4-1 concerning duties of the School Corporation Treasurer, states in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for all the funds . . ." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

PRAIRIE HEIGHTS COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on January 16, 2007, with Mark Thrasher, President of the School Board; Marcia Helmuth, Treasurer; and Paul E. Thomas, Jr., Superintendent of Schools. The officials concurred with our finding.