

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

RUSH COUNTY SCHOOLS  
RUSH COUNTY, INDIANA

July 1, 2009 to June 30, 2011



**FILED**  
01/31/2012



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sharon Holloway	07-01-09 to 06-30-12
Superintendent of Schools	Dr. John E. Williams	07-01-09 to 06-30-12
President of the School Board	John D. Wilson Dr. Steve R. Sickbert	07-01-09 to 06-30-10 07-01-10 to 06-30-12



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

TO: THE OFFICIALS OF THE RUSH COUNTY SCHOOLS, RUSH COUNTY, INDIANA

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

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

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

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

In accordance with Government Auditing Standards, we have also issued a report dated November 23, 2011, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

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

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

STATE BOARD OF ACCOUNTS

November 23, 2011



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

TO: THE OFFICIALS OF THE RUSH COUNTY SCHOOLS, RUSH COUNTY, INDIANA

We have audited the financial statement of the Rush County Schools (School Corporation), for the years ended June 30, 2010 and 2011, and have issued our report thereon dated November 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1 to be material weaknesses.

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

Compliance and Other Matters

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

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

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

STATE BOARD OF ACCOUNTS

November 23, 2011

## FINANCIAL STATEMENT

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

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RUSH COUNTY SCHOOLS  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2010 and 2011

	Cash and Investments 07-01-09	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-10	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-11
General	\$ 2,511,711	\$ 15,306,152	\$ 14,921,210	\$ 120,799	\$ 3,017,452	\$ 15,227,444	\$ 15,220,781	\$ 58,005	\$ 3,082,120
Debt Service	43,679	3,047,904	1,907,000	-	1,184,583	2,187,153	2,165,000	-	1,206,736
Capital Projects	331,070	3,833,391	1,782,108	(250,000)	2,132,353	2,552,299	2,551,696	-	2,132,956
School Transportation	871,615	2,675,091	1,833,532	(100,000)	1,613,174	1,774,398	1,980,958	-	1,406,614
School Bus Replacement	(94,327)	249,158	144,497	-	10,334	234,060	(6,062)	-	250,456
Special Education Preschool	135,044	33,000	20,892	(147,152)	-	-	-	-	-
Rainy Day	1,142,000	-	-	350,000	1,492,000	-	-	-	1,492,000
School Lunch	226,013	1,435,547	1,342,251	-	319,309	1,471,247	1,347,327	-	443,229
Textbook Rental	117,859	209,693	200,830	-	126,722	217,152	77,642	-	266,232
Levy Excess	-	-	-	-	-	36,169	-	(36,169)	-
Educational License Plates	10,850	563	5,316	-	6,097	525	695	-	5,927
Memorial Fund Donations	-	-	-	-	-	180	150	-	30
Donations	8,595	3,193	4,853	-	6,935	4,414	3,932	-	7,417
Outdoor Nature Lab	146	173	284	-	35	244	145	-	134
Project Lead the Way Grant	(8,854)	19,485	10,509	-	122	(122)	-	-	-
High Ability Grant 08-09	4,137	-	4,137	-	-	-	-	-	-
High Ability Grant 09-10	-	36,703	32,891	-	3,812	-	3,812	-	-
Non-English Program	-	3,865	3,865	-	-	1,735	1,735	-	-
Safe Schools Program	1,744	-	-	-	1,744	-	1,744	-	-
Construction, Remodeling, and Equipping Buildings	3,617,074	-	496,452	-	3,120,622	27,864	1,916,030	-	1,232,456
High Ability Grant 10-11	-	-	-	-	-	36,151	12,045	-	24,106
DFS and Community LCC	46,452	(17,578)	15,656	-	13,218	14,999	18,941	-	9,276
Technology Rebates	93,978	30,866	44,076	-	80,768	33,681	7,890	-	106,559
Title I 10-11	-	-	-	-	-	324,758	329,242	-	(4,484)
Title I 09-10	-	370,440	347,858	-	22,582	29,617	52,199	-	-
Title I 08-09	78,085	967	72,614	28,646	35,084	(29,616)	5,468	-	-
Title I - School Improvement	30,023	6,984	37,007	-	-	-	-	-	-
Title V, Part A	4,195	1,714	5,909	-	-	-	-	-	-
Title IV, Part A 07-08	608	-	608	-	-	-	-	-	-
Title IV, Part A 08-09	1,007	4,000	5,007	-	-	-	-	-	-
Title IV, Part A 09-10	-	9,894	9,894	-	-	-	-	-	-
Medicaid Reimbursement - Federal	4,970	-	3,049	-	1,921	-	1,921	-	-
Title II A Class Size Reduction	(2,008)	130,027	149,990	-	(21,971)	-	200,266	-	(222,237)
Title II, Part D 07-08	5,630	(5,630)	-	-	-	-	-	-	-
Title II, Part D 09-10	-	201,662	70,943	-	130,719	-	139,772	-	(9,053)
CFR Part B 08-09	(29,929)	107,157	77,228	-	-	-	-	-	-
CFR Part B 10-11	-	-	-	-	-	323,293	354,171	-	(30,878)
CFR Part B 09-10	-	319,633	336,090	-	(16,457)	236,161	219,704	-	-
Fiscal Stabilization - Education	500,192	543,212	1,043,404	-	-	-	-	-	-
Special Education - Part B Stimulus 09-11	-	432,672	457,081	-	(24,409)	116,448	117,892	-	(25,853)
Special Education - Part B - Preschool Stimulus	-	12,621	12,596	-	25	10,750	10,775	-	-
Title I Stimulus 09-10	-	151,841	75,379	-	76,462	(76,462)	-	-	-
Cafeteria Stimulus	-	10,000	10,000	-	-	-	-	-	-
Title I Stimulus 10-11	-	-	-	-	-	113,457	113,496	-	(39)
Education Jobs	-	-	-	-	-	-	344,785	-	(344,785)
<b>Totals</b>	<b>\$ 9,651,559</b>	<b>\$ 29,164,400</b>	<b>\$ 25,485,016</b>	<b>\$ 2,293</b>	<b>\$ 13,333,236</b>	<b>\$ 24,867,999</b>	<b>\$ 27,194,152</b>	<b>\$ 21,836</b>	<b>\$ 11,028,919</b>

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

RUSH COUNTY SCHOOLS  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

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

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

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

*B. Basis of Accounting*

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

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

*C. Cash and Investments*

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

*D. Receipts*

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

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

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

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

RUSH COUNTY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

*E. Disbursements*

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

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

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

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

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

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

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

*F. Other financing sources and uses*

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

Sale of capital assets which includes money received when land, buildings, or equipment owned by the School Corporation is sold.

