

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

PIKE COUNTY SCHOOL CORPORATION
PIKE COUNTY, INDIANA

July 1, 2009 to June 30, 2011



FILED

03/14/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Krista J. Halbrader	07-01-09 to 06-30-12
Superintendent of Schools	D. John Thomas Joan Keller (Interim) Paul E. Roads	07-01-09 to 09-29-11 09-30-11 to 01-02-12 01-03-12 to 06-30-12
President of the School Board	Ryan Edrington Chris Satterfield	07-01-09 to 06-30-10 07-01-10 to 06-30-12



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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 PIKE COUNTY SCHOOL CORPORATION, PIKE COUNTY, INDIANA

We have audited the accompanying financial statement of the Pike County School Corporation (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 opinions.

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 February 8, 2012, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

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

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

STATE BOARD OF ACCOUNTS

February 8, 2012



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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 PIKE COUNTY SCHOOL CORPORATION, PIKE COUNTY, INDIANA

We have audited the financial statement of the Pike County School Corporation (School Corporation), for the years ended June 30, 2010 and 2011, and have issued our report thereon dated February 8, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions 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 a deficiency in internal control over financial reporting that we consider to be material weakness.

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 deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1 to be a material weakness.

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, 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

February 8, 2012

FINANCIAL STATEMENT

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

PIKE COUNTY SCHOOL CORPORATION
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	\$ 2,781,184	\$ 12,115,921	\$ 12,493,460	\$ (87,855)	\$ 2,315,790	\$ 12,083,222	\$ 12,900,702	\$ (53,782)	\$ 1,444,528
Debt Service	48,759	2,224,942	1,474,594	(28,022)	771,085	1,605,588	1,382,351	(5,271)	989,051
Retirement/Severance Bond Debt Service	(146,503)	967,572	576,396	1,281	245,954	646,520	581,521	(2,369)	308,584
Capital Projects	(524,300)	2,919,974	1,960,148	74,933	510,459	2,242,317	1,459,407	(697,706)	595,663
School Transportation	(815,953)	3,608,506	1,767,594	(632,504)	392,455	2,488,903	1,601,084	(651,186)	629,088
School Bus Replacement	(58,498)	757,993	519,210	5,000	185,285	222,594	92,783	(232,838)	82,258
Special Education Preschool	(35,380)	77,000	38,499	(3,121)	-	-	-	-	-
Rainy Day	1,086,985	-	1,711,985	625,000	-	-	1,590,000	1,590,000	-
Retirement/Severance Bond	676	-	-	(676)	-	-	-	-	-
Construction - PE/OE	176,016	-	-	-	176,016	-	-	-	176,016
Construction - PCMS	422,695	-	-	-	422,695	-	-	-	422,695
Voc Building #2	-	-	99,981	122,173	22,192	-	2,497	2,854	22,549
School Lunch	216,836	964,810	937,434	14,551	258,763	914,955	892,015	-	281,703
Textbook Rental	224,762	160,248	209,592	28,022	203,440	246,483	89,222	-	360,701
Child Care Program	2,108	41,383	27,456	-	16,035	43,480	43,265	-	16,250
Educational License Plates	-	207	-	2,306	2,513	431	2,550	-	394
Alternative Education 09/10	2,550	12,516	-	(2,550)	12,516	-	12,186	-	330
Alternative Education 10/11	-	-	-	-	-	8,735	1,551	-	7,184
SAFE School Haven	-	-	2,323	2,550	227	-	227	-	-
Early Intervention Grant	9,467	15	6,814	-	2,668	-	2,668	-	-
Instruction Support	3,412	-	-	(3,412)	-	-	-	-	-
SINE Model School/ 9th Academy	-	-	1,260	3,412	2,152	-	970	-	1,182
Machine Trades SINE 2011	-	-	-	-	-	920	931	-	(11)
Adult and Continuing Education	5,878	-	5,878	-	-	-	-	-	-
Safe Haven 08/09	(125)	-	-	125	-	-	-	-	-
Community Donation	3,903	14,670	14,049	-	4,524	1,775	6,337	-	(38)
Support for Parent Ed Night	-	-	-	-	-	601	383	-	218
Learning Through Literature	-	-	-	-	-	600	378	-	222
OES Smart Boards	-	-	-	-	-	2,400	2,400	-	-
Community Donation - McDonalds	-	-	-	-	-	320	221	-	99
Drug Demand Reduction	-	-	-	-	-	5,500	-	-	5,500
Literacy Learning Program WES	-	-	-	-	-	1,550	190	-	1,360
Kindergarten Literacy OES	-	-	-	-	-	1,500	66	-	1,434
Adult GED	6,728	5,755	6,506	-	5,977	10,215	8,470	-	7,722
Super Study Grant WES	(1,313)	2,925	1,612	-	-	-	-	-	-
Super Study WES 2010	-	-	-	-	-	1,053	1,086	-	(33)
Winslow Super Study 2011	-	-	-	-	-	919	3,543	-	(2,624)
WES Summer Reading Program	-	-	-	-	-	-	75	-	(75)
Senior Donation	21	-	21	-	-	-	-	-	-
Sine, Gateway to Technology	68	-	-	-	68	-	68	-	-

