

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

COMMUNITY SCHOOL CORPORATION OF  
EASTERN HANCOCK COUNTY  
HANCOCK COUNTY, INDIANA

July 1, 2009 to June 30, 2011



**FILED**

03/16/2012



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kimberly Payne	07-01-09 to 06-30-12
Superintendent of Schools	Randy Harris	07-01-09 to 06-30-12
President of the School Board	Teresa S. Dunlavy Scott Petry	07-01-09 to 06-30-10 07-01-10 to 06-30-12



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

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

We have audited the accompanying financial statements of the Community School Corporation of Eastern Hancock County (School Corporation), for the years ended June 30, 2010 and 2011. The financial statement is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the 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 statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

In accordance with Government Auditing Standards, we have also issued a report dated February 9, 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 Financial 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 9, 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 COMMUNITY SCHOOL CORPORATION  
OF EASTERN HANCOCK COUNTY, HANCOCK COUNTY, INDIANA

We have audited the financial statement of the Community School Corporation of Eastern Hancock County (School Corporation), for the years ended June 30, 2010 and 2011, and have issued our report thereon dated February 9, 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 opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 9, 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.

COMMUNITY SCHOOL CORPORATION OF EASTERN HANCOCK COUNTY  
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			Other Financing	Cash and Investments			Other Financing	Cash and Investments
	07-01-09	Receipts	Disbursements	Sources (Uses)	06-30-10	Receipts	Disbursements	Sources (Uses)	06-30-11
General	\$ 505,997	\$ 6,117,728	\$ 5,668,028	\$ (10,172)	\$ 945,525	\$ 6,242,493	\$ 5,687,673	\$ 82,891	\$ 1,583,236
Debt Service	231,036	1,775,077	1,281,908	-	724,205	1,144,007	1,152,993	294	715,513
Retirement/Severance Bond Debt Service	3,699	323,665	232,750	11,640	106,254	170,394	188,775	-	87,873
Capital Projects	59,342	1,642,205	1,103,806	-	597,741	901,792	1,094,859	(44,777)	359,897
School Transportation	114,515	1,429,586	948,597	-	595,504	815,232	1,008,549	21,583	423,770
School Bus Replacement	144,832	266,431	284,156	-	127,107	73,839	83,362	1,244	118,828
Special Education Preschool	18,834	19,250	19,250	(18,834)	-	-	-	-	-
Rainy Day	134,440	365	34,805	-	100,000	-	-	-	100,000
Retirement/Severance Bond	11,640	-	-	(11,640)	-	-	-	-	-
Post-Retirement/Severance Future Benefits	-	-	-	-	-	-	21,715	21,715	-
Sale of Bonds Principal	52,222	73	449	-	51,846	2,696	54,542	-	-
School Lunch	52,529	529,574	498,871	-	83,232	530,211	504,929	-	108,514
Textbook Rental	111,927	144,086	109,408	-	146,605	115,784	131,004	(43,626)	87,759
Educational License Plates	2,225	225	-	-	2,450	225	2,600	-	75
SAFE School Haven	14	-	-	-	14	-	-	-	14
Donations to Schools	-	-	-	-	-	800	-	-	800
Life Skills Class Donation	-	-	-	-	-	187	134	-	53
BSU German Grant	28	-	-	-	28	-	-	-	28
NASA Grant	7	1,000	-	-	1,007	-	380	-	627
Outdoor Lab	-	-	-	-	-	5,000	3,797	-	1,203
Safe Hire Fees	247	1,092	1,183	-	156	672	700	-	128
Lilly PTLW Grant	114	-	-	-	114	104	218	-	-
Life Science Donation	2,500	-	2,497	-	3	-	3	-	-
Early Literacy Donation	2,500	-	2,500	-	-	-	-	-	-
Lilly School Science Grant	116	-	-	-	116	-	116	-	-
Covance Educational Grant	-	1,000	-	-	1,000	-	1,000	-	-
Show Pigs for Selling	-	951	785	-	166	1,044	1,210	-	-
2009 Lilly Life Science & Agricultural Grant	-	2,501	699	-	1,802	-	1,802	-	-
Griffith Library Endowment	68	-	-	-	68	456	-	-	524
NWEA Grant	-	7,000	-	-	7,000	-	7,000	-	-
High Ability Grant 2009-2010	-	29,605	26,330	-	3,275	-	3,275	-	-
High Ability Grant 2008-2009	6,287	-	6,287	-	-	-	-	-	-
High Ability Grant 2010-2011	-	-	-	-	-	29,161	23,050	4,373	10,484
Education Technology	-	104,400	104,400	-	-	-	-	-	-
Non-English Speaking Programs P.L. 273-1999	775	-	-	-	775	-	-	-	775
School Technology	-	-	-	-	-	6,000	4,000	-	2,000
Technology Grants [IC 20-40-15]	64,150	-	56,076	-	8,074	-	8,074	-	-
Excess PTRC Distributions	-	-	-	29,006	29,006	13,928	-	(42,934)	-
Title I 2009-2010	-	30,707	30,707	-	-	3,000	3,000	-	-
Title I 2010-2011	-	-	-	-	-	28,651	28,651	-	-
Title V 2007-2008	500	536	1,036	-	-	-	-	-	-