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

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

RUSH COUNTY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*G. Fund Accounting*

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

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

**Note 4. Deposits and Investments**

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

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

RUSH COUNTY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 5. Risk Management**

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

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

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

RUSH COUNTY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*B. Teachers' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

## SUPPLEMENTARY INFORMATION – UNAUDITED

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

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

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

RUSH COUNTY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2010

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Special Education Preschool	Rainy Day	School Lunch	Textbook Rental	Educational License Plates
Cash and investments - beginning	\$ 2,511,711	\$ 43,679	\$ 331,070	\$ 871,615	\$ (94,327)	\$ 135,044	\$ 1,142,000	\$ 226,013	\$ 117,859	\$ 10,850
Receipts:										
Local sources	1,262,519	3,047,904	3,779,389	2,617,664	249,158	-	-	783,778	143,860	-
Intermediate sources	-	-	-	-	-	-	-	-	-	563
State sources	14,005,565	-	-	-	-	33,000	-	-	65,833	-
Federal sources	-	-	-	-	-	-	-	651,769	-	-
Other	38,068	-	54,002	57,427	-	-	-	-	-	-
Total receipts	15,306,152	3,047,904	3,833,391	2,675,091	249,158	33,000	-	1,435,547	209,693	563
Disbursements:										
Current:										
Instruction	9,441,103	-	-	-	-	20,892	-	-	-	2,980
Support services	4,608,985	-	761,595	1,833,532	144,497	-	-	-	200,830	2,336
Noninstructional services	453,077	-	-	-	-	-	-	1,342,251	-	-
Facilities acquisition and construction	-	-	1,020,513	-	-	-	-	-	-	-
Debt services	-	1,907,000	-	-	-	-	-	-	-	-
Nonprogrammed charges	418,045	-	-	-	-	-	-	-	-	-
Total disbursements	14,921,210	1,907,000	1,782,108	1,833,532	144,497	20,892	-	1,342,251	200,830	5,316
Excess (deficiency) of receipts over disbursements	384,942	1,140,904	2,051,283	841,559	104,661	12,108	-	93,296	8,863	(4,753)
Other financing sources (uses):										
Sale of capital assets	2,293	-	-	-	-	-	-	-	-	-
Transfers in	147,152	-	-	-	-	-	350,000	-	-	-
Transfers out	(28,646)	-	(250,000)	(100,000)	-	(147,152)	-	-	-	-
Total other financing sources (uses)	120,799	-	(250,000)	(100,000)	-	(147,152)	350,000	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	505,741	1,140,904	1,801,283	741,559	104,661	(135,044)	350,000	93,296	8,863	(4,753)
Cash and investments - ending	\$ 3,017,452	\$ 1,184,583	\$ 2,132,353	\$ 1,613,174	\$ 10,334	\$ -	\$ 1,492,000	\$ 319,309	\$ 126,722	\$ 6,097

RUSH COUNTY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2010  
 (Continued)

	Donations	Outdoor Nature Lab	Project Lead the Way Grant	High Ability Grant 08-09	High Ability Grant 09-10	Non-English Program	Safe Schools Program	Construction Remodeling and Equipping Buildings	DFS and Community LCC	Technology Rebates
Cash and investments - beginning	\$ 8,595	\$ 146	\$ (8,854)	\$ 4,137	\$ -	\$ -	\$ 1,744	\$ 3,617,074	\$ 46,452	\$ 93,978
Receipts:										
Local sources	3,193	173	-	-	-	-	-	-	(17,578)	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	19,485	-	36,703	3,865	-	-	-	30,866
Federal sources	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	<u>3,193</u>	<u>173</u>	<u>19,485</u>	<u>-</u>	<u>36,703</u>	<u>3,865</u>	<u>-</u>	<u>-</u>	<u>(17,578)</u>	<u>30,866</u>
Disbursements:										
Current:										
Instruction	4,853	284	10,509	4,137	32,891	3,865	-	-	15,656	44,076
Support services	-	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	496,452	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	<u>4,853</u>	<u>284</u>	<u>10,509</u>	<u>4,137</u>	<u>32,891</u>	<u>3,865</u>	<u>-</u>	<u>496,452</u>	<u>15,656</u>	<u>44,076</u>
Excess (deficiency) of receipts over disbursements	<u>(1,660)</u>	<u>(111)</u>	<u>8,976</u>	<u>(4,137)</u>	<u>3,812</u>	<u>-</u>	<u>-</u>	<u>(496,452)</u>	<u>(33,234)</u>	<u>(13,210)</u>
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(1,660)</u>	<u>(111)</u>	<u>8,976</u>	<u>(4,137)</u>	<u>3,812</u>	<u>-</u>	<u>-</u>	<u>(496,452)</u>	<u>(33,234)</u>	<u>(13,210)</u>
Cash and investments - ending	<u>\$ 6,935</u>	<u>\$ 35</u>	<u>\$ 122</u>	<u>\$ -</u>	<u>\$ 3,812</u>	<u>\$ -</u>	<u>\$ 1,744</u>	<u>\$ 3,120,622</u>	<u>\$ 13,218</u>	<u>\$ 80,768</u>

RUSH COUNTY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2010  
 (Continued)

	Title I 09-10	Title I 08-09	Title I School Improvement	Title V Part A	Title IV Part A 07-08	Title IV Part A 08-09	Title IV Part A 09-10	Medicaid Reimbursement Federal	Title II A Class Size Reduction	Title II Part D 07-08
Cash and investments - beginning	\$ -	\$ 78,085	\$ 30,023	\$ 4,195	\$ 608	\$ 1,007	\$ -	\$ 4,970	\$ (2,008)	\$ 5,630
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	370,440	967	6,984	1,714	-	4,000	9,894	-	130,027	(5,630)
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	370,440	967	6,984	1,714	-	4,000	9,894	-	130,027	(5,630)
Disbursements:										
Current:										
Instruction	283,507	55,825	30,619	-	608	5,007	9,894	3,049	149,990	-
Support services	64,351	16,789	6,388	5,909	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	347,858	72,614	37,007	5,909	608	5,007	9,894	3,049	149,990	-
Excess (deficiency) of receipts over disbursements	22,582	(71,647)	(30,023)	(4,195)	(608)	(1,007)	-	(3,049)	(19,963)	(5,630)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	28,646	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	28,646	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	22,582	(43,001)	(30,023)	(4,195)	(608)	(1,007)	-	(3,049)	(19,963)	(5,630)
Cash and investments - ending	\$ 22,582	\$ 35,084	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,921	\$ (21,971)	\$ -

RUSH COUNTY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2010  
 (Continued)

