

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

EXAMINATION REPORT
OF
SOUTH HENRY SCHOOL CORPORATION
HENRY COUNTY, INDIANA
July 1, 2006 to June 30, 2008



FILED
06/09/2009

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis	4-5
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds	6-7
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds	8-9
Notes to Financial Statements	10-19
Required Supplementary Information:	
Schedule of Funding Progress	20
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds	21-28
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Private-Purpose Trust Funds	29-30
Schedule of Long-Term Debt	31
Examination Results and Comments:	
Deposits.....	32
Transportation Fund – Record of Hours Worked	32
Condition of Records	32-33
Overdrawn Fund Balances	33
Average Daily Membership (ADM) – Lack of Records.....	33
Inappropriate Expenditures From Capital Projects Fund	33
Capital Asset Records	34
Exit Conference.....	35

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Susan Waggoner	07-01-06 to 06-30-09
Superintendent of Schools	John Magers	07-01-06 to 06-30-08
	Robert Myers	07-01-08 to 08-10-08
	William Roberson (Interim)	08-11-08 to 06-30-09
President of the School Board	Sonya Jones	07-01-06 to 06-30-07
	Steve Stevens	07-01-07 to 06-30-08
	Joel Magiera	07-01-08 to 06-30-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE SOUTH HENRY SCHOOL
CORPORATION, HENRY COUNTY, INDIANA

We have examined the financial statements presented herein of the South Henry School Corporation (School Corporation), for the period of July 1, 2006 to June 30, 2008. The School Corporation's management is responsible for the financial statements 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 statements 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 statements referred to above present fairly, in all material respects, the financial information of the School Corporation for the years ended June 30, 2007 and 2008, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Combining Schedules and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules have been subjected to the examination procedures applied in the examination of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Long-Term Debt has not been subjected to the examination procedures applied to the basic financial statements and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

April 8, 2009

SOUTH HENRY SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 3,347,170	\$ -	\$ 35,605	\$ (3,311,565)
Support services	2,691,675	259,078	120,866	(2,311,731)
Community services	126,903	-	-	(126,903)
Nonprogrammed charges	465,852	-	-	(465,852)
Debt service	453,062	-	-	(453,062)
	<u>\$ 7,084,662</u>	<u>\$ 259,078</u>	<u>\$ 156,471</u>	<u>(6,669,113)</u>
Total governmental activities				
General receipts:				
Property taxes				2,361,507
Other local sources				491,246
State aid				3,476,373
Bonds and loans				952,329
Grants and contributions not restricted to specific programs				141,940
Sale of property, adjustments, and refunds				6,507
Investment earnings				38,659
				<u>7,468,561</u>
Total general receipts				
Change in net assets				799,448
Net assets - beginning				<u>149,547</u>
Net assets - ending				<u>\$ 948,995</u>
<u>Assets</u>				
Cash and investments				\$ 833,288
Restricted assets:				
Cash and investments				<u>115,707</u>
Total assets				<u>\$ 948,995</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 115,707
Unrestricted				<u>833,288</u>
Total net assets				<u>\$ 948,995</u>

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

SOUTH HENRY SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 3,305,569	\$ -	\$ 70,320	\$ (3,235,249)
Support services	2,831,291	259,489	151,592	(2,420,210)
Community services	167,574	-	-	(167,574)
Nonprogrammed charges	794,436	-	-	(794,436)
Debt service	545,807	-	-	(545,807)
	<u>\$ 7,644,677</u>	<u>\$ 259,489</u>	<u>\$ 221,912</u>	<u>(7,163,276)</u>
General receipts:				
Property taxes				2,804,477
Other local sources				447,587
State aid				3,343,250
Bonds and loans				464,892
Grants and contributions not restricted to specific programs				278,192
Sale of property, adjustments, and refunds				62,131
Investment earnings				37,637
				<u>7,438,166</u>
Change in net assets				274,890
Net assets - beginning				<u>948,995</u>
Net assets - ending				<u>\$ 1,223,885</u>
<u>Assets</u>				
Cash and investments				\$ 1,166,114
Restricted assets:				
Cash and investments				<u>57,771</u>
Total assets				<u>\$ 1,223,885</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 57,771
Unrestricted				<u>1,166,114</u>
Total net assets				<u>\$ 1,223,885</u>