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

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

	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
Gateway SME	-	2,000	620	-	1,380	-	1,273	-	107
High Ability 08/09	4,737	-	5,724	987	-	-	-	-	-
High Ability 09/10	-	33,924	28,721	-	5,203	-	5,203	-	-
Early Childhood Intervention (First Steps)	-	-	-	-	-	33,414	29,123	-	4,291
Non-English Speaking Programs P.L. 273-1999 2010	886	-	-	-	886	-	-	-	886
Non-English Speaking Programs P.L. 273-1999 2011	-	-	-	-	-	1,272	-	-	1,272
School Technology	13,191	-	13,191	-	-	4,933	4,808	-	125
Access Indiana	2,500	-	1,915	-	585	-	585	-	-
BioMedical Grant	(4,896)	14,387	10,391	-	(900)	1,065	116	-	49
Afternoon Rock Program	4,060	-	2,021	-	2,039	-	1,920	-	119
SINE/4Block/ Renaissance	324	-	-	-	324	-	-	-	324
Excess PTRC Distributions	-	-	-	-	-	27,194	-	737	27,931
Title I	34,267	-	-	(34,267)	-	-	-	-	-
Title I, 08/09	-	34,996	53,641	-	18,645	-	-	-	-
Title I, 09/10	-	287,738	244,568	15,595	58,765	28,801	55,578	(31,988)	-
Title I, 10/11	-	-	-	-	-	208,796	216,530	31,988	24,254
P.L. Innovative Education Program Strategies Title V (Part A)	3,214	1,254	4,468	-	-	-	-	-	-
(IDEA, Part B) LEA Capacity Building (Sliver) Grants	-	-	-	-	-	486,404	486,404	-	-
Federal Assistance Educational Preschool Handicapped	-	-	-	-	-	33,635	90,602	56,967	-
Drug Free Schools 07/08	3,159	-	3,159	-	-	-	-	-	-
Drug Free Schools 08/09	2,679	-	1,061	608	2,226	-	2,226	-	-
Drug Free Schools 09/10	-	7,494	3,386	(608)	3,500	-	530	-	2,970
Vocational and Technical Board Grants	-	-	-	-	-	9,776	9,711	-	65
Other Federal Programs	26,882	-	874	-	26,008	-	8,588	-	17,420
Improving Teaching Quality, No Child Left, Title II, Part A 09/11	27,734	140,238	-	(98,506)	69,466	34,735	54,710	-	49,491
Improving Teaching Quality, No Child Left, Title II, Part A 07/09	-	-	32,103	32,103	-	-	-	-	-
Improving Teaching Quality, No Child Left, Title II, Part A 08/10	-	35,385	66,170	66,403	35,618	-	32,433	(3,185)	-
ITQ, Enhanced Education Through Technology, Title II, Part D	3,772	-	-	(3,772)	-	-	-	-	-
ITQ, Enhanced Education Through Technology, Title II, Part D, 08/10	-	26,381	19,906	3,772	10,247	-	8,880	(1,367)	-
Fiscal Stabilization - Education	-	399,152	399,152	-	-	-	-	-	-
Title I - Grants to LEAs	-	68,941	61,702	-	7,239	64,306	70,329	-	1,216
Education Technology	-	36,343	-	-	36,343	31,486	49,658	-	18,171
Education Jobs	-	-	-	-	-	384,854	384,854	-	-
Petty Cash	40	-	-	-	40	-	-	-	40
Totals	\$ 3,532,525	\$ 24,962,670	\$ 22,807,585	\$ 122,173	\$ 5,809,783	\$ 21,881,252	\$ 22,193,208	\$ 2,854	\$ 5,500,681

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

PIKE COUNTY SCHOOL CORPORATION
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.

PIKE COUNTY SCHOOL CORPORATION
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 statements. 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:

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

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

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

PIKE COUNTY SCHOOL CORPORATION
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.

PIKE COUNTY SCHOOL CORPORATION
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 Plan

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.

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

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

PIKE COUNTY SCHOOL CORPORATION
 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	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Special Education Preschool	Rainy Day	Retirement/ Severance Bond	Construction - PE/OE
Cash and investments - beginning	\$ 2,781,184	\$ 48,759	\$ (146,503)	\$ (524,300)	\$ (815,953)	\$ (58,498)	\$ (35,380)	\$ 1,086,985	\$ 676	\$ 176,016
Receipts:										
Local sources	190,095	2,224,942	967,572	2,891,352	3,606,447	757,993	-	-	-	-
State sources	11,876,778	-	-	-	-	-	77,000	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other	49,048	-	-	28,622	2,059	-	-	-	-	-
Total receipts	12,115,921	2,224,942	967,572	2,919,974	3,608,506	757,993	77,000	-	-	-
Disbursements:										
Current:										
Instruction	9,247,548	-	-	10,000	-	-	-	-	-	-
Support services	2,705,167	-	-	1,091,707	1,767,594	519,210	-	1,708,545	-	-
Noninstructional services	200,406	-	-	-	-	-	-	3,440	-	-
Facilities acquisition and construction	-	-	-	858,441	-	-	-	-	-	-
Debt services	-	1,474,594	576,396	-	-	-	-	-	-	-
Nonprogrammed charges	340,339	-	-	-	-	-	38,499	-	-	-
Total disbursements	12,493,460	1,474,594	576,396	1,960,148	1,767,594	519,210	38,499	1,711,985	-	-
Excess (deficiency) of receipts over disbursements	(377,539)	750,348	391,176	959,826	1,840,912	238,783	38,501	(1,711,985)	-	-
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
Transfers in	3,148	-	1,281	149,866	-	5,000	-	630,000	605	-
Transfers out	(91,003)	(28,022)	-	(74,933)	(632,504)	-	(3,121)	(5,000)	(1,281)	-
Total other financing sources (uses)	(87,855)	(28,022)	1,281	74,933	(632,504)	5,000	(3,121)	625,000	(676)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(465,394)	722,326	392,457	1,034,759	1,208,408	243,783	35,380	(1,086,985)	(676)	-
Cash and investments - ending	\$ 2,315,790	\$ 771,085	\$ 245,954	\$ 510,459	\$ 392,455	\$ 185,285	\$ -	\$ -	\$ -	\$ 176,016

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

	Construction - PCMS	Voc Building #2	School Lunch	Textbook Rental	Child Care Program	Educational License Plates	Alternative Education 09/10	SAFE School Haven	Early Intervention Grant
Cash and investments - beginning	\$ 422,695	\$ -	\$ 216,836	\$ 224,762	\$ 2,108	\$ -	\$ 2,550	\$ -	\$ 9,467
Receipts:									
Local sources	-	-	557,505	160,248	27,888	-	-	-	-
State sources	-	-	8,304	-	-	207	12,516	-	15
Federal sources	-	-	395,222	-	-	-	-	-	-
Other	-	-	3,779	-	13,495	-	-	-	-
Total receipts	-	-	964,810	160,248	41,383	207	12,516	-	15
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	2,323	6,814
Support services	-	-	52	209,592	-	-	-	-	-
Noninstructional services	-	-	892,600	-	27,456	-	-	-	-
Facilities acquisition and construction	-	99,981	44,782	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	99,981	937,434	209,592	27,456	-	-	2,323	6,814
Excess (deficiency) of receipts over disbursements	-	(99,981)	27,376	(49,344)	13,927	207	12,516	(2,323)	(6,799)
Other financing sources (uses):									
Proceeds of long-term debt	-	122,173	-	-	-	-	-	-	-
Transfers in	-	149,866	14,551	28,022	-	2,306	-	2,550	-
Transfers out	-	(149,866)	-	-	-	-	(2,550)	-	-
Total other financing sources (uses)	-	122,173	14,551	28,022	-	2,306	(2,550)	2,550	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	22,192	41,927	(21,322)	13,927	2,513	9,966	227	(6,799)
Cash and investments - ending	\$ 422,695	\$ 22,192	\$ 258,763	\$ 203,440	\$ 16,035	\$ 2,513	\$ 12,516	\$ 227	\$ 2,668