	Title II Part D 09-10	CFR Part B 08-09	CFR Part B 09-10	Fiscal Stabilization Education	Special Education Part B Stimulus 09-11	Special Education Part B Preschool Stimulus	Title I Stimulus 09-10	Cafeteria Stimulus	Totals
Cash and investments - beginning	\$ -	\$ (29,929)	\$ -	\$ 500,192	\$ -	\$ -	\$ -	\$ -	\$ 9,651,559
Receipts:									
Local sources	72,955	-	-	-	-	-	-	-	11,943,015
Intermediate sources	-	-	-	-	-	-	-	-	563
State sources	-	-	-	-	-	-	-	-	14,195,317
Federal sources	128,707	107,157	319,633	543,212	432,672	12,621	151,841	10,000	2,876,008
Other	-	-	-	-	-	-	-	-	149,497
Total receipts	<u>201,662</u>	<u>107,157</u>	<u>319,633</u>	<u>543,212</u>	<u>432,672</u>	<u>12,621</u>	<u>151,841</u>	<u>10,000</u>	<u>29,164,400</u>
Disbursements:									
Current:									
Instruction	3,875	63,272	244,196	867,367	304,814	-	-	10,000	11,613,269
Support services	30,590	13,956	91,894	153,829	152,267	12,596	75,379	-	8,175,723
Noninstructional services	-	-	-	22,208	-	-	-	-	1,817,536
Facilities acquisition and construction	-	-	-	-	-	-	-	-	1,516,965
Debt services	-	-	-	-	-	-	-	-	1,907,000
Nonprogrammed charges	36,478	-	-	-	-	-	-	-	454,523
Total disbursements	<u>70,943</u>	<u>77,228</u>	<u>336,090</u>	<u>1,043,404</u>	<u>457,081</u>	<u>12,596</u>	<u>75,379</u>	<u>10,000</u>	<u>25,485,016</u>
Excess (deficiency) of receipts over disbursements	<u>130,719</u>	<u>29,929</u>	<u>(16,457)</u>	<u>(500,192)</u>	<u>(24,409)</u>	<u>25</u>	<u>76,462</u>	<u>-</u>	<u>3,679,384</u>
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	2,293
Transfers in	-	-	-	-	-	-	-	-	525,798
Transfers out	-	-	-	-	-	-	-	-	(525,798)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,293</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>130,719</u>	<u>29,929</u>	<u>(16,457)</u>	<u>(500,192)</u>	<u>(24,409)</u>	<u>25</u>	<u>76,462</u>	<u>-</u>	<u>3,681,677</u>
Cash and investments - ending	<u>\$ 130,719</u>	<u>\$ -</u>	<u>\$ (16,457)</u>	<u>\$ -</u>	<u>\$ (24,409)</u>	<u>\$ 25</u>	<u>\$ 76,462</u>	<u>\$ -</u>	<u>\$ 13,333,236</u>

RUSH COUNTY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2011

	General	Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch	Textbook Rental	Levy Excess
Cash and investments - beginning	\$ 3,017,452	\$ 1,184,583	\$ 2,132,353	\$ 1,613,174	\$ 10,334	\$ 1,492,000	\$ 319,309	\$ 126,722	\$ -
Receipts:									
Local sources	79,298	2,187,153	2,453,214	1,741,173	234,060	-	800,083	158,766	36,169
Intermediate sources	2,721	-	-	-	-	-	-	-	-
State sources	15,106,068	-	79,519	-	-	-	-	58,386	-
Federal sources	-	-	-	-	-	-	671,164	-	-
Other	39,357	-	19,566	33,225	-	-	-	-	-
Total receipts	<u>15,227,444</u>	<u>2,187,153</u>	<u>2,552,299</u>	<u>1,774,398</u>	<u>234,060</u>	<u>-</u>	<u>1,471,247</u>	<u>217,152</u>	<u>36,169</u>
Disbursements:									
Current:									
Instruction	9,720,692	-	-	-	-	-	-	-	-
Support services	4,695,991	-	902,075	1,980,958	(6,062)	-	-	77,642	-
Noninstructional services	445,822	-	-	-	-	-	1,347,327	-	-
Facilities acquisition and construction	-	-	1,649,621	-	-	-	-	-	-
Debt services	-	2,165,000	-	-	-	-	-	-	-
Nonprogrammed charges	358,276	-	-	-	-	-	-	-	-
Total disbursements	<u>15,220,781</u>	<u>2,165,000</u>	<u>2,551,696</u>	<u>1,980,958</u>	<u>(6,062)</u>	<u>-</u>	<u>1,347,327</u>	<u>77,642</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>6,663</u>	<u>22,153</u>	<u>603</u>	<u>(206,560)</u>	<u>240,122</u>	<u>-</u>	<u>123,920</u>	<u>139,510</u>	<u>36,169</u>
Other financing sources (uses):									
Sale of capital assets	21,836	-	-	-	-	-	-	-	-
Transfers in	36,169	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	(36,169)
Total other financing sources (uses)	<u>58,005</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,169)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>64,668</u>	<u>22,153</u>	<u>603</u>	<u>(206,560)</u>	<u>240,122</u>	<u>-</u>	<u>123,920</u>	<u>139,510</u>	<u>-</u>
Cash and investments - ending	<u>\$ 3,082,120</u>	<u>\$ 1,206,736</u>	<u>\$ 2,132,956</u>	<u>\$ 1,406,614</u>	<u>\$ 250,456</u>	<u>\$ 1,492,000</u>	<u>\$ 443,229</u>	<u>\$ 266,232</u>	<u>\$ -</u>

RUSH COUNTY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2011  
 (Continued)

	Educational License Plates	Memorial Fund Donations	Donations	Outdoor Nature Lab	Project Lead the Way Grant	High Ability Grant 09-10	Non-English Program	Safe Schools Program	Construction Remodeling and Equipping Buildings
Cash and investments - beginning	\$ 6,097	\$ -	\$ 6,935	\$ 35	\$ 122	\$ 3,812	\$ -	\$ 1,744	\$ 3,120,622
Receipts:									
Local sources	-	180	4,414	244	-	-	-	-	27,864
Intermediate sources	525	-	-	-	-	-	-	-	-
State sources	-	-	-	-	(122)	-	1,735	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	525	180	4,414	244	(122)	-	1,735	-	27,864
Disbursements:									
Current:									
Instruction	695	150	3,932	145	-	3,812	1,735	1,744	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	1,916,030
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	695	150	3,932	145	-	3,812	1,735	1,744	1,916,030
Excess (deficiency) of receipts over disbursements	(170)	30	482	99	(122)	(3,812)	-	(1,744)	(1,888,166)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(170)	30	482	99	(122)	(3,812)	-	(1,744)	(1,888,166)
Cash and investments - ending	\$ 5,927	\$ 30	\$ 7,417	\$ 134	\$ -	\$ -	\$ -	\$ -	\$ 1,232,456

RUSH COUNTY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2011  
 (Continued)

	High Ability Grant 10-11	DFS and Community LCC	Technology Rebates	Title I 10-11	Title I 09-10	Title I 08-09	Medicaid Reimbursement Federal	Title II A Class Size Reduction	Title II Part D 09-10
Cash and investments - beginning	\$ -	\$ 13,218	\$ 80,768	\$ -	\$ 22,582	\$ 35,084	\$ 1,921	\$ (21,971)	\$ 130,719
Receipts:									
Local sources	-	14,999	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	36,151	-	33,681	-	-	-	-	-	-
Federal sources	-	-	-	324,758	29,617	(29,616)	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	36,151	14,999	33,681	324,758	29,617	(29,616)	-	-	-
Disbursements:									
Current:									
Instruction	12,045	18,941	7,890	268,329	29,435	5,468	1,921	200,266	18,676
Support services	-	-	-	60,913	22,764	-	-	-	84,619
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	36,477
Total disbursements	12,045	18,941	7,890	329,242	52,199	5,468	1,921	200,266	139,772
Excess (deficiency) of receipts over disbursements	24,106	(3,942)	25,791	(4,484)	(22,582)	(35,084)	(1,921)	(200,266)	(139,772)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	24,106	(3,942)	25,791	(4,484)	(22,582)	(35,084)	(1,921)	(200,266)	(139,772)
Cash and investments - ending	\$ 24,106	\$ 9,276	\$ 106,559	\$ (4,484)	\$ -	\$ -	\$ -	\$ (222,237)	\$ (9,053)