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

SOUTH HENRY SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 1,490,539	\$ 360,365	\$ 413,605	\$ 570,660	\$ 62,838	\$ 252,164	\$ 3,150,171
Intermediate sources	-	-	-	-	-	319	319
State sources	3,504,732	-	-	-	-	88,847	3,593,579
Federal sources	-	-	-	-	-	181,205	181,205
Bonds and loans	763,409	230,674	206,980	-	-	-	1,201,063
Sale of property, adjustments and refunds	420	-	-	-	-	6,087	6,507
Total receipts	5,759,100	591,039	620,585	570,660	62,838	528,622	8,132,844
Disbursements:							
Current:							
Instruction	3,174,690	-	-	-	-	172,480	3,347,170
Support services	1,195,556	414,195	-	573,799	104,285	403,840	2,691,675
Community services	126,903	-	-	-	-	-	126,903
Nonprogrammed charges	465,852	-	-	-	-	-	465,852
Debt services	248,734	-	453,062	-	-	-	701,796
Total disbursements	5,211,735	414,195	453,062	573,799	104,285	576,320	7,333,396
Excess (deficiency) of receipts over disbursements	547,365	176,844	167,523	(3,139)	(41,447)	(47,698)	799,448
Other financing sources (uses):							
Transfers in	-	-	-	-	-	4,869	4,869
Transfers out	-	-	-	-	-	(4,869)	(4,869)
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	547,365	176,844	167,523	(3,139)	(41,447)	(47,698)	799,448
Cash and investments - beginning	(84,674)	(17,076)	(51,816)	65,619	80,987	156,507	149,547
Cash and investments - ending	\$ 462,691	\$ 159,768	\$ 115,707	\$ 62,480	\$ 39,540	\$ 108,809	\$ 948,995
Cash and Investment Assets - Ending							
Cash and investments	\$ 462,691	\$ 159,768	\$ -	\$ 62,480	\$ 39,540	\$ 108,809	\$ 833,288
Restricted assets:							
Cash and investments	-	-	115,707	-	-	-	115,707
Total cash and investment assets - ending	\$ 462,691	\$ 159,768	\$ 115,707	\$ 62,480	\$ 39,540	\$ 108,809	\$ 948,995
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ 115,707	\$ -	\$ -	\$ -	\$ 115,707
Unrestricted	462,691	159,768	-	62,480	39,540	108,809	833,288
Total cash and investment fund balance - ending	\$ 462,691	\$ 159,768	\$ 115,707	\$ 62,480	\$ 39,540	\$ 108,809	\$ 948,995

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

SOUTH HENRY SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 1,534,931	\$ 427,161	\$ 584,102	\$ 606,619	\$ 66,629	\$ 329,427	\$ 3,548,869
Intermediate sources	171	-	-	-	-	150	321
State sources	3,412,314	-	-	-	-	152,848	3,565,162
Federal sources	-	-	-	-	-	278,192	278,192
Bonds and loans	978,234	193,877	196,164	297,680	-	-	1,665,955
Sale of property, adjustments and refunds	30,751	3,665	-	-	-	27,715	62,131
Total receipts	<u>5,956,401</u>	<u>624,703</u>	<u>780,266</u>	<u>904,299</u>	<u>66,629</u>	<u>788,332</u>	<u>9,120,630</u>
Disbursements:							
Current:							
Instruction	3,129,789	-	-	-	-	175,780	3,305,569
Support services	1,342,690	371,119	-	589,397	70,999	457,086	2,831,291
Community services	167,468	-	-	-	-	106	167,574
Nonprogrammed charges	416,436	-	-	-	-	378,000	794,436
Debt services	763,409	230,674	672,482	-	-	80,305	1,746,870
Total disbursements	<u>5,819,792</u>	<u>601,793</u>	<u>672,482</u>	<u>589,397</u>	<u>70,999</u>	<u>1,091,277</u>	<u>8,845,740</u>
Excess (deficiency) of receipts over disbursements	<u>136,609</u>	<u>22,910</u>	<u>107,784</u>	<u>314,902</u>	<u>(4,370)</u>	<u>(302,945)</u>	<u>274,890</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	394,017	394,017
Transfers out	(1,081)	-	(165,720)	(184,000)	(34,000)	(9,216)	(394,017)
Total other financing sources (uses)	<u>(1,081)</u>	<u>-</u>	<u>(165,720)</u>	<u>(184,000)</u>	<u>(34,000)</u>	<u>384,801</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>135,528</u>	<u>22,910</u>	<u>(57,936)</u>	<u>130,902</u>	<u>(38,370)</u>	<u>81,856</u>	<u>274,890</u>
Cash and investments - beginning	<u>462,691</u>	<u>159,768</u>	<u>115,707</u>	<u>62,480</u>	<u>39,540</u>	<u>108,809</u>	<u>948,995</u>
Cash and investments - ending	<u>\$ 598,219</u>	<u>\$ 182,678</u>	<u>\$ 57,771</u>	<u>\$ 193,382</u>	<u>\$ 1,170</u>	<u>\$ 190,665</u>	<u>\$ 1,223,885</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 598,219	\$ 182,678	\$ -	\$ 193,382	\$ 1,170	\$ 190,665	\$ 1,166,114
Restricted assets:							
Cash and investments	-	-	57,771	-	-	-	57,771
Total cash and investment assets - ending	<u>\$ 598,219</u>	<u>\$ 182,678</u>	<u>\$ 57,771</u>	<u>\$ 193,382</u>	<u>\$ 1,170</u>	<u>\$ 190,665</u>	<u>\$ 1,223,885</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ 57,771	\$ -	\$ -	\$ -	\$ 57,771
Unrestricted	598,219	182,678	-	193,382	1,170	190,665	1,166,114
Total cash and investment fund balance - ending	<u>\$ 598,219</u>	<u>\$ 182,678</u>	<u>\$ 57,771</u>	<u>\$ 193,382</u>	<u>\$ 1,170</u>	<u>\$ 190,665</u>	<u>\$ 1,223,885</u>