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

	Instruction Support	SINE Model School/ 9th Academy	Adult and Continuing Education	Safe Haven 08/09	Community Donation	Adult GED	Super Study Grant WES	Senior Donation	Sine, Gateway to Technology
Cash and investments - beginning	\$ 3,412	\$ -	\$ 5,878	\$ (125)	\$ 3,903	\$ 6,728	\$ (1,313)	\$ 21	\$ 68
Receipts:									
Local sources	-	-	-	-	14,670	-	-	-	-
State sources	-	-	-	-	-	-	2,925	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	5,755	-	-	-
Total receipts	-	-	-	-	14,670	5,755	2,925	-	-
Disbursements:									
Current:									
Instruction	-	-	100	-	14,049	6,506	1,612	-	-
Support services	-	1,260	5,778	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	21	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	1,260	5,878	-	14,049	6,506	1,612	21	-
Excess (deficiency) of receipts over disbursements	-	(1,260)	(5,878)	-	621	(751)	1,313	(21)	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Transfers in	-	3,412	-	125	-	-	-	-	-
Transfers out	(3,412)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(3,412)	3,412	-	125	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,412)	2,152	(5,878)	125	621	(751)	1,313	(21)	-
Cash and investments - ending	\$ -	\$ 2,152	\$ -	\$ -	\$ 4,524	\$ 5,977	\$ -	\$ -	\$ 68

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

	Gateway SME	High Ability 08/09	High Ability 09/10	Non-English Speaking Programs P.L. 273-1999 2010	School Technology	Access Indiana	BioMedical Grant	Afternoon Rock Program	SINE/ 4Block/ Renaissance
Cash and investments - beginning	\$ -	\$ 4,737	\$ -	\$ 886	\$ 13,191	\$ 2,500	\$ (4,896)	\$ 4,060	\$ 324
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
State sources	2,000	-	33,924	-	-	-	14,387	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	2,000	-	33,924	-	-	-	14,387	-	-
Disbursements:									
Current:									
Instruction	538	5,724	28,721	-	-	-	-	2,021	-
Support services	82	-	-	-	13,191	1,915	10,391	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	620	5,724	28,721	-	13,191	1,915	10,391	2,021	-
Excess (deficiency) of receipts over disbursements	1,380	(5,724)	5,203	-	(13,191)	(1,915)	3,996	(2,021)	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Transfers in	-	987	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	987	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,380	(4,737)	5,203	-	(13,191)	(1,915)	3,996	(2,021)	-
Cash and investments - ending	\$ 1,380	\$ -	\$ 5,203	\$ 886	\$ -	\$ 585	\$ (900)	\$ 2,039	\$ 324

PIKE COUNTY SCHOOL CORPORATION
 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	Title I, 08/09	Title I, 09/10	P.L. Innovative Education Program Strategies Title V (Part A)	Drug Free Schools 07/08	Drug Free Schools 08/09	Drug Free Schools 09/10	Other Federal Programs	Improving Teaching Quality, No Child Left, Title II, Part A 09/11
Cash and investments - beginning	\$ 34,267	\$ -	\$ -	\$ 3,214	\$ 3,159	\$ 2,679	\$ -	\$ 26,882	\$ 27,734
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	34,996	287,738	1,254	-	-	7,494	-	140,238
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	34,996	287,738	1,254	-	-	7,494	-	140,238
Disbursements:									
Current:									
Instruction	-	52,432	224,854	-	3,159	1,061	3,386	-	-
Support services	-	693	18,872	4,468	-	-	-	-	-
Noninstructional services	-	516	842	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	874	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	53,641	244,568	4,468	3,159	1,061	3,386	874	-
Excess (deficiency) of receipts over disbursements	-	(18,645)	43,170	(3,214)	(3,159)	(1,061)	4,108	(874)	140,238
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Transfers in	-	34,267	15,622	-	-	608	-	-	-
Transfers out	(34,267)	(15,622)	(27)	-	-	-	(608)	-	(98,506)
Total other financing sources (uses)	(34,267)	18,645	15,595	-	-	608	(608)	-	(98,506)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(34,267)	-	58,765	(3,214)	(3,159)	(453)	3,500	(874)	41,732
Cash and investments - ending	\$ -	\$ -	\$ 58,765	\$ -	\$ -	\$ 2,226	\$ 3,500	\$ 26,008	\$ 69,466

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

	Improving Teaching Quality, No Child Left, Title II, Part A 07/09	Improving Teaching Quality, No Child Left, Title II, Part A 08/10	ITQ, Enhanced Education Through Technology, Title II, Part D	ITQ, Enhanced Education Through Technology, Title II, Part D, 08/10	Fiscal Stabilization - Education	Title I - Grants to LEAs	Education Technology	Petty Cash	Totals
Cash and investments - beginning	\$ -	\$ -	\$ 3,772	\$ -	\$ -	\$ -	\$ -	\$ 40	\$ 3,532,525
Receipts:									
Local sources	-	-	-	-	-	-	-	-	11,398,712
State sources	-	-	-	-	-	-	-	-	12,028,056
Federal sources	-	35,385	-	26,381	399,152	68,941	36,343	-	1,433,144
Other	-	-	-	-	-	-	-	-	102,758
Total receipts	-	35,385	-	26,381	399,152	68,941	36,343	-	24,962,670
Disbursements:									
Current:									
Instruction	16,267	59,572	-	-	332,796	61,702	-	-	10,081,185
Support services	15,836	6,598	-	19,906	66,356	-	-	-	8,167,213
Noninstructional services	-	-	-	-	-	-	-	-	1,125,281
Facilities acquisition and construction	-	-	-	-	-	-	-	-	1,004,078
Debt services	-	-	-	-	-	-	-	-	2,050,990
Nonprogrammed charges	-	-	-	-	-	-	-	-	378,838
Total disbursements	32,103	66,170	-	19,906	399,152	61,702	-	-	22,807,585
Excess (deficiency) of receipts over disbursements	(32,103)	(30,785)	-	6,475	-	7,239	36,343	-	2,155,085
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	122,173
Transfers in	32,103	66,403	-	3,772	-	-	-	-	1,144,494
Transfers out	-	-	(3,772)	-	-	-	-	-	(1,144,494)
Total other financing sources (uses)	32,103	66,403	(3,772)	3,772	-	-	-	-	122,173
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	35,618	(3,772)	10,247	-	7,239	36,343	-	2,277,258
Cash and investments - ending	\$ -	\$ 35,618	\$ -	\$ 10,247	\$ -	\$ 7,239	\$ 36,343	\$ 40	\$ 5,809,783