RUSH COUNTY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2011  
 (Continued)

	CFR Part B 10-11	CFR Part B 09-10	Special Education Part B Stimulus 09-11	Special Education Part B Preschool Stimulus	Title I Stimulus 09-10	Title I Stimulus 10-11	Education Jobs	Totals
Cash and investments - beginning	\$ -	\$ (16,457)	\$ (24,409)	\$ 25	\$ 76,462	\$ -	\$ -	\$ 13,333,236
Receipts:								
Local sources	-	-	-	-	-	-	-	7,737,617
Intermediate sources	-	-	-	-	-	-	-	3,246
State sources	-	-	-	-	-	-	-	15,315,418
Federal sources	323,293	236,161	116,448	10,750	(76,462)	113,457	-	1,719,570
Other	-	-	-	-	-	-	-	92,148
Total receipts	323,293	236,161	116,448	10,750	(76,462)	113,457	-	24,867,999
Disbursements:								
Current:								
Instruction	307,181	133,202	(3,266)	-	-	1,518	344,785	11,079,296
Support services	46,990	86,502	121,158	10,775	-	111,978	-	8,196,303
Noninstructional services	-	-	-	-	-	-	-	1,793,149
Facilities acquisition and construction	-	-	-	-	-	-	-	3,565,651
Debt services	-	-	-	-	-	-	-	2,165,000
Nonprogrammed charges	-	-	-	-	-	-	-	394,753
Total disbursements	354,171	219,704	117,892	10,775	-	113,496	344,785	27,194,152
Excess (deficiency) of receipts over disbursements	(30,878)	16,457	(1,444)	(25)	(76,462)	(39)	(344,785)	(2,326,153)
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	21,836
Transfers in	-	-	-	-	-	-	-	36,169
Transfers out	-	-	-	-	-	-	-	(36,169)
Total other financing sources (uses)	-	-	-	-	-	-	-	21,836
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(30,878)	16,457	(1,444)	(25)	(76,462)	(39)	(344,785)	(2,304,317)
Cash and investments - ending	\$ (30,878)	\$ -	\$ (25,853)	\$ -	\$ -	\$ (39)	\$ (344,785)	\$ 11,028,919

RUSH COUNTY SCHOOLS  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 June 30, 2011

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 280,500
Buildings	25,838,158
Improvements other than buildings	93,335
Machinery and equipment	<u>6,437,312</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 32,649,305</u>

RUSH COUNTY SCHOOLS  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 June 30, 2011

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:		
Elementary Schools Series 2008A	\$ 22,735,000	\$ 2,056,063
Elementary Schools Series 2008B	<u>2,075,000</u>	<u>108,937</u>
Total governmental activities debt	<u>\$ 24,810,000</u>	<u>\$ 2,165,000</u>

RUSH COUNTY SCHOOLS  
AUDIT RESULTS AND COMMENTS

***INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

We noted the following deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the School Corporation to reduce risks to achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to receipts, disbursements, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to go undetected.
2. Monitoring of Controls: Effective internal control over financial reporting requires the School Board to monitor and assess the quality of the School Corporation's system of internal control. The School Board has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the School Corporation at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the School Corporation has no process to identify or communicate corrective actions to improve controls.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

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)

***CAPITAL PROJECTS FUND USES***

Funds were disbursed from the Capital Projects Fund for items such as uniform service and maintenance supplies.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

RUSH COUNTY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

***BANK ACCOUNT RECONCILIATIONS (Applies to Rushville Elementary School East and Rushville Elementary School West)***

Depository reconciliations of the fund balances to the bank account balances were incorrect.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

***PUBLIC RECORDS RETENTION (Applies to Rushville Elementary School East and Rushville Elementary School West)***

Extra-curricular ledger detail, fund reports, and bank reconcilements for most of 2010-2011 were not presented for audit. The Schools purchased an accounting software application prior to the 2010-2011 school year when the Rushville Elementary School split into two separate elementary schools. No reports were printed for 2010-2011 prior to rolling the system into the new school year. The Treasurers were unable to access any reports from the prior period.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission. . . ."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE RUSH COUNTY SCHOOLS, RUSH COUNTY, INDIANA

Compliance

We have audited the compliance of the Rush County Schools (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2010 and 2011. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2010 and 2011. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2011-2.

Internal Control Over Compliance

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

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

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

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

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

STATE BOARD OF ACCOUNTS

November 23, 2011

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

RUSH COUNTY SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2010 and 2011

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-10	Total Federal Awards Expended 06-30-11
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	6995	\$ 97,936	\$ 106,821
National School Lunch Program	10.555	6995	<u>670,066</u>	<u>662,963</u>
Total for cluster			<u>768,002</u>	<u>769,784</u>
ARRA - Child Nutrition Discretionary Grants Limited Availability, Recovery Act	10.579	10-6995	<u>10,000</u>	-
Total for federal grantor agency			<u>778,002</u>	<u>769,784</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010	10-6995	398,444	-
		11-6695	-	324,758
		09-School Improvement	37,007	-
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	6995	<u>75,379</u>	<u>113,457</u>
Total for cluster			<u>510,830</u>	<u>438,215</u>
Special Education Cluster				
Special Education - Grants to States (IDEA, Part B)	84.027	08-6995	77,228	-
		09-6995	336,090	219,704
		10-6995	-	323,293
ARRA - Special Education - Grants to States (IDEA, Part B), Recovery Act	84.391	33310-071-SN01	432,672	116,448
ARRA - Special Education - Preschool Grants (IDEA Preschool), Recovery Act	84.392	44410-071-SN01	<u>12,596</u>	<u>10,775</u>
Total for cluster			<u>858,586</u>	<u>670,220</u>
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization (SFSF) - Education State Grants, Recovery Act (Education Stabilization Fund)	84.394	6995	<u>1,043,404</u>	-
Total for cluster			<u>1,043,404</u>	-
Safe and Drug-Free Schools and Communities - State Grants	84.186	07-6995	608	-
		08-6995	5,007	-
		09-6995	<u>9,894</u>	-
Total for program			<u>15,509</u>	-
Tech-Prep Education	84.243		<u>10,729</u>	-
State Grants for Innovative Programs	84.298		<u>5,909</u>	-
Education Technology State Grants Cluster				
Education Technology State Grants	84.318	09-6995	<u>70,943</u>	<u>130,719</u>
Improving Teacher Quality State Grants	84.367		<u>128,019</u>	-
Grants for State Assessments and Related Activities	84.369		<u>-</u>	<u>220</u>
Total for federal grantor agency			<u>2,643,929</u>	<u>1,239,374</u>
Total federal awards expended			<u>\$ 3,421,931</u>	<u>\$ 2,009,158</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

RUSH COUNTY SCHOOLS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

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

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

**Note 2. Noncash Assistance**

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2010 and 2011. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2009-2010	2010-2011
National School Lunch Program	10.555	\$ 96,597	\$ 103,360

RUSH COUNTY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I – Summary of Auditor's Results**

Financial Statement:

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

Federal Awards:

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

Identification of Major Programs:

Name of Federal Program or Cluster

Title I, Part A Cluster  
Special Education Cluster  
State Fiscal Stabilization Fund Cluster  
Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? no

**Section II – Financial Statement Findings**

**FINDING 2011-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

We noted several deficiencies in the internal control system of the school corporation related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the school corporation to reduce risks to achievement of financial reporting objectives. The School Corporation has not separated incompatible actives related to receipts, disbursements, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to go undetected.