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

SOUTH HENRY SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2007

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Contributions:		
Other	\$ -	\$ 19,707
Deductions:		
Benefits	448,338	-
Administrative and general	80,098	18,565
Total deductions	528,436	18,565
Excess (deficiency) of total additions over total deductions	(528,436)	1,142
Cash and investment fund balance - beginning	789,360	2,204
Cash and investment fund balance - ending	\$ 260,924	\$ 3,346
Net assets:		
Cash and investments	\$ 260,924	\$ 3,346
Total net assets - cash and investment basis held in trust	\$ 260,924	\$ 3,346

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

SOUTH HENRY SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Contributions:		
Other	\$ 9,585	\$ 10,061
Deductions:		
Benefits	18,000	-
Administrative and general	4,587	13,349
Total deductions	22,587	13,349
Deficiency of total additions over total deductions	(13,002)	(3,288)
Cash and investment fund balance - beginning	260,924	3,346
Cash and investment fund balance - ending	\$ 247,922	\$ 58
Net assets:		
Cash and investments	\$ 247,922	\$ 58
Total net assets - cash and investment basis held in trust	\$ 247,922	\$ 58

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

SOUTH HENRY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS

I. 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 School Corporation's financial reporting entity is composed of the following:

Primary Government: South Henry School Corporation

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Joint Ventures

The School Corporation is a participant with Union School Corporation, Charles A. Beard School Corporation, Nettle Creek School Corporation, Shenandoah School Corporation, and New Castle Community School Corporation in a joint venture to operate New Castle Area Program for Exceptional Children (Co-op) which was created to provide instruction for handicapped children. The School Corporation is obligated by contract to remit various amounts according to participation annually to supplement the New Castle Area Program for Exceptional Children (Co-op). The New Castle Area Program for Exceptional Children's continued existence depends on continued funding by the School Corporation. Complete financial statements for the New Castle Area Program for Exceptional Children can be obtained from New Castle Community School Corporation, 522 Elliott Avenue, New Castle, Indiana 47362.

The School Corporation is a participant with Union School Corporation, Charles A. Beard School Corporation, Nettle Creek School Corporation, Shenandoah School Corporation, Blue River School Corporation, Eastern Wayne School Corporation, Rush County School Corporation, Western Wayne School Corporation, and New Castle Community School Corporation in a joint venture to operate New Castle Area Vocational School which was created to provide instruction for vocational students. The School Corporation is obligated by contract to remit various amounts according to participation annually to supplement the New Castle Area Vocational School. The New Castle Area Vocational School's continued existence depends on continued funding by the School Corporation. Complete financial statements for the New Castle Area Vocational School can be obtained from New Castle Community School Corporation, 522 Elliott Avenue, New Castle, Indiana 47362.

The School Corporation is a participant with 45 school corporations in the East Central Indiana Educational Service Center (Co-op). The Co-op is a joint venture which was created to take advantage of bulk purchasing power, centralized repairs of equipment, and joint in-service training programs. The Co-op's governing board consists of a member selected by each participating school corporation. The board has full authority to manage the Co-op's operations and also maintains the treasury functions. Detailed information may be obtained by contacting East Central Indiana Educational Service Center, 1601 Indiana Avenue, Connersville, Indiana 47331.

SOUTH HENRY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities (enterprise/proprietary funds) are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

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

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

Additionally, the School Corporation reports the following fund types:

The pension trust funds account for the activities of the retirement/severance bond fund which accumulate resources for pension benefit payments.

The private-purpose trust fund reports a trust arrangement under which principal and income benefit individuals and private organizations.

SOUTH HENRY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in 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.

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

SOUTH HENRY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

5. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts

Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.

SOUTH HENRY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Cash and Investment Balance Deficits

At June 30, 2007 and 2008, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2007	2008
Title I, 2006-2007	\$ 3,377	\$ -
Athletic Reimbursement	-	40

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the (underestimate of current requirements; these deficits are to be repaid from future receipts.)