PIKE COUNTY SCHOOL CORPORATION
 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	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction - PE/OE	Construction - PCMS	Voc Building #2
Cash and investments - beginning	\$ 2,315,790	\$ 771,085	\$ 245,954	\$ 510,459	\$ 392,455	\$ 185,285	\$ -	\$ 176,016	\$ 422,695	\$ 22,192
Receipts:										
Local sources	129,481	1,603,008	646,520	2,172,031	2,478,121	222,594	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	11,902,312	2,570	-	-	-	-	-	-	-	-
Federal sources	14,550	-	-	-	-	-	-	-	-	-
Other	36,879	10	-	70,286	10,782	-	-	-	-	-
Total receipts	12,083,222	1,605,588	646,520	2,242,317	2,488,903	222,594	-	-	-	-
Disbursements:										
Current:										
Instruction	8,152,651	-	-	-	-	-	-	-	-	-
Support services	3,762,153	119	-	1,159,471	1,601,084	92,783	1,587,075	-	-	-
Noninstructional services	275,652	-	-	-	-	-	2,925	-	-	-
Facilities acquisition and construction	-	-	-	299,936	-	-	-	-	-	2,497
Debt services	10,943	1,382,232	581,521	-	-	-	-	-	-	-
Nonprogrammed charges	699,303	-	-	-	-	-	-	-	-	-
Total disbursements	12,900,702	1,382,351	581,521	1,459,407	1,601,084	92,783	1,590,000	-	-	2,497
Excess (deficiency) of receipts over disbursements	(817,480)	223,237	64,999	782,910	887,819	129,811	(1,590,000)	-	-	(2,497)
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	2,854
Transfers in	3,185	-	-	1,367	23,652	-	1,590,000	-	-	-
Transfers out	(56,967)	(5,271)	(2,369)	(699,073)	(674,838)	(232,838)	-	-	-	-
Total other financing sources (uses)	(53,782)	(5,271)	(2,369)	(697,706)	(651,186)	(232,838)	1,590,000	-	-	2,854
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(871,262)	217,966	62,630	85,204	236,633	(103,027)	-	-	-	357
Cash and investments - ending	\$ 1,444,528	\$ 989,051	\$ 308,584	\$ 595,663	\$ 629,088	\$ 82,258	\$ -	\$ 176,016	\$ 422,695	\$ 22,549

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

	School Lunch	Textbook Rental	Child Care Program	Educational License Plates	Alternative Education 09/10	Alternative Education 10/11	SAFE School Haven	Early Intervention Grant	SINE Model School/ 9th Academy	Machine Trades SINE 2011
Cash and investments - beginning	\$ 258,763	\$ 203,440	\$ 16,035	\$ 2,513	\$ 12,516	\$ -	\$ 227	\$ 2,668	\$ 2,152	\$ -
Receipts:										
Local sources	548,314	246,483	43,072	-	-	-	-	-	-	-
Intermediate sources	-	-	-	431	-	-	-	-	-	920
State sources	7,909	-	-	-	-	8,735	-	-	-	-
Federal sources	342,093	-	-	-	-	-	-	-	-	-
Other	16,639	-	408	-	-	-	-	-	-	-
Total receipts	914,955	246,483	43,480	431	-	8,735	-	-	-	920
Disbursements:										
Current:										
Instruction	-	-	-	2,550	12,186	1,551	227	2,668	-	-
Support services	820	89,222	540	-	-	-	-	-	970	931
Noninstructional services	887,831	-	42,725	-	-	-	-	-	-	-
Facilities acquisition and construction	3,364	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	892,015	89,222	43,265	2,550	12,186	1,551	227	2,668	970	931
Excess (deficiency) of receipts over disbursements	22,940	157,261	215	(2,119)	(12,186)	7,184	(227)	(2,668)	(970)	(11)
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	22,940	157,261	215	(2,119)	(12,186)	7,184	(227)	(2,668)	(970)	(11)
Cash and investments - ending	\$ 281,703	\$ 360,701	\$ 16,250	\$ 394	\$ 330	\$ 7,184	\$ -	\$ -	\$ 1,182	\$ (11)

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

	Community Donation	Support for Parent Ed Night	Learning Through Literature	OES Smart Boards	Community Donation - McDonalds	Drug Demand Reduction	Literacy Learning Program WES	Kindergarten Literacy OES	Adult GED	Super Study WES 2010
Cash and investments - beginning	\$ 4,524	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,977	\$ -
Receipts:										
Local sources	1,775	601	600	2,400	320	5,500	1,550	1,500	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	1,053
Federal sources	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	10,215	-
Total receipts	<u>1,775</u>	<u>601</u>	<u>600</u>	<u>2,400</u>	<u>320</u>	<u>5,500</u>	<u>1,550</u>	<u>1,500</u>	<u>10,215</u>	<u>1,053</u>
Disbursements:										
Current:										
Instruction	6,337	383	378	2,400	221	-	190	66	8,470	1,086
Support services	-	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	<u>6,337</u>	<u>383</u>	<u>378</u>	<u>2,400</u>	<u>221</u>	<u>-</u>	<u>190</u>	<u>66</u>	<u>8,470</u>	<u>1,086</u>
Excess (deficiency) of receipts over disbursements	<u>(4,562)</u>	<u>218</u>	<u>222</u>	<u>-</u>	<u>99</u>	<u>5,500</u>	<u>1,360</u>	<u>1,434</u>	<u>1,745</u>	<u>(33)</u>
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
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>(4,562)</u>	<u>218</u>	<u>222</u>	<u>-</u>	<u>99</u>	<u>5,500</u>	<u>1,360</u>	<u>1,434</u>	<u>1,745</u>	<u>(33)</u>
Cash and investments - ending	<u>\$ (38)</u>	<u>\$ 218</u>	<u>\$ 222</u>	<u>\$ -</u>	<u>\$ 99</u>	<u>\$ 5,500</u>	<u>\$ 1,360</u>	<u>\$ 1,434</u>	<u>\$ 7,722</u>	<u>\$ (33)</u>