RUSH COUNTY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2. **Monitoring of Controls:** Effective internal control over financial reporting requires the School Board to monitor and assess the quality of the School Corporation's system of internal control. The School Board has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the School Corporation at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the school corporation has no process to identify or communicate corrective actions to improve controls.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

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)

***Section III – Federal Award Findings and Questioned Costs***

***FINDING 2011-2 - CHILD NUTRITION CLUSTER OVERCLAIMING REIMBURSEMENT***

Federal Agency: U.S. Department of Agriculture  
Federal Program: National School Lunch Program and School Breakfast Program  
CFDA Numbers: 10.555, 10.553  
Pass-Through Entity: Indiana Department of Education

The Indiana Department of Education conducted Coordinated and Program Reviews of the National School Lunch Program on April 18 through 22 and May 24 and 25, 2011.

Findings related to certifying, counting and claiming were as follows:

1. Six applications were approved incorrectly at the three school locations reviewed. All of the applications on file at the selected schools were reviewed to determine whether households provided required information and whether the School Food Authority properly approved applications. School Food Authorities must correctly approve applications.
2. Applications for four students (two families) were not available for review at one of the locations. Therefore, these four students were not eligible for free meals. In order for a student to be claimed for free meals, he/she must have a completed and correctly classified application on file with school personnel. A student may also be claimed for free meals if directly certified.
3. Temporarily approved applications were approved incorrectly for households with zero income or other temporary situations at one of the locations. Applications of households reporting zero income, temporary layoffs, temporary disability, or voluntary work stoppages must first be awarded benefits on a temporary basis and given not greater than 45 days approval. Near the end of this period, the Local Education Agency (LEA) must re-evaluate the

RUSH COUNTY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

household's situation, making contact with the household to determine whether the circumstances have changed. If there is no change, the LEA may either continue eligibility on a temporary basis and re-evaluate the situation at another interval or make the approval valid for the duration of the current school year which would allow for carry-over of that status into the next school year. If the household's situation has changed, school officials must request the household file a new application or have the household update the information on the existing application and initial the changes. The LEA must implement the new status within three operating days.

4. For the month of review at one of the locations, the lunch counts submitted online for reimbursement were reported as if the eligible free and reduced students ate all 15 operating days. However, the lunch count sheets (documented at the point of service) do not have each of these students as eating all 15 operating days. The meal counts taken at the point of service are considered the most valid documents for reporting meal counts.
5. The claim review process (edit check) was not performed in all schools reviewed. Regulations require that internal controls exist by reviewing claims prior to the submission of the month's Claim for Reimbursement (CND-1). 7CFR Part 210.8(a)(2) states: ". . . each school food authority shall review the lunch count data for each school under its jurisdiction to ensure the accuracy for the monthly Claim for Reimbursement." The regulation also requires that School Food Authorities maintain on file each month's claim and all data used in the claims review process.

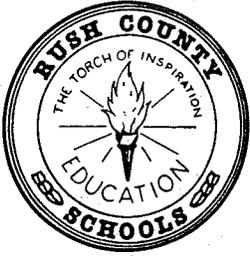
Federal and State compliance requirements include the following requirements regarding certification, counting and claiming. 7CFR 210.18(g)(l) states in part:

". . . all free, reduced-price, and paid lunches claimed for reimbursement are served only to children eligible for free, reduced price, and paid lunches, respectively; and are counted, recorded, consolidated and reported through a system which consistently yields correct claims."

7CFR 210.18(g)(C)(2) states in part: "Each type of food service line provides accurate point of service lunch counts, by type, and those lunch counts are correctly counted and recorded. . . ."

Regulations require that internal controls exist by reviewing claims prior to the submission of the month's Claim. 7CFR Part 210.8(a)(2) states in part: ". . . each school food authority shall review the lunch count data for each school under its jurisdiction to ensure accuracy for the monthly Claim for Reimbursement."

We recommended proper internal controls be maintained over the certification, counting and claiming process to ensure the accuracy of the data.



# RUSH COUNTY SCHOOLS

Dr. John E. Williams, Superintendent

## RUSH COUNTY SCHOOLS SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

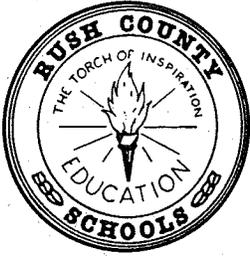
### Finding No.2009-1

Fiscal Year	2009
Auditee Contact Person	Dr. John E Williams
Title of Contact Person	Superintendent
Phone Number	765-932-4186

### Status of Finding

Rush County Schools' personnel reviewed and re-evaluated the timing of cash requests for Title I funds as these requests relate to spending patterns. The Title I program is now on a reimbursement basis.

Dr. John E. Williams  
Superintendent  
Rush County Schools  
November 1, 2011



# RUSH COUNTY SCHOOLS

Dr. John E. Williams, Superintendent

November 23, 2011

State Board of Accounts  
Exit Conference  
School Corporation's Official Response  
Audit Period July 1, 2009 – June 30, 2011

The corporation would like to respond to the items sited during the exit conference on November 16, 2011.

**Findings 2010-1, Internal Controls Over Financial Transactions and Reporting**

We will review our procedures for internal control and attempt to implement, at least on a sample basis, steps to provide segregation of duties of the receipting, disbursing recording and accounting for the financial activities. Being a small school corporation, management has determined that the cost associated with employing additional staff necessary to properly segregate the duties would outweigh the benefits of additional internal control. We acknowledge and assume the risk inherent with the current design of the business office operations.

**Finding 2011-2, Child Nutrition Cluster Over Claiming Reimbursement**

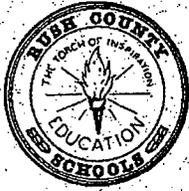
All corrective actions were outlined in our letter dated August 19, 2011 to the School and Community Nutrition office (see attachment). The corrective actions were all reviewed and accepted by the National School Lunch Program coordinator, Marcia Yurczyk on September 19, 2011. The approved compliance letter is also attached.

We would like to thank the field examiner for the professional manner in which the audit was conducted.