SOUTH HENRY SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2008, the School Corporation had deposit balances in the amount of \$1,471,865.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2007 and 2008, were as follows:

Transfer From	Transfer To	2007	2008
General	Other governmental funds	\$ -	\$ 1,081
Debt Service	Other governmental funds	-	165,720
Capital Projects	Other governmental funds	-	184,000
School Bus Replacement	Other governmental funds	-	34,000
Other governmental funds	Other governmental funds	4,869	-
Other governmental funds	Other governmental funds	-	9,216
Totals		<u>\$ 4,869</u>	<u>\$ 394,017</u>

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

C. Tax Anticipation Warrants

The School Corporation issues tax anticipation warrants for cash flow purposes in advance of property tax collections and/or state tuition support distributions as follows:

SOUTH HENRY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Tax Anticipation Warrants</u>	<u>2007</u>	<u>2008</u>
Due beginning of the year	\$ 248,734	\$ 1,201,063
New warrants advanced	1,201,063	1,665,955
Warrants repaid	<u>248,734</u>	<u>1,201,063</u>
Due end of the Year	<u>\$ 1,201,063</u>	<u>\$ 1,665,955</u>
 <u>Due From Fund</u> 		
General	\$ 763,409	\$ 978,234
Transportation	230,674	193,877
Capital Projects	-	297,680
Debt Service	<u>206,980</u>	<u>196,164</u>
	<u>\$ 1,201,063</u>	<u>\$ 1,665,955</u>

IV. Other Information

A. Risk Management

The School Corporation is 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; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Holding Corporation

The School Corporation has entered into a capital lease with South Henry Multi School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the year totaled \$96,000.

SOUTH HENRY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Subsequent Events

On December 18, 2008, the School Corporation amended the capital lease with South Henry Multi School Building Corporation (as noted in B. above). The capital lease dated 1999 with an ending principal balance at June 30, 2008, of \$830,000 was refunded by issuing First Mortgage Refunding Bonds, Series 2008 A for \$815,000 and First Mortgage Bonds, Series 2008 B for \$170,000. Capital lease payments are anticipated to begin June 30, 2009, and end June 30, 2023. Payment amounts range from \$46,000 to \$48,500 biannually. The total principal and interest payments are \$1,369,000.

D. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the 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 member's 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. The 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 plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

SOUTH HENRY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 22,208
Interest on net pension obligation	(328)
Adjustment to annual required contribution	373
Annual pension cost	22,253
Contributions made	30,555
Increase (decrease) in net pension obligation	(8,302)
Net pension obligation, beginning of year	(4,520)
Net pension obligation, end of year	\$ (12,822)
Contribution rates:	
School Corporation	7.25%
Plan members	3%
Actuarial valuation date	07-01-08
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-06	\$ 26,542	84%	\$ (9,777)
	06-30-07	27,456	81%	(4,520)
	06-30-08	22,253	137%	(12,822)

SOUTH HENRY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Costs

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.

Plan members are required to contribute 3% of their salary and the School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2007, and 2008, were \$65,111 and \$65,639, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years, respectively.

SOUTH HENRY SCHOOL CORPORATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 471,496	\$ 526,439	\$ (54,943)	90%	\$ 378,784	(15%)
07-01-07	514,616	535,383	(20,767)	96%	330,937	(6%)
07-01-08	531,740	533,427	(1,687)	100%	316,053	(1%)

SOUTH HENRY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	Special Education Preschool	School Lunch	Textbook Rental	Levy Excess	Athletic Reimbursement	Educational License Plate	Safe School Haven
Receipts:							
Local sources	\$ 3,795	\$ 174,377	\$ 66,143	\$ -	\$ 7,849	\$ -	\$ -
Intermediate sources	-	-	-	-	-	319	-
State sources	21,437	4,122	11,675	-	-	-	-
Federal sources	-	104,738	-	-	-	-	-
Sale of property, adjustments and refunds	-	4,347	1,740	-	-	-	-
Total receipts	25,232	287,584	79,558	-	7,849	319	-
Disbursements:							
Current:							
Instruction	31,336	-	-	-	7,541	-	-
Support services	-	264,953	80,654	-	-	-	1,323
Total disbursements	31,336	264,953	80,654	-	7,541	-	1,323
Excess (deficiency) of receipts over disbursements	(6,104)	22,631	(1,096)	-	308	319	(1,323)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(6,104)	22,631	(1,096)	-	308	319	(1,323)
Cash and investments - beginning	23,571	22,509	21,447	6,600	-	1,744	1,323
Cash and investments - ending	\$ 17,467	\$ 45,140	\$ 20,351	\$ 6,600	\$ 308	\$ 2,063	\$ -
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 17,467	\$ 45,140	\$ 20,351	\$ 6,600	\$ 308	\$ 2,063	\$ -
Total cash and investment assets - ending	\$ 17,467	\$ 45,140	\$ 20,351	\$ 6,600	\$ 308	\$ 2,063	\$ -
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	\$ 17,467	\$ 45,140	\$ 20,351	\$ 6,600	\$ 308	\$ 2,063	\$ -
Total cash and investment fund balance - ending	\$ 17,467	\$ 45,140	\$ 20,351	\$ 6,600	\$ 308	\$ 2,063	\$ -