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

	Winslow Super Study 2011	WES Summer Reading Program	Sine, Gateway to Technology	Gateway SME	High Ability 09/10	Early Childhood Intervention (First Steps)	Non-English Speaking Programs P.L. 273-1999 2010	Non-English Speaking Programs P.L. 273-1999 2011	School Technology	Access Indiana
Cash and investments - beginning	\$ -	\$ -	\$ 68	\$ 1,380	\$ 5,203	\$ -	\$ 886	\$ -	\$ -	\$ 585
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	919	-	-	-	-	33,414	-	1,272	4,933	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	919	-	-	-	-	33,414	-	1,272	4,933	-
Disbursements:										
Current:										
Instruction	3,543	75	68	42	5,203	29,123	-	-	-	-
Support services	-	-	-	891	-	-	-	-	4,808	585
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	340	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	3,543	75	68	1,273	5,203	29,123	-	-	4,808	585
Excess (deficiency) of receipts over disbursements	(2,624)	(75)	(68)	(1,273)	(5,203)	4,291	-	1,272	125	(585)
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,624)	(75)	(68)	(1,273)	(5,203)	4,291	-	1,272	125	(585)
Cash and investments - ending	\$ (2,624)	\$ (75)	\$ -	\$ 107	\$ -	\$ 4,291	\$ 886	\$ 1,272	\$ 125	\$ -

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

	BioMedical Grant	Afternoon Rock Program	SINE/ 4Block/ Renaissance	Excess PTRC Distributions	Title I, 09/10	Title I, 10/11	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Federal Assistance Educational Preschool Handicapped	Drug Free Schools 08/09	Drug Free Schools 09/10
Cash and investments - beginning	\$ (900)	\$ 2,039	\$ 324	\$ -	\$ 58,765	\$ -	\$ -	\$ -	\$ 2,226	\$ 3,500
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	1,065	-	-	27,194	-	-	-	33,635	-	-
Federal sources	-	-	-	-	28,801	208,796	486,404	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	1,065	-	-	27,194	28,801	208,796	486,404	33,635	-	-
Disbursements:										
Current:										
Instruction	-	1,920	-	-	50,100	202,830	-	-	2,226	530
Support services	116	-	-	-	5,478	13,028	-	-	-	-
Noninstructional services	-	-	-	-	-	672	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	486,404	90,602	-	-
Total disbursements	116	1,920	-	-	55,578	216,530	486,404	90,602	2,226	530
Excess (deficiency) of receipts over disbursements	949	(1,920)	-	27,194	(26,777)	(7,734)	-	(56,967)	(2,226)	(530)
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	24,389	-	31,988	-	56,967	-	-
Transfers out	-	-	-	(23,652)	(31,988)	-	-	-	-	-
Total other financing sources (uses)	-	-	-	737	(31,988)	31,988	-	56,967	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	949	(1,920)	-	27,931	(58,765)	24,254	-	-	(2,226)	(530)
Cash and investments - ending	\$ 49	\$ 119	\$ 324	\$ 27,931	\$ -	\$ 24,254	\$ -	\$ -	\$ -	\$ 2,970

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

	Vocational and Technical Board Grants	Other Federal Programs	Improving Teaching Quality, No Child Left, Title II, Part A 09/11	Improving Teaching Quality, No Child Left, Title II, Part A 08/10	ITQ, Enhanced Education Through Technology, Title II, Part D, 08/10	Title I - Grants to LEAs	Education Technology	Education Jobs	Petty Cash	Totals
Cash and investments - beginning	\$ -	\$ 26,008	\$ 69,466	\$ 35,618	\$ 10,247	\$ 7,239	\$ 36,343	\$ -	\$ 40	\$ 5,809,783
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	8,103,870
Intermediate sources	-	-	-	-	-	-	-	-	-	1,351
State sources	-	-	-	-	-	-	-	-	-	12,025,011
Federal sources	9,776	-	34,735	-	-	64,306	31,486	384,854	-	1,605,801
Other	-	-	-	-	-	-	-	-	-	145,219
Total receipts	9,776	-	34,735	-	-	64,306	31,486	384,854	-	21,881,252
Disbursements:										
Current:										
Instruction	-	-	49,678	22,325	-	70,329	-	384,854	-	9,014,210
Support services	9,711	-	5,032	10,108	8,880	-	49,658	-	-	8,403,463
Noninstructional services	-	-	-	-	-	-	-	-	-	1,209,805
Facilities acquisition and construction	-	8,588	-	-	-	-	-	-	-	314,725
Debt services	-	-	-	-	-	-	-	-	-	1,974,696
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	1,276,309
Total disbursements	9,711	8,588	54,710	32,433	8,880	70,329	49,658	384,854	-	22,193,208
Excess (deficiency) of receipts over disbursements	65	(8,588)	(19,975)	(32,433)	(8,880)	(6,023)	(18,172)	-	-	(311,956)
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	2,854
Transfers in	-	-	-	-	-	-	-	-	-	1,731,548
Transfers out	-	-	-	(3,185)	(1,367)	-	-	-	-	(1,731,548)
Total other financing sources (uses)	-	-	-	(3,185)	(1,367)	-	-	-	-	2,854
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	65	(8,588)	(19,975)	(35,618)	(10,247)	(6,023)	(18,172)	-	-	(309,102)
Cash and investments - ending	\$ 65	\$ 17,420	\$ 49,491	\$ -	\$ -	\$ 1,216	\$ 18,171	\$ -	\$ 40	\$ 5,500,681

PIKE COUNTY SCHOOL CORPORATION
 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>Ending Balance</u>
Capital assets, not being depreciated:	
Land	\$ 139,000
Buildings	41,853,223
Improvements other than buildings	973,480
Machinery and equipment	4,417,060
Transportation equipment	<u>1,346,507</u>
Total other capital assets	<u>\$ 48,729,270</u>

PIKE COUNTY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2011

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year	Fund/ Department
Capital leases:			
School Buildings	\$ 14,445,000	\$ 1,394,000	Debt Service
Machine Trades Addition	1,950,000	86,000	Debt Service
Notes and loans payable	34,925	36,322	Debt Service
Bonds payable:			
General obligation bonds:			
Retirement/Severance	<u>4,230,000</u>	<u>579,746</u>	Retirement/Severance Bond Debt Service
Total debt	<u>\$ 20,659,925</u>	<u>\$ 2,096,068</u>	

PIKE COUNTY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

School Bus Replacement	2009	\$	9,172
Rainy Day	2009		761,307
Special Education Preschool	2009		36,438
Rainy Day	2010		1,000,000

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

ERRORS ON CLAIMS

The following deficiencies were noted on claims reviewed during the audit period:

- (1) Three payments to credit card companies; one payment to a pest control company; one payment for electric service; and one payment for architectural services for an ongoing project that did not contain adequate supporting documentation.
- (2) Two claims were mathematically incorrect.
- (3) Eight claims were posted to funds/appropriations other than those listed on the claims. The funds/appropriations the payments posted to were allowable, but no corrections were made on the claims to document a change had been made during posting.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

PIKE COUNTY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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)

A similar comment appeared in the prior report.