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

COMMUNITY SCHOOL CORPORATION OF EASTERN HANCOCK COUNTY  
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
Title I Migrant	874	-	-	-	874	-	-	-	874
Drug Free Communities	979	-	345	-	634	-	315	-	319
Improving Teaching Quality, No Child Left, Title II, Part A	15,809	29,465	7,444	-	37,830	-	30,029	-	7,801
ITQ, Enhanced Education Through Technology, Title II, Part D	13	-	-	-	13	-	-	-	13
Fiscal Stabilization - Education	313,151	224,088	537,239	-	-	-	-	-	-
ARRA Special Education - Part B	-	125,005	117,051	-	7,954	51,625	69,537	-	(9,958)
ARRA Special Education - Part B - Preschool	-	4,192	4,192	-	-	-	-	-	-
Prepaid Food Collections - SFS	9,953	379,662	373,526	-	16,089	396,433	394,769	-	17,753
Book Rental Employees	-	-	-	-	-	162	1,130	-	(968)
Full Day Kindergarten Deposits	-	2,400	-	-	2,400	655	3,055	-	-
Transfer Tuition	-	200	-	-	200	1,271	503	-	968
Federal Withholding Taxes	73	387,673	387,366	-	380	360,778	360,224	-	934
Social Security Clearing Account	83	362,186	362,179	-	90	284,013	284,809	-	(706)
State Withholding Taxes	12,517	157,024	157,431	-	12,110	140,805	141,930	-	10,985
County Tax Clearing Account	3,970	50,093	50,190	-	3,873	44,426	44,843	-	3,456
Teacher Retirement Clearing Account	124	515	517	-	122	519	511	-	130
PERF Clearing Account	9,224	35,821	36,671	-	8,374	34,578	34,538	-	8,414
Medical Insurance Deduction Account	6,957	95,503	94,570	-	7,890	106,219	103,970	-	10,139
Annuities Clearing Account	2,139	60,609	59,977	-	2,771	47,000	46,876	-	2,895
Child Support	169	14,830	14,830	-	169	12,528	12,669	-	28
Garnishment	-	1,302	1,302	-	-	1,879	1,879	-	-
Dependent Life Insurance	-	87	74	-	13	59	66	-	6
United Way Deductions	-	375	195	-	180	390	390	-	180
Fortis Disability Insurance Non-Cert	-	456	417	-	39	472	393	-	118
American Fidelity Life Insurance	405	1,030	1,435	-	-	-	-	-	-
American Fidelity Disability Insurance	2,135	3,455	5,590	-	-	-	-	-	-
Medical Expense Reimbursement	691	24,398	17,172	-	7,917	33,387	25,123	-	16,181
Fees for Sect 125	(38)	153	67	-	48	-	48	-	-
Additional Life insurance Premiums	68	945	842	-	171	763	863	-	71
Cancer Insurance American Fidelity	1,308	18,238	19,541	-	5	11,259	22,632	-	(11,368)
Retiree Medical Insurance Premium	1,698	38,088	41,960	-	(2,174)	28,882	29,151	-	(2,443)
Miscellaneous Clearing	90	414	306	-	198	232	436	-	(6)
Totals	<u>\$ 1,902,936</u>	<u>\$ 14,445,264</u>	<u>\$ 12,706,957</u>	<u>\$ -</u>	<u>\$ 3,641,243</u>	<u>\$ 11,644,011</u>	<u>\$ 11,628,100</u>	<u>\$ 763</u>	<u>\$ 3,657,917</u>