Sincerely,

Dr. John E. Williams  
Superintendent

Sharon Holloway  
Corporation Treasurer



# RUSH COUNTY SCHOOLS

Dr. John E. Williams, Superintendent

Dept. of Education

AUG 23 2011

SCN

August 19, 2011

Marcia Yurczyk  
Monitoring Coordinator  
School and Community Nutrition  
151 West Ohio St  
Indianapolis, IN 46204

Dear Mrs. Yurczyk:

Information received from your office on July 25, 2011 has been reviewed with appropriate personnel. Based upon the information received and a review of operating procedures the following corrective action plans have been developed:

**Performance Standard Number One:**

**Findings:** *One application was approved incorrectly.*

**Corrective Action:** A process has been put in place where by all application undergo a two level review process. The first level will be the school secretary while the second and final review is conducted by the school principal.

Prior to implementing the application review process, both the secretary and principal will read all updated materials on approval requirements supplied by the School and Community Nutrition Department with respect to Free and Reduced Applications. A document specifying they have done so will be sent to the Superintendent.

**Findings:** *Application of four students were not available for review at Mays Elementary*

**Corrective Action:** A two level process of reviewing all applications has been put in place. The secretary first will review all applications as well as direct certification in consultation with the cafeteria manager. Following this the principal will review all applications and direct certification first alone and then with the secretary.

This will also be accomplished after reviewing all materials forwarded concerning Free and Reduced application from the School and Community Nutrition Department.

**Findings:** *Temporarily approved applications were approved incorrectly for households with zero income or other temporary situations at Mays Elementary.*

**Corrective Action:** The Principal and Secretary will review all pertinent data supplied by the Department of School and Community Nutrition with respect to approval of temporary applications. A system has been put in place to review these applications at least 7 school days prior to the end of the 45 day time period. These timelines are placed on the secretaries and principals' electronic calendars which have automatic reminders on them.

**Finding:** For the month of review at St. Mary's the lunch counts submitted online for reimbursement are reported as eligible free and reduced students at all 15 operating days. However, the lunch count sheets do not have each of these students as eating all 15 operating days.

**Corrective Action:** Prior to submission of information the Cafeteria Manager and the building principals will review and verify all point of service figures. Each document will be signed by both indicating that each has validated the figures.

#### PERFORMANCE STANDARDS TWO

Please explain how menus have been revised to include all of the required meal components.

**Corrective Action:** All requirements to meet Federal guidelines are followed at the preparation site. Prior to shipping of food to St. Mary's, all food necessary to comply with requirements will be checked twice for compliance and inclusion in shipping.

#### Program Findings

**Findings:** The Claim review process (edit check) was not performed in all school reviewed.

**Corrective Action:** The Claim review process will be implemented.

**Findings:** Standardized recipes are not being used in all schools.

**Corrective Action:** Standardized recipes will be used in all schools. Cafeteria managers were in-serviced by an individual from the Office of School and Community Nutrition on this matter in early August of this year.

**Findings:** Verify that vendor statements and/or Child Nutrition labels for pre-portioned items on menu will be reviewed prior to serving.

**Correction Action:** All Cafeteria managers were in-serviced on menu selection and pre-portioned items. These will be reviewed by the manager and the cooks.

**Findings:** On the day of the CRE review the SFA did not have a school safety program established.

**Corrective Action:**

During the first Semester the following will take place:

First the School and Community Nutrition Office (SCNO) will be contacted for in-put, guidance and documentation samples.

Second – Cafeteria managers and Principals will review documentation supplied by the SCNO.

Third – based upon SCNO information and well as individual manager's research a school safety program plan will be developed

Fourth – Building Administrators will review plan.

Fifth – Superintendent will review plan during Second Semester and the plan will be implemented.

**Findings:** The SFA was unable to show documentation that on-line civil rights training had been completed.

**Corrective Action:** Two individuals will be identified to take the on-line training. These individuals will then train others within the corporation. This will be completed by October 1.

**Findings:** At the reviewed schools, the short version non-discrimination statement is not printed on menus.

**Corrective action:** Superintendent will send a written document to principals and cafeteria managers that all printed menus will have the short version non-discrimination statement printed on them beginning with the September menus.

**MAYS ELEMENTARY**

**Finding:** *One application was approved incorrectly at Mays Elementary.*

**Corrective Action:** Applications will be reviewed by the school principal to assure students are qualified correctly. The school secretary will also review the applications for accuracy. The application error was corrected the day it was brought to the principal's attention, April 2011.

**Finding:** *Applications for four students were not available for review at Mays Elementary.*

**Corrective Action:** We were not aware that free and reduce lunch status is not cleared in our student management system on an annual basis. Each quarter the applications for students on Free/Reduced lunch will be verified with the list generated by Harmony. The two families in question were contacted in April 2011 and they turned in an application for the remainder of the 2010-2011 school year.

The applications for 2011-2012 school year have been verified by the principal with the data listed in the student management system. The school secretary will also review the applications and verify the information listed in the student management system.

**Finding:** *Temporarily approved applications were approved incorrectly for households with zero income.*

**Corrective Action:** The principal will follow up on all temporary applications within 45 days of the filing date. The principal will have the family file a new application if income levels have changed.

**Finding:** *Insufficient ground beef was used on April 18, 2011. This resulted in students not receiving the appropriate amount of meat/meat alternate.*

**Corrective Action:** The cafeteria manager will cross check all recipes with recipes and conversions through the IDOE School Nutrition website.

**Finding:** *Breakfast served in April 2011 was missing some food components.*

**Corrective Action:** The cafeteria manager will cross check breakfast requirements located on the IDOE School Nutrition website.

**Finding:** *During breakfast on April 21, 2011, it was noted that several students were claimed for a complete breakfast that were served only milk or juice.*

**Corrective Action:** It was reviewed with cafeteria staff and all certified staff members that any student going to breakfast must purchase a breakfast. Students will no longer be allowed to get only milk or juice at breakfast.

**ST MARY'S**

**Findings:** *The vended food from the high school is not transported in appropriate containers for transporting and holding food and temperature are not taken once the food arrives at St. Mary's.*

**Corrective Action:** Appropriate containers for transporting food will be obtained and put into use.

August 22, 2011

**Rushville Consolidated High School**

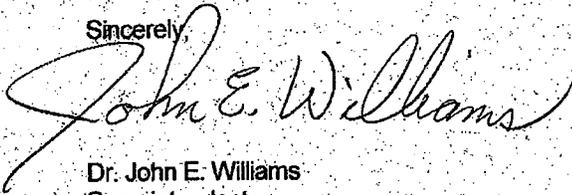
**Findings:** The ala cart items were not appropriately priced.

**Corrective Action:** The following pricing has been put into effect:

1. The price of a deli sandwich is increased from \$1.75 to \$1.85.
2. The cold cups (cold well) price is increased from .60 to .65
3. The main dish price is increased from \$1.75 to \$1.85
4. With the increases listed above for the deli items combined and milk still at .50 will make the meal \$2.35. If students choose the main dish (pizza) and milk that will make it \$2.35 so they may consider the whole meal for the \$2.25.