FUND SOURCES AND USES

Funds were disbursed from the Capital Projects Fund for monthly pest control service and from the School Transportation Fund for fuel for vehicles used during Driver's Education Classes.

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)

A similar comment appeared in the prior report.

COLLECTION OF AMOUNTS DUE

The School Corporation is a member of the Southern Indiana Educational Center (SIEC). Membership dues are fees paid based on the School Corporation's ADM. During the 2009-2010 school year, the School Corporation reported to SIEC that their ADM was 2,019 when in fact it was 1,883.29. This resulted in SIEC overbilling and the School Corporation overpaying \$475 for their 2009-2010 membership fees.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

INTERNAL CONTROLS

The controls over the disbursing, recording, and accounting for the financial activities were insufficient. While the claims are approved by the Treasurer and the School Board as evidenced by their signatures on the Accounts Payable Voucher Listing, no evidence is provided to indicate that all the actual claims with the supporting documentation attached are being thoroughly reviewed. This could result in claims not being mathematically correct, not adequately itemized, and/or charged to the incorrect fund/account. Mistakes found on claims are not always adequately documented or corrected. Incorrect or incomplete information listed on the claims could lead to incorrect posting to the ledger and the financial statements or incorrect decision making.

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 objectives, 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)

PIKE COUNTY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

FEES (Applies to Pike Central Middle and High Schools)

Fees were being charged for numerous classes at both the Middle School and High School. Supporting documentation was not available to verify the validity of the fees being charged to the students.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

All authorized educational fees (the School Board should be able to justify any educational fees (non-payroll positions) and ensure Constitutional problems do not exist) must be received to the General Fund of the school corporation and included as miscellaneous revenues when preparing the school corporation budget. Textbook rental funds maintained at a school building may be used to temporarily record proper fees collected (as a convenience during the collection process of textbook rental). However, proper educational fees belong in the school corporation general fund and should be transferred timely. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

EXTRA-CURRICULAR DISBURSEMENTS (Applies to Pike Central Middle School)

The following items were noted from the information presented for audit:

1. Three instances of cash advances being made for trip expenses occurred with no supporting documentation to verify how the advances were spent or if any money was returned.

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)

2. Sales tax was paid on two of fourteen claims reviewed.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

3. Expenses for items such as food for monthly staff meetings, flowers, coffee pot, freezer, microwave, staff Christmas breakfast, retirement dinner, and retirement awards were paid for out of the Miscellaneous (Student Activity) Fund.

The State Board of Accounts consistently has been of the audit position to not take an audit exception to a school extra curricular account having a general (student activity) fund if the fund consists of revenues received from functions (vending machines or sales of similar nature, etc.) not generated by students for a specific class or organization (for which a fund should be established). Our audit position has been with the provision that the functions for which the expenditures are made benefit the student body as a whole (as opposed to a select group of students, school employees, or administrators). (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

PIKE COUNTY SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS
 (Continued)

CASH CHANGE FUNDS (Applies to Pike Central Middle School)

Disbursements were made out of extra-curricular accounts to establish the following cash change funds:

Fund	School Year	Amount
Athletics	2009-2010	\$ 835
P.E.	2009-2010	1,100
Textbook Rental	2009-2010	<u>1,435</u>
Total		<u>\$ 3,370</u>
Athletics	2010-2011	\$ 1,000
P.E	2010-2011	800
Textbook	2010-2011	<u>1,835</u>
Total		<u>\$ 3,635</u>

The above amounts of cash change could not be verified as being receipted back into the funds it was disbursed from or any other extra-curricular fund. The extra-curricular treasurer, custodian of the cash change fund, stated that the cash change funds are redeposited by the end of each school year but are receipted along with other collections instead of being receipted separately. Based on a review of the receipts written and the ledger that was maintained, this could not be verified.

A cash change fund may be established in any school corporation with the approval of the governing body (board of school trustees), where any officer or employee of the corporation is charged with the duty of collecting fees or other cash revenues. When authorized by the governing body, such cash change fund shall be established by a check drawn on the General Fund (or other appropriate fund) of the school corporation in an amount to be determined by the governing body. The check is drawn in favor of the officer or employee who has been designated as custodian of the cash change fund. The custodian shall convert same to cash and be held responsible for the safekeeping of such cash and the proper accounting thereof in the same manner as required for other funds of the school corporation. The governing body shall have authority to increase or decrease such fund and shall require the entire cash change fund to be returned to the General Fund (or other appropriate fund) if and when it is no longer needed for the purpose established or when a change is made in the custodian of the fund. Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

The above amounts have been reported as questioned costs. (See Questioned Cost Summary, page 51)

ECA RECEIPTS AND DEPOSITS (Applies to Pike Central Middle School)

The following deficiencies were noted during the review of receipts and deposits:

1. Receipts were not always deposited within a reasonable time. Receipts, in some instances, were held for periods in excess of 21 days before depositing. Receipts, in some cases, accumulated to over \$21,000 before a deposit was made.

PIKE COUNTY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 20-41-1-9 states in part: ". . . receipts shall be deposited without unreasonable delay. . . ."

2. The classification of the money received was not accurately reflected on the receipts that were issued.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

3. Summary Collection Form (SA-8) was not used.

Summary Collection Form (SA-8) is prenumbered and to be prepared in duplicate by the sponsor. The original is to go to the extra-curricular treasurer to be retained in numerical order and the duplicate is to be retained in numerical order by the sponsor.

A sponsor for the purpose of Form (SA-8) is the teacher or other person in charge of a classroom or function collecting money. Form SA-8 is to be used as a transmittal document each time fundraiser or field trip money is reported from the sponsor to the extra-curricular treasurer. Form SA-8 can be used at the discretion of school officials to account for other items. Space is provided to list check numbers and amounts as applicable. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

INTERNAL CONTROLS (Applies to Pike Central Middle School)

The controls over the receipting, disbursing, recording, and accounting for the financial activities of the Pike County Middle School extra-curricular accounts were insufficient. The following deficiencies were noted:

1. The Extra-Curricular Treasurer performs all the duties relating to the financial activities of the extra-curricular accounts such as writing receipts, preparing claims and checks, posting the records and reconciling to the bank. Other than the principal signing claims and checks, there is no other oversight of the extra-curricular accounts.
2. Receipts written do not indicate the payment type received (i.e. cash, check, etc). Summary Collection Form (SA-8) is not generally used to support the collections nor is there any evidence that money is counted prior to being remitted to the extra-curricular treasurer.
3. Deposits are not made timely.
4. Checks were written and the related claims did not have adequate supporting documentation to support the validity of the disbursement.