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

COMMUNITY SCHOOL CORPORATION OF EASTERN HANCOCK COUNTY  
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).

*Joint Venture*

The School Corporation is a participant in a joint venture to operate New Castle Area Vocational School which was created to provide instruction for vocational students. The School Corporation is obligated by contract to remit its financial share, based on a percentage annually to supplement the New Castle Area Vocational School. Complete financial statements for the New Castle Area Vocational School can be obtained from the New Castle Community School Corporation at 322 Elliot Ave., New Castle, IN 47362.

The School Corporation is a participant in a joint venture to operate East Central Educational Service Center which was created to provide certain programs and services to participating school corporations. The School Corporation is obligated by contract to remit its financial share, based on a percentage annually to supplement the East Central Educational Service Center. Complete financial statements for the East Central Educational Service Center can be obtained from the ECESC Administrative Office at 1601 Indiana Ave., Connersville, IN 47331.

The School Corporation is a participant with South Madison Community School Corporation, Mt. Vernon Community School Corporation, and Community School Corporation of Southern Hancock County in a joint venture to operate Hancock-South Madison Joint Services which was created to provide special education services. The School Corporation is obligated by contract to remit its financial share, based on a percentage, along with other participating school corporations annually. The Hancock-South Madison Joint Services' continued existence depends on continued funding by the School Corporations. Complete financial statements for the Hancock-South Madison Joint Services can be obtained from the Greenfield Central School Corporation at 110 W., North St. Greenfield, IN 46140.

On July 1, 2010, the Hancock-South Madison Joint Services formally became Hancock Madison Shelby Education Services (HMSES). HMSES provides Special Education related service to the following member schools – Community School Corporation of Eastern Hancock County, South Madison Community School Corporation, Mt. Vernon Community School Corporation, Community School Corporation of Southern Hancock County and the Northwestern Shelby School Corporation. The Hancock Madison Shelby Education Services continued existence depends on continued funding by the School Corporations. Financial activity of the Hancock Madison Shelby Education Services can be obtained from the Greenfield Central School Corporation at 110 W. North St. Greenfield, IN 46140.

COMMUNITY SCHOOL CORPORATION OF EASTERN HANCOCK COUNTY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*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 investment 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 statements. 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.

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.

Temporary loans which include money received from a loan obtained to pay current expenses prior to the receipt of revenue from taxes levied for that purpose. These loans, sometimes designated tax anticipation warrants, must be repaid from the next semiannual distribution of local property taxes levied for such fund.

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.

COMMUNITY SCHOOL CORPORATION OF EASTERN HANCOCK COUNTY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*E. Disbursements*

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

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

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

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

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

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

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

*F. Other financing sources and uses*

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

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

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

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

*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.

COMMUNITY SCHOOL CORPORATION OF EASTERN HANCOCK COUNTY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**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.

**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.

COMMUNITY SCHOOL CORPORATION OF EASTERN HANCOCK COUNTY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

*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.

COMMUNITY SCHOOL CORPORATION OF EASTERN HANCOCK COUNTY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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.

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## 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.