Should you have any questions or comments please advise. Our goal is to be in compliance in all areas

Sincerely,



Dr. John E. Williams  
Superintendent

PC: Principals  
Cafeteria Managers



Indiana Department of Education  
SUPPORTING STUDENT SUCCESS

Center for School & Student Academic Support  
Office of School and Community Nutrition

July 21, 2011

70-6995

Dr. John E. Williams, Superintendent  
Rush County Schools  
330 West 8th Street  
Rushville, IN 46173

Dear Dr. Williams:

The Coordinated and Program Reviews of the National School Lunch Program were conducted on April 18-22 and May 24-25, 2011 by Claudia Garner, School Nutrition Specialist, of our staff. The reviews took place at Mays Elementary, St. Mary's, and Rushville Consolidate High Schools. As a result of the reviews, further action is required in order to verify that your program remains in compliance with USDA regulations.

Please send to our office by **August 22, 2011** a detailed description of the corrective action taken in response to the findings noted below. In the event that your correspondence is not received by the above date, all program funds will be withheld in accordance with 7CFR 210.18. If you are unable to provide this office with a complete corrective action plan by the established date, you have the option of requesting an extension. This request must be in writing and must specify a date by which you can provide your response. Once the corrective action plan has been submitted and found to be acceptable, a final letter will be sent detailing the fiscal action, if any. It should also be noted that a National School Lunch and School Breakfast training is scheduled for your food service staff on August 2, 2011.

The Coordinated Review was based on two basic performance standards. Your School Food Authority (SFA) was found in violation of the performance standard number one as listed below. Since your School Food Authority (SFA) exceeded the threshold (or acceptable level) for performance standard number two listed below, your SFA might receive a follow-up review. We encourage you to go over these findings with your staff to ensure the areas of concern are fully corrected.

**Performance Standard Number One-Certification/Counting/Claiming-Part 210.18(b)(1)** states, "all free, reduced-price, and paid lunches claimed for reimbursement are served only to children eligible for free, reduced-price, and paid lunches, respectively; and counted, recorded, consolidated and reported through a system which consistently yields correct claims."

Finding: One application was approved incorrectly at Mays Elementary. Five applications were approved incorrectly at Rushville Consolidated High School. All of the applications on file at the selected schools were reviewed to determine whether households provided required information and whether the School Food Authority (SFA) properly approved applications. The names of students on the applications with errors were left with school personnel at Mays Elementary and Rushville Consolidated High Schools.

Requirement: School Food Authorities must correctly approve applications.

Corrective Action: Please describe your system for ensuring that applications are correctly approved. Provide the date that the eligibility status for each student was corrected in the point of service system.

Finding: Applications for four students (two families) were not available for review at Mays Elementary. Therefore, these four students were not eligible for free meals.

Requirement: In order for a student to be claimed for free meals, he/she must have a completed and correctly classified application on file with school personnel. A student may also be claimed for free meals if directly certified.

Corrective Action: Please explain the new procedure used to ensure all students are correctly claimed for free meals.

Finding: Temporarily approved applications were approved incorrectly for households with zero income or other temporary situations at Mays Elementary.

Requirement: Applications of households reporting zero income, temporary layoffs, temporary disability, or voluntary work stoppages must first be awarded benefits on a temporary basis and given not greater than 45 days approval. Near the end of this period, the LEA (Local Education Agency) must re-evaluate the household's situation, making contact with the household to determine whether the circumstances have changed. If there is no change, the LEA may either continue eligibility on a temporary basis and re-evaluate the situation at another interval or make the approval valid for the duration of the current school year which would allow for carry-over of that status into the next school year. If the household's situation has changed, school officials must request the household file a new application or have the household update the information on the existing application and initial the changes. The LEA must implement the new status within three operating days.

Corrective Action: Please explain how you will apply this policy to your free/reduced approval process.

Finding: For the month of review at St. Mary's, the lunch counts submitted online for reimbursement are reported as if the eligible free and reduced students ate all 15 operating days. However, the lunch count sheets (documented at the point of service) do not have each of these students as eating all 15 operating days.

Requirement: The meal counts taken at the point of service are considered the most valid documents for reporting meal counts.

Corrective Action: Please explain how point of service counts (either through lunch count sheets or computer programs) will be used to submit accurate numbers for reimbursement.

**Performance Standard Number Two**-Part 210.18(b)(2)(ii) states, "Lunches claimed for reimbursement within the School Food Authority contain food items/components as required by program regulations."

Finding: Some lunches during the reviewed month at St. Mary's were missing food components.

<u>DATE</u>	<u>MISSING FOOD COMPONENT(S)</u>
02/09/11	Second Fruit or Vegetable
02/23/11	Second Fruit or Vegetable

Requirement: Menus must be planned to ensure that all required items would be offered.

Corrective Action: Please explain how menus have been revised to include all of the required meal components.

### **Corporation**

Verification:

7CFR Part 245.6(a) requires that School Food Authorities select and verify a sample of the approved free and reduced-price applications on file as of October 1 of each school year. This procedure was completed by using the random method in the Rush County Schools for the 2010/2011 school year.

The verification summary report on file stated that 553 applications were on file as of October 1. Seventeen applications were chosen for verification and resulted in no

changes. Any changes made in regard to eligibility status of households receiving free and reduced-price benefits in the National School Lunch Program were done in accordance with 7CFR Part 245.6(a) and are considered acceptable by the Indiana Department of Education School Nutrition Programs. Based on the method and sample size selected, your verification efforts were complete and additional sampling is not necessary.

### **Programs Findings**

**Finding:** The claim review process (edit check) was not performed in all schools reviewed.

**Requirement:** Regulations require that internal controls exist by reviewing claims prior to the submission of the month's Claim for Reimbursement (CND-1). 7CFR Part 210.8(a)(2) states, "...each School Food Authority shall review the lunch count data for each school under its jurisdiction to ensure the accuracy for the monthly Claim for Reimbursement." The regulation also requires that School Food Authorities maintain on file each month's claim and all data used in the claims review process.

**Corrective Action:** Please ensure the claim review process (edit check) will be conducted prior to submission of the Claim for Reimbursement.

**Finding:** Standardized recipes are not being used in all schools.

**Requirement:** Standardized recipes provide consistently high quality food items, yield the same quantity of product each time, and produce the same size and number of portions each time.

**Corrective Action:** Please include copies of standardized recipes that may be used in the future.

**Finding:** Vendor statements or Child Nutrition (CN) labels were on file for all pre-portioned food items but are not reviewed prior to serving. Therefore, some days insufficient amounts were served to meet the meal pattern requirements at all reviewed schools.

**Requirement:** Pre-portioned food items that are purchased and served for contribution to the National School Lunch meal pattern requirements must be validated by a statement from the vendor, identifying the specific contribution per serving. For example, a breaded fish or pork tenderloin product must be at least 2 ounces of cooked meat without the breading when no other meat/meat alternate is served. Eligibility for reimbursement means that all components and at least the minimum requirement amounts are served to students. School Food Authorities must verify the products they are serving meet the minimum program requirements. In order to meet the meal

pattern requirements, the vendor statements or Child Nutrition (CN) labels must be reviewed.

Corrective Action: Verify that vendor statements and/or Child Nutrition (CN) labels for all pre-portioned items on menus will be reviewed prior to serving.