SOUTH HENRY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Elementary Technical Assistance	Gifted and Talented 2004-2005	Gifted and Talented 2005-2006	Gifted and Talented 2006-2007	Computer Education Technology	Non Speaking English
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	11,587	40,026	-
Federal sources	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	-	-	-	11,587	40,026	-
Disbursements:						
Current:						
Instruction	1,999	1	5,705	11,430	-	-
Support services	-	-	-	-	52,615	-
Total disbursements	1,999	1	5,705	11,430	52,615	-
Excess (deficiency) of receipts over disbursements	(1,999)	(1)	(5,705)	157	(12,589)	-
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,999)	(1)	(5,705)	157	(12,589)	-
Cash and investments - beginning	8,070	1	5,705	-	12,589	184
Cash and investments - ending	<u>\$ 6,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 157</u>	<u>\$ -</u>	<u>\$ 184</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 6,071	\$ -	\$ -	\$ 157	\$ -	\$ 184
Total cash and investment assets - ending	<u>\$ 6,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 157</u>	<u>\$ -</u>	<u>\$ 184</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ 6,071	\$ -	\$ -	\$ 157	\$ -	\$ 184
Total cash and investment fund balance - ending	<u>\$ 6,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 157</u>	<u>\$ -</u>	<u>\$ 184</u>

SOUTH HENRY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Title I FY '06, FY '07 FY '08	Title V 2006	Title V Library 2005	Title VI Library	Drug Free Grant FY '05, FY '06, FY'08	Drug Free Grant FY '05
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	68,931	-	-	1,252	3,454	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	68,931	-	-	1,252	3,454	-
Disbursements:						
Current:						
Instruction	79,327	-	-	-	1,364	263
Support services	-	750	720	-	-	-
Total disbursements	79,327	750	720	-	1,364	263
Excess (deficiency) of receipts over disbursements	(10,396)	(750)	(720)	1,252	2,090	(263)
Other financing sources (uses):						
Transfers in	4,606	-	-	-	-	263
Transfers out	(4,606)	-	-	-	(263)	-
Total other financing sources (uses)	-	-	-	-	(263)	263
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(10,396)	(750)	(720)	1,252	1,827	-
Cash and investments - beginning	7,019	2,008	749	-	263	-
Cash and investments - ending	\$ (3,377)	\$ 1,258	\$ 29	\$ 1,252	\$ 2,090	\$ -
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ (3,377)	\$ 1,258	\$ 29	\$ 1,252	\$ 2,090	\$ -
Total cash and investment assets - ending	\$ (3,377)	\$ 1,258	\$ 29	\$ 1,252	\$ 2,090	\$ -
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ (3,377)	\$ 1,258	\$ 29	\$ 1,252	\$ 2,090	\$ -
Total cash and investment fund balance - ending	\$ (3,377)	\$ 1,258	\$ 29	\$ 1,252	\$ 2,090	\$ -

SOUTH HENRY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Drug Free Grant FY '07	Eisenhower Professional Grant 2002	Title II, Part A 2006-2007 2007-2008	Title II, Enhancement	Vocational Reimbursement	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 252,164
Intermediate sources	-	-	-	-	-	319
State sources	-	-	-	-	-	88,847
Federal sources	2,623	-	-	-	207	181,205
Sale of property, adjustments and refunds	-	-	-	-	-	6,087
Total receipts	<u>2,623</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>207</u>	<u>528,622</u>
Disbursements:						
Current:						
Instruction	500	3,874	29,140	-	-	172,480
Support services	-	-	2,825	-	-	403,840
Total disbursements	<u>500</u>	<u>3,874</u>	<u>31,965</u>	<u>-</u>	<u>-</u>	<u>576,320</u>
Excess (deficiency) of receipts over disbursements	<u>2,123</u>	<u>(3,874)</u>	<u>(31,965)</u>	<u>-</u>	<u>207</u>	<u>(47,698)</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	4,869
Transfers out	-	-	-	-	-	(4,869)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,123	(3,874)	(31,965)	-	207	(47,698)
Cash and investments - beginning	-	3,884	35,295	3,191	355	156,507
Cash and investments - ending	<u>\$ 2,123</u>	<u>\$ 10</u>	<u>\$ 3,330</u>	<u>\$ 3,191</u>	<u>\$ 562</u>	<u>\$ 108,809</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ 2,123</u>	<u>\$ 10</u>	<u>\$ 3,330</u>	<u>\$ 3,191</u>	<u>\$ 562</u>	<u>\$ 108,809</u>
Total cash and investment assets - ending	<u>\$ 2,123</u>	<u>\$ 10</u>	<u>\$ 3,330</u>	<u>\$ 3,191</u>	<u>\$ 562</u>	<u>\$ 108,809</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ 2,123</u>	<u>\$ 10</u>	<u>\$ 3,330</u>	<u>\$ 3,191</u>	<u>\$ 562</u>	<u>\$ 108,809</u>
Total cash and investment fund balance - ending	<u>\$ 2,123</u>	<u>\$ 10</u>	<u>\$ 3,330</u>	<u>\$ 3,191</u>	<u>\$ 562</u>	<u>\$ 108,809</u>