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 objectives, 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. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

PIKE COUNTY SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS
 (Continued)

**FORM TBR-2, OFFICIAL RECEIPT-INDIVIDUAL TEXTBOOK RENTAL RECEIPT LIST
 (Applies to Pike Central Middle School)**

The Forms TBR-2 do not reflect the date that the textbook rental amount was paid nor is one copy being filed according to the payment date with a total or recap sheet completed that agrees to the deposit amount of all TBR-2 forms for each day.

Due to the manner in which the TBR-2 forms were maintained, testing of the timely depositing of textbook rental collections and that the collections were deposited in tact could not be performed.

The ECA Treasurer did have TBR-2 forms marked paid and the total of these exceeded the amount of textbook rental receipts reported on the ledger as follows:

	2009-2010	2010-2011
Amount per TBR-2s marked paid	\$ 20,557.38	\$ 23,456.02
Amount deposited in the textbook rental fund	18,763.71	22,932.45
Difference - Questioned Cost	\$ 1,793.67	\$ 523.57

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

The above amounts have been reported as questioned costs. (See Questioned Cost Summary, page 51)

Middle School Extra-Curricular Treasurer Official Bond

The Middle School Extra-Curricular Treasurer, Andrea Blocker, was covered by a Public Employees Blanket Bond No. 69329856 through Western Surety Company in the amount of \$15,000 for the periods of June 15, 2009 to June 15, 2010, June 15, 2010 to June 15, 2011; and June 15, 2011 to June 15, 2012.

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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
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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 PIKE COUNTY SCHOOL CORPORATION, PIKE COUNTY, INDIANA

Compliance

We have audited the compliance of the Pike County School Corporation (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.

Internal Control Over Compliance

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

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

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

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2011-2 to be a material weakness.

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, 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

February 8, 2012

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

PIKE COUNTY SCHOOL CORPORATION
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
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education Child Nutrition Cluster School Breakfast Program	10.553	FY 09/10 FY 10/11	\$ 95,162 -	\$ - 96,202
Total for program			<u>95,162</u>	<u>96,202</u>
National School Lunch Program	10.555	FY 09/10 FY 10/11	352,231 -	- 349,500
Total for program			<u>352,231</u>	<u>349,500</u>
Total for cluster			<u>447,393</u>	<u>445,702</u>
Pass-Through Southern Indiana Education Center Distance Learning and Telemedicine Loans and Grants	10.855	Indiana 709-B16	874	8,588
Total for federal grantor agency			<u>448,267</u>	<u>454,290</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education Title I, Part A Cluster Title I Grants to Local Educational Agencies	84.010	09-6445 10-6445 11-6445	53,642 244,596 -	- 55,530 216,530
Total for program			<u>298,238</u>	<u>272,060</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 2010	61,702	70,329
Total for cluster			<u>359,940</u>	<u>342,389</u>
Special Education Cluster (IDEA) Special Education - Grants to States	84.027	14211-084-PN01	-	486,403
Special Education - Preschool Grants	84.173	45711-084-PN01	-	33,636
Total for cluster			<u>-</u>	<u>520,039</u>
Education Technology State Grants Cluster Educational Technology State Grants	84.318	FY 2008	19,905	10,247
Pass-Through Washington Community Schools, Inc. ARRA - Education Technology State Grants, Recovery Act	84.386		-	49,658
Total for cluster			<u>19,905</u>	<u>59,905</u>
Pass-Through Indiana Department of Education State Fiscal Stabilization Fund Cluster ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grant, Recovery Act	84.394	FY 2009 FY 2010	143,641 255,511	- -
Total for cluster			<u>399,152</u>	<u>-</u>
Career and Technical Education - Basic Grants to States	84.048	FY 09/10	10,391	116
Safe and Drug-Free Schools and Communities - State Grants	84.186	07-6445 08-6445 09-6445	3,159 1,061 3,994	- 2,226 530
Total for program			<u>8,214</u>	<u>2,756</u>
Projects with Industry	84.234	FY 10/11	-	9,711
State Grants for Innovative Programs	84.298	07-6445	4,468	-
Improving Teacher Quality State Grants	84.367	07-6445 08-6445 09-6445	32,103 70,539 -	- 35,618 54,709
Total for program			<u>102,642</u>	<u>90,327</u>
ARRA - Education Jobs Fund, Recovery Act	84.410		-	384,853
Total for federal grantor agency			<u>904,712</u>	<u>1,410,096</u>
Total federal awards expended			<u>\$ 1,352,979</u>	<u>\$ 1,864,386</u>

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

PIKE COUNTY SCHOOL CORPORATION
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 Pike County School Corporation (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	2010	2011
School Breakfast Program	10.553	\$ 10,890	\$ 10,623
National School Lunch Program	10.555	40,180	38,784

PIKE COUNTY SCHOOL CORPORATION
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?	yes
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

Child Nutrition Cluster
Title I, Part A Cluster
Special Education Cluster (IDEA)
State Fiscal Stabilization Fund Cluster
ARRA - Education Jobs Fund, Recovery Act

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 Finding

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

We noted a deficiency in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiency regarding cash disbursements constitutes a material weakness:

Control activities should be selected and developed at various levels of the School Corporation to reduce risks to achievement of financial reporting objectives. While the claims were approved by the Treasurer and the School Board as evidenced by their signatures on the Accounts Payable

PIKE COUNTY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Voucher Listing, no evidence is provided to indicate that all the actual claims with the supporting documentation attached were being thoroughly reviewed. This could result in claims not being mathematically correct, not adequately itemized, and/or charged to the incorrect fund/account. Mistakes found on claims were not always adequately documented or corrected. Incorrect or incomplete information listed on the claims could lead to incorrect posting to the ledger and the financial statements or incorrect decision making. The failure to establish these controls could enable material misstatements or irregularities to go undetected.

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)

We recommend that internal controls be implemented to ensure proper accounting of financial transaction and to ensure proper financial reporting. We recommend that internal controls include a more thorough review of claims and follow-up on mistakes found on claims to ensure that the problems are adequately corrected prior to issuance of the checks. We also recommend that comparisons be made to ensure that claims are posted to the proper account as indicated on the claim.