Finding: Production records for breakfast and lunch were not maintained in all preparation kitchens.

Requirement: School Food Authorities must maintain production records of food items that are prepared and served to meet meal component requirements as required in 7CFR Part 210.10(b). It is the school's responsibility to ensure that at least the minimum quantities have been planned and served to each child.

Corrective Action: A sample form was left with the appropriate food service personnel as a basis for beginning production records. Please provide a completed example of the production record that will be used.

Finding: On the day of the CRE review the SFA did not have a school food safety program established.

Discussion: The Reauthorization Act requires that, during the preparation and service meals, the SFA comply with a HACCP system established by the Secretary of Agriculture. The law requires compliance with this requirement by July 1, 2008. If additional assistance is needed, contact the Indiana Department of Education or visit the Division of School and Community Nutrition Programs' website: [www.doe.in.gov/food](http://www.doe.in.gov/food)

Corrective Action: As part of your corrective action, describe the step-by-step procedure your school will use to develop a school food safety program and provide a timeline for program implementation.

Finding: The SFA was unable to show documentation that on-line Civil Rights Training has been completed.

Requirement: The Civil Rights Training for Child Nutrition Program sponsors is to be completed on-line by one staff member. The person who completes the on-line training should use the information from the module to train other personnel. This may be done by logging on to our office website ([www.doe.in.gov/food](http://www.doe.in.gov/food)) and clicking on Civil Rights Requirements. Training must be completed and documented on an annual basis.

Corrective Action: As part of your corrective action, submit a copy of the on-line quiz results for the person responsible for conducting Civil Rights in-service training for your staff, as well as staff training dates, agenda, signed attendance sheets and the name of the presenter.

Finding: At the reviewed schools, the short version non-discrimination statement is not printed on the menus.

Requirement: Any distributed documents for the National School Lunch and Breakfast Program that is one page or less (front and back-sided is considered one page) and is too small to include the full non-discrimination statement may use the following abbreviated statement:

“The USDA and the State of Indiana are equal opportunity providers and employers.”

Corrective Action: Please explain the procedures in place to ensure the non-discrimination statement is printed on all Child Nutrition documents made available to the public such as monthly menus.

### **Mays Elementary**

Finding: On April 18, 2011, a lunch service review was conducted. Due to the food service staff not using a standardized recipe, an insufficient amount of ground beef was used to prepare the Hamburger Hash for 180 students plus the adults. Therefore, all students did not receive the appropriate amount of meat/meat alternate.

Requirement: All menus must be planned to meet the meal pattern requirement. By using standardized recipes (previously mentioned), schools have evidence that their menu items meet the required amounts of meat/meat alternate, vegetable/fruit, and/or bread components.

Corrective Action: Please include copies of standardized recipes that may be used in the future.

Finding: Some breakfasts during the review month at Mays Elementary were missing food components. The consultant reviewed meals to ensure that all required items were offered on the day of the review. Additionally, menus for the review month were also reviewed to ensure that all required items were offered during the month of review.

<u>DATE</u>	<u>MISSING FOOD COMPONENT(S)</u>
02/16/11	Bread/Bread Alternate or Meat/Meat Alternate
02/21/11	Bread/Bread Alternate or Meat/Meat Alternate
02/28/11	Bread/Bread Alternate or Meat/Meat Alternate

Requirement: Menus must be planned so all required items are offered.

Corrective Action: Please explain how menus have been revised to include all the required breakfast components.

**Finding:** During the breakfast service observed on April 21, 201, it was noted several students were claimed for a complete breakfast that were served only milk and juice.

**Requirement:** The required food components for breakfast as stated in 7CFR Part 220.8 is ½ pint serving of fluid milk, ½ cup serving of fruit and/or vegetable or full strength fruit or vegetable juice, and two servings from one of the following components or one serving from each: (a) bread/bread alternate, (b) meat/meat alternate.

**Corrective Action:** Explain how only creditable breakfasts served will be claimed for reimbursement.

### **St. Mary's**

**Finding:** The vended food from the high school is not transported in appropriate containers for transporting and holding food, and temperatures are not taken once the food arrives at St. Mary's.

**Requirement:** Temperature logs must be taken and maintained for all food. Please check with your local county health department on the proper procedure required when transporting food. Following their procedures will help ensure that foods are served at the proper temperatures.

**Corrective Action:** As part of your corrective action, please describe the new procedure used to transport food.

**Finding:** USDA Non-discrimination poster was not displayed.

**Requirement:** The sponsor is required to display in a prominent location the nondiscrimination poster developed by the USDA.

**Corrective Action:** Poster was copied and posted during visit. No further corrective action needed.

### **Rushville Consolidated High**

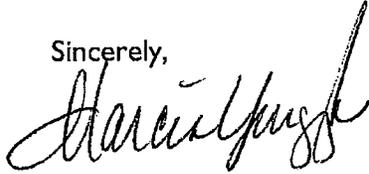
**Finding:** The a la carte food items are not appropriately priced.

**Requirement:** The a la carte food items must be priced so that an a la carte meal costs more than a comparable reimbursable meal.

**Corrective Action:** In your corrective action plan, include a price list of the appropriate a la carte food items.

Thank you for your time and cooperation during the review. Should you have any questions or need assistance, please contact Claudia Garner at (800) 537-1142 or directly at (317) 771-9194.

Sincerely,

A handwritten signature in cursive script, appearing to read "Marcia Yurczyk".

Marcia Yurczyk, Monitoring Coordinator  
School and Community Nutrition

MKY/cag



Indiana Department of Education  
SUPPORTING STUDENT SUCCESS

Center for School & Student Academic Support  
Office of School and Community Nutrition

September 19, 2011

70-6995

Dr. John E. Williams, Superintendent  
Rush County Schools  
330 West 8<sup>th</sup> Street  
Rushville, IN 46173

Dear Dr. Williams:

All corrective actions outlined in your letters received August 24, 2011 and September 1, 2011 are acceptable and should resolve the findings noted during the review of the National School Lunch Program. As a result, the State Agency considers this review closed. Since the resulting violations fell within the State Agency's guidelines for granting a waiver for amounts under six hundred dollars, no fiscal sanctions will be made.

However, due to program inconsistencies when notifying parents/guardians of the change in free and reduced status of students, your corporation will be eligible for a follow-up review. This review will be conducted with Mays Elementary and Rushville High School.

Your school nutrition program has a major influence on children and their need for a healthy diet. We encourage you to continue your commitment of providing children with good nutrition.

Thank you for your time and cooperation. Should you have any questions or need assistance, please contact please contact Claudia Garner at (800) 537-1142 or directly at (317) 771-9194.

Sincerely,

Marcia Yurczyk, Monitoring Coordinator  
Child Nutrition Programs

MKY/cag

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317-232-0850 or 800-537-1142  
151 West Ohio Street, Indianapolis 46204 • [www.doe.in.gov/food](http://www.doe.in.gov/food)

RUSH COUNTY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on November 23, 2011, with Dr. John E. Williams, Superintendent of Schools; John D. Wilson, School Board member; and Sharon Holloway, Treasurer.