SOUTH HENRY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008

	Special Education Preschool	Rainy Day	School Lunch	Textbook Rental	Levy Excess	Athletic Reimbursement	Latchkey/ Step Ahead
Receipts:							
Local sources	\$ 3,608	\$ -	\$ 176,764	\$ 64,312	\$ -	\$ 5,519	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	25,664	-	3,957	33,819	-	-	2,811
Federal sources	-	-	113,816	-	-	-	-
Sale of property, adjustments and refunds	-	-	3,975	-	-	-	-
Total receipts	29,272	-	298,512	98,131	-	5,519	2,811
Disbursements:							
Current:							
Instruction	24,143	-	-	-	-	5,827	1,680
Support services	-	-	325,156	98,575	-	-	-
Community services	-	-	-	-	-	-	106
Nonprogrammed charges	-	378,000	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	24,143	378,000	325,156	98,575	-	5,827	1,786
Excess (deficiency) of receipts over disbursements	5,129	(378,000)	(26,644)	(444)	-	(308)	1,025
Other financing sources (uses):							
Transfers in	-	378,000	-	5,720	6,600	-	-
Transfers out	-	-	-	-	(6,600)	-	-
Total other financing sources (uses)	-	378,000	-	5,720	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	5,129	-	(26,644)	5,276	-	(308)	1,025
Cash and investments - beginning	17,467	-	45,140	20,351	6,600	308	-
Cash and investments - ending	\$ 22,596	\$ -	\$ 18,496	\$ 25,627	\$ 6,600	\$ -	\$ 1,025
Cash and Investment Assets - Ending							
Cash and investments	\$ 22,596	\$ -	\$ 18,496	\$ 25,627	\$ 6,600	\$ -	\$ 1,025
Total cash and investment assets - ending	\$ 22,596	\$ -	\$ 18,496	\$ 25,627	\$ 6,600	\$ -	\$ 1,025
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 22,596	\$ -	\$ 18,496	\$ 25,627	\$ 6,600	\$ -	\$ 1,025
Total cash and investment fund balance - ending	\$ 22,596	\$ -	\$ 18,496	\$ 25,627	\$ 6,600	\$ -	\$ 1,025

SOUTH HENRY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Educational License Plate	Elementary Technical Assistance	Gifted and Talented 2006-2007	Non Speaking English	School Technology	Technology Grants	Gifted and Talented 2007-2008
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	150	-	-	-	-	-	-
State sources	-	-	-	-	-	57,875	28,722
Federal sources	-	-	-	-	2,850	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	150	-	-	-	2,850	57,875	28,722
Disbursements:							
Current:							
Instruction	-	5,954	157	-	-	-	25,844
Support services	-	-	-	-	2,826	-	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	-	5,954	157	-	2,826	-	25,844
Excess (deficiency) of receipts over disbursements	150	(5,954)	(157)	-	24	57,875	2,878
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	150	(5,954)	(157)	-	24	57,875	2,878
Cash and investments - beginning	2,063	6,071	157	184	-	-	-
Cash and investments - ending	<u>\$ 2,213</u>	<u>\$ 117</u>	<u>\$ -</u>	<u>\$ 184</u>	<u>\$ 24</u>	<u>\$ 57,875</u>	<u>\$ 2,878</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 2,213	\$ 117	\$ -	\$ 184	\$ 24	\$ 57,875	\$ 2,878
Total cash and investment assets - ending	\$ 2,213	\$ 117	\$ -	\$ 184	\$ 24	\$ 57,875	\$ 2,878
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 2,213	\$ 117	\$ -	\$ 184	\$ 24	\$ 57,875	\$ 2,878
Total cash and investment fund balance - ending	\$ 2,213	\$ 117	\$ -	\$ 184	\$ 24	\$ 57,875	\$ 2,878