Section III – Federal Award Finding and Questioned Cost

***FINDING 2011-2 - INTERNAL CONTROL DEFICIENCIES OVER CASH
DISBURSEMENTS AND REPORTING***

Federal Agency: U.S. Department of Education
Federal Program: Title I, Part A Cluster
CFDA Number: 84.010 and 84.389
Pass-Through Entity: Indiana Department of Education

Internal controls over the reviewing of Title I, Part A claims and reports were not properly executed. The claims were not always reviewed and approved by the Title I Program Administrator. While the claims were approved by the Treasurer and the School Board as evidenced by their signatures on the Accounts Payable Voucher Listing, no evidence was provided to indicate that all the actual claims with the supporting documentation attached were being reviewed. There was no evidence that the reports were reviewed and approved by the Title I Administrator nor did the reports always have supporting documentation attached to verify the accuracy of the report.

OMB Circular A-133 Subpart C section .300 states in part: "The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

PIKE COUNTY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

A lack of controls over cash disbursements could result in errors or fraudulent activities involving the payment of claims. The failure to establish adequate controls over cash disbursements could enable incorrect expenditures or expenditures unrelated to Title I, Part A Cluster programs to be paid out of the grant funds. A lack of controls over reporting could result in inaccurate reports filed with the pass-through agency and/or the federal agency as a result of errors or fraudulent activity. In addition, lack of controls over cash disbursements and reporting could enable material misstatements or irregularities to go undetected.

We recommended controls be established to improve the review and authorization of the claims process. Claims should be thoroughly reviewed by the Treasurer to ensure that amount paid are mathematically accurate, adequately itemized obligations of the School Corporation, and posted to the appropriate fund. Claims should also be reviewed by the Title I Program Administrator to ensure that the money is for allowable Title I, Part A Cluster activities. All reports prepared for Title I, Part A Cluster programs should have supporting documentation attached and be reviewed by the Title I Program Administrator to ensure their accuracy. Controls should be established that would provide a better system of checks and balances to help prevent errors and fraudulent activity from occurring or going undetected.



Pike County School Corporation

907 Walnut Street, Petersburg, Indiana 47567

Telephone: 812-354-8731 Fax: 812-354-8733 Web Site: www.pcsc.k12.in.us

Board of Education

Chris Satterfield, President
Dave Waltz, Vice President
Ryan Edrington, Secretary
Jerrell Grubb, Member
Debbie Lemond, Member

Joan L. Keller, Superintendent

Michael L. Harding, Assistant Superintendent

December 1, 2011

Finding Number 2009-2

Original SBA Audit Report Number: B35871

Fiscal Year 2007-2009

Auditee Contact Person Krista J Halbrader

Title of Contact Person Treasurer

Phone Number 812-354-8731 ext 702

Status of Finding Work in Progress

Currently, Treasurer is reviewing payroll against time cards and any adjustments that are presented. Any discrepancies are researched and corrected on the next payroll. With all the checking and rechecking we are noticing fewer discrepancies, if any.

Originally, I was checking every voucher. Any discrepancies Sharon and I researched and took care of. Now with us being more careful, I only check a handful. If there are discrepancies I will check another handful. If errors are found, and depending on the dollar value, we will either print a new check or take a credit on the next bill. A new way we are looking at to avoid any credits or written checks is for me to look at them before the checks are printed to catch discrepancies.

We are still trying to work this one out to make it the best and smoothest for everyone.

Thanks,

Krista J Halbrader

Treasurer

Pike County School Corporation

(812) 354-8731 ext 702



Debbie Lemond, Member

Pike County School Corporation

907 Walnut Street, Petersburg, Indiana 47567

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Board of Education

Ryan Edrington, President
Superintendent
Chris Satterfield, Vice President
Gary Horrall, Secretary
Jerrell Grubb, Member

D. John Thomas, Superintendent
Michael L. Harding, Assistant

FINDING NO 2011-1. INTERNAL CONTROLS FINANCIAL TRANSACTIONS AND REPORTING

AUDITEE CONTACT PERSON: KRISTA J HALBRADER

TITLE OF CONTACT PERSON: TREASURER

PHONE NUMBER OF CONTACT PERSON; 812-354-8731 EXT 702

EXPECTED COMPLETION DATE: June 1, 2012

- (1) The Treasurer is going to start reviewing the claims before checks are printed to be sure we are sending the amount specified on the bill.
- (2) Proper documentation will be checked while reviewing to ensure that all supporting documents are attached and in order to make it easier to verify what is on the claim.
- (3) While verifying the claims, the funds will also be verified through the system to ensure that we are paying it out of the right fund.
- (4) Deputy Treasurer will ensure any corrections are done and this will be verified after checks are printed with comparison to the check register before being signed off on.

Krista J Halbrader

Treasurer

January 19, 2012



Debbie Lemond, Member

Pike County School Corporation

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Board of Education

Ryan Edrington, President
Superintendent
Chris Satterfield, Vice President
Gary Horrall, Secretary
Jerrell Grubb, Member

D. John Thomas, Superintendent
Michael L. Harding, Assistant

FINDING NO 2011-2, INTERNAL CONTROLS DEFICIENCIES OVER CASH DISBURSEMENTS AND REPORTING

AUDITEE CONTACT PERSON: KRISTA J HALBRADER

TITLE OF CONTACT PERSON: TREASURER

PHONE NUMBER OF CONTACT PERSON; 812-354-8731 EXT 702

EXPECTED COMPLETION DATE: June 1, 2012

- (1) The Treasurer is going to start reviewing the claims before checks are printed to be sure we are sending the amount specified on the bill.
- (2) Proper documentation will be checked while reviewing to ensure that all supporting documents are attached and in order to make it easier to verify what is on the claim.
- (3) Title I Program Administrator is also going to start signing off and reviewing all claims and reports before they leave the building with his initials to ensure accuracy. This will add an additional control..

Krista J Halbrader

Treasurer

January 19, 2012

PIKE COUNTY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 8, 2012, with Krista J. Halbrader, Treasurer; Sharon Gladish, Deputy Treasurer; Dr. Michael Harding, Assistant Superintendent of Schools; and Chris Satterfield, President of the School Board. The officials concurred with our audit findings.

PIKE COUNTY SCHOOL CORPORATION
SUMMARY OF QUESTIONED COSTS

	Questioned Costs
Cash Change Funds - 2009-2010	\$ 3,370.00
Cash Change Funds - 2010-2011	3,635.00
Form TBR-2, Official Receipt - Individual Textbook Rental Receipt List - 2009-2010	1,793.67
Form TBR-2, Official Receipt - Individual Textbook Rental Receipt List - 2010-2011	523.57
Totals	\$ 9,322.24

A questioned cost is a cost that is questioned by the auditor because of (a) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (b) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (c) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

This report was forwarded to the Office of the Indiana Attorney General and the local prosecuting attorney.