COMMUNITY SCHOOL CORPORATION OF EASTERN HANCOCK COUNTY  
 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	Sale of Bonds Principal
Cash and investments - beginning	\$ 505,997	\$ 231,036	\$ 3,699	\$ 59,342	\$ 114,515	\$ 144,832	\$ 18,834	\$ 134,440	\$ 11,640	\$ 52,222
Receipts:										
Local sources	111,984	1,775,077	251,012	1,366,185	1,163,598	266,431	-	365	-	73
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	5,998,612	-	-	-	-	-	19,250	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	72,653	257,145	263,757	-	-	-	-	-
Other	7,132	-	-	18,875	2,231	-	-	-	-	-
Total receipts	6,117,728	1,775,077	323,665	1,642,205	1,429,586	266,431	19,250	365	-	73
Disbursements:										
Current:										
Instruction	3,657,354	-	-	-	-	-	-	-	-	-
Support services	1,511,833	-	-	302,240	640,152	284,156	-	-	-	248
Noninstructional services	135,283	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	3,117	-	-	505,755	-	-	-	34,805	-	201
Debt services	-	1,281,908	232,750	295,811	308,445	-	-	-	-	-
Nonprogrammed charges	360,441	-	-	-	-	-	19,250	-	-	-
Total disbursements	5,668,028	1,281,908	232,750	1,103,806	948,597	284,156	19,250	34,805	-	449
Excess (deficiency) of receipts over disbursements	449,700	493,169	90,915	538,399	480,989	(17,725)	-	(34,440)	-	(376)
Other financing sources (uses):										
Transfers in	18,834	-	11,640	-	-	-	-	-	-	-
Transfers out	(29,006)	-	-	-	-	-	(18,834)	-	(11,640)	-
Total other financing sources (uses)	(10,172)	-	11,640	-	-	-	(18,834)	-	(11,640)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	439,528	493,169	102,555	538,399	480,989	(17,725)	(18,834)	(34,440)	(11,640)	(376)
Cash and investments - ending	\$ 945,525	\$ 724,205	\$ 106,254	\$ 597,741	\$ 595,504	\$ 127,107	\$ -	\$ 100,000	\$ -	\$ 51,846

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

	School Lunch	Textbook Rental	Educational License Plates	SAFE School Haven	BSU German Grant	NASA Grant	Safe Hire Fees	Lilly PTLW Grant	Life Science Donation	Early Literacy Donation
Cash and investments - beginning	\$ 52,529	\$ 111,927	\$ 2,225	\$ 14	\$ 28	\$ 7	\$ 247	\$ 114	\$ 2,500	\$ 2,500
Receipts:										
Local sources	377,710	30,468	-	-	-	-	1,092	-	-	-
Intermediate sources	-	-	225	-	-	-	-	-	-	-
State sources	5,828	113,618	-	-	-	-	-	-	-	-
Federal sources	146,036	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	1,000	-	-	-	-
Total receipts	529,574	144,086	225	-	-	1,000	1,092	-	-	-
Disbursements:										
Current:										
Instruction	-	-	-	-	-	-	-	-	2,497	2,500
Support services	15,551	109,408	-	-	-	-	-	-	-	-
Noninstructional services	483,320	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	1,183	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	498,871	109,408	-	-	-	-	1,183	-	2,497	2,500
Excess (deficiency) of receipts over disbursements	30,703	34,678	225	-	-	1,000	(91)	-	(2,497)	(2,500)
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	30,703	34,678	225	-	-	1,000	(91)	-	(2,497)	(2,500)
Cash and investments - ending	\$ 83,232	\$ 146,605	\$ 2,450	\$ 14	\$ 28	\$ 1,007	\$ 156	\$ 114	\$ 3	\$ -

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

	Lilly School Science Grant	Covance Educational Grant	Show Pigs for Selling	2009 Lilly Life Science & Agricultural Grant	Griffith Library Endowment	NWEA Grant	High Ability Grant 2009-2010	High Ability Grant 2008-2009	Education Technology	Non-English Speaking Programs P.L. 273-1999
Cash and investments - beginning	\$ 116	\$ -	\$ -	\