SOUTH HENRY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Title I FY '06, FY '07 FY '08	Title V 2006	Title V Library 2005	Title VI Library	Drug Free Grant FY '05, FY '06, FY '08	Drug Free Grant FY '07	Eisenhower Professional Grant 2002
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	99,531	-	-	-	2,610	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	99,531	-	-	-	2,610	-	-
Disbursements:							
Current:							
Instruction	82,289	-	-	-	-	3,633	10
Support services	-	1,258	29	1,252	-	-	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	82,289	1,258	29	1,252	-	3,633	10
Excess (deficiency) of receipts over disbursements	17,242	(1,258)	(29)	(1,252)	2,610	(3,633)	(10)
Other financing sources (uses):							
Transfers in	526	-	-	-	-	2,090	-
Transfers out	(526)	-	-	-	(2,090)	-	-
Total other financing sources (uses)	-	-	-	-	(2,090)	2,090	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	17,242	(1,258)	(29)	(1,252)	520	(1,543)	(10)
Cash and investments - beginning	(3,377)	1,258	29	1,252	2,090	2,123	10
Cash and investments - ending	\$ 13,865	\$ -	\$ -	\$ -	\$ 2,610	\$ 580	\$ -
Cash and Investment Assets - Ending							
Cash and investments	\$ 13,865	\$ -	\$ -	\$ -	\$ 2,610	\$ 580	\$ -
Total cash and investment assets - ending	\$ 13,865	\$ -	\$ -	\$ -	\$ 2,610	\$ 580	\$ -
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 13,865	\$ -	\$ -	\$ -	\$ 2,610	\$ 580	\$ -
Total cash and investment fund balance - ending	\$ 13,865	\$ -	\$ -	\$ -	\$ 2,610	\$ 580	\$ -

SOUTH HENRY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Title II, Part A 2006-2007	Title II, Part A 2007-2008	Title II, Enhancement	Retirement/ Severance Bond Fund Debt Service	Repair and Replacement	Vocational Reimbursement	Totals
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ 79,224	\$ -	\$ -	\$ 329,427
Intermediate sources	-	-	-	-	-	-	150
State sources	-	-	-	-	-	-	152,848
Federal sources	10,000	49,385	-	-	-	-	278,192
Sale of property, adjustments and refunds	-	-	-	-	23,740	-	27,715
Total receipts	10,000	49,385	-	79,224	23,740	-	788,332
Disbursements:							
Current:							
Instruction	-	26,244	-	-	-	-	175,781
Support services	75	3,090	1,085	-	23,740	-	457,086
Community services	-	-	-	-	-	-	106
Nonprogrammed charges	-	-	-	-	-	-	378,000
Debt services	-	-	-	80,305	-	-	80,305
Total disbursements	75	29,334	1,085	80,305	23,740	-	1,091,278
Excess (deficiency) of receipts over disbursements	9,925	20,051	(1,085)	(1,081)	-	-	(302,946)
Other financing sources (uses):							
Transfers in	-	-	-	1,081	-	-	394,017
Transfers out	-	-	-	-	-	-	(9,216)
Total other financing sources (uses)	-	-	-	1,081	-	-	384,801
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	9,925	20,051	(1,085)	-	-	-	81,855
Cash and investments - beginning	-	3,330	3,191	-	-	562	108,809
Cash and investments - ending	\$ 9,925	\$ 23,381	\$ 2,106	\$ -	\$ -	\$ 562	\$ 190,664
Cash and Investment Assets - Ending							
Cash and investments	\$ 9,925	\$ 23,381	\$ 2,106	\$ -	\$ -	\$ 562	\$ 190,664
Total cash and investment assets - ending	\$ 9,925	\$ 23,381	\$ 2,106	\$ -	\$ -	\$ 562	\$ 190,664
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 9,925	\$ 23,381	\$ 2,106	\$ -	\$ -	\$ 562	\$ 190,664
Total cash and investment fund balance - ending	\$ 9,925	\$ 23,381	\$ 2,106	\$ -	\$ -	\$ 562	\$ 190,664

SOUTH HENRY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007

	<u>Community Foundation</u>	<u>Donations- School</u>	<u>Latchkey</u>	<u>Totals</u>
Additions:				
Contributions:				
Other	\$ 11,493	\$ -	\$ 8,214	\$ 19,707
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Deductions:				
Administrative and general	9,339	-	9,226	18,565
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Excess (deficiency) of total additions over total deductions	2,154	-	(1,012)	1,142
Cash and investment fund balance - beginning	-	201	2,003	2,204
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash and investments - June 30	<u>\$ 2,154</u>	<u>\$ 201</u>	<u>\$ 991</u>	<u>\$ 3,346</u>
Net assets:				
Cash and investments	<u>\$ 2,154</u>	<u>\$ 201</u>	<u>\$ 991</u>	<u>\$ 3,346</u>
Total net assets - cash and investment basis held in trust	<u>\$ 2,154</u>	<u>\$ 201</u>	<u>\$ 991</u>	<u>\$ 3,346</u>

SOUTH HENRY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2008

	<u>Community Foundation</u>	<u>Donations- School</u>	<u>Athletic Reimbursement</u>	<u>Latchkey</u>	<u>Totals</u>
Additions:					
Contributions:					
Other	\$ -	\$ -	\$ 7,276	\$ 2,785	\$ 10,061
Deductions:					
Administrative and general	2,154	103	7,316	3,776	13,349
Deficiency of total additions over total deductions	(2,154)	(103)	(40)	(991)	(3,288)
Cash and investment fund balance - beginning	2,154	201	-	991	3,346
Cash and investments - June 30	<u>\$ -</u>	<u>\$ 98</u>	<u>\$ (40)</u>	<u>\$ -</u>	<u>\$ 58</u>
Net assets:					
Cash and investments	\$ -	\$ 98	\$ (40)	\$ -	\$ 58
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ 98</u>	<u>\$ (40)</u>	<u>\$ -</u>	<u>\$ 58</u>

SOUTH HENRY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 JUNE 30, 2008

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
School Building Capital Lease-1999 *	\$ 830,000	\$ 142,000
Notes and loans payable		
Common School Loans	3,200,250	334,118
Bonds payable:		
General obligation bonds:		
Pension Bonds of 2006	<u>745,000</u>	<u>41,628</u>
Total governmental activities debt	<u>\$ 4,775,250</u>	<u>\$ 517,746</u>

* Capital Lease was refunded January 2009

SOUTH HENRY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS

DEPOSITS

Receipts in several instances were deposited later than the next business day.

IC 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

TRANSPORTATION FUND - RECORD OF HOURS WORKED

Portions of the Athletic Director/Transportation Director, Corporation Treasurer, and Deputy Treasurer salaries were paid from the Transportation Fund during the examination period. A record of hours worked reflecting time spent on transportation duties was not presented for examination.

IC 5-11-9-4 requires in part: ". . . records be maintained showing which hours were worked each day by officers and employees . . . employed . . . in more than one (1) position by the same public agency . . ." Some positions have been formally established by boards of school trustees, through job description, duties assigned, title, salary schedules, etc., as transportation related (for example, Assistant Superintendent-Transportation Director). We will not take audit exception, in these situations (other than positions excluded by statute), to direct transportation related employees having direct transportation related expenses being paid from the transportation fund if a cost allocation system based upon auditable statistics is established tracking costs attributable to the transportation program and therefore payable from the transportation fund. The use of time cards, time logs, or other means of accumulating auditable statistics upon which to base costs would have to be maintained. The time spent on such programs by persons serving in more than one program area must be specific if costs are to be separated. These costs cannot be accurately maintained on a percentage basis and requires the use of one of the methods mentioned above to provide auditable statistics and should cover all program areas in which a person serves or for which the service, materials, supplies, etc., are provided. (The School Administrator and Uniform Compliance Guidelines, Volume 157)

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were noted.

- (1) Posting errors occurred in the receipting of local tax distributions received from the County Treasurer. The errors included receipts not recorded in the proper receipt accounts. The license excise tax distributions were posted on March 15, 2007, as property tax collections in the General Fund, the Transportation Operating Fund, the Debt Service Fund, and the Capital Projects Fund. The cumulative effect to these four funds was an overstatement of property tax collections of \$29,000 and an understatement of license excise tax collections of \$29,000.

SOUTH HENRY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (2) A \$10,000 distribution received from the Auditor of State for Title II A Teacher Quality was incorrectly posted to the General Fund receipt account 3199, Remediation/ Preventive Remediation, on July 10, 2007.

The distribution should have been posted to the Title II, Part A 2006-2007 Fund. A transfer of funds from the General Fund to the Title II, Part A 2006-2007 Fund was made on February 18, 2009, to correct the error.

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

OVERDRAWN FUND BALANCES

The Title 1 2006-2007 Fund was overdrawn \$3,377 at June 30, 2007. The Athletic Reimbursement Fund was overdrawn \$40 at June 30, 2008.

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

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

Class rosters presented for examination to support the ADM claimed by the School Corporation were not certified by the appropriate building level official.

Officials should maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM. The building level official (Principal, Assistant Principal, etc.) responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (The School Administrator and Uniform Compliance Guidelines, Volume 123, September 1993, and Volume 142, June 1998)

INAPPROPRIATE EXPENDITURES FROM CAPITAL PROJECTS FUND

Expenditures of \$7,466.36 were made from the Capital Projects Fund for budget consulting fees and related travel expenses to Educational Services Company from January to June 2008.

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

SOUTH HENRY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS

The School Corporation does not have a complete inventory record of capital assets at June 30, 2008.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

SOUTH HENRY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on April 8, 2009, with Susan Waggoner, Treasurer; William Roberson, Superintendent of Schools; Randy Maloyed, Board member; and Lisa Butler, Deputy Corporation Treasurer. The officials concurred with our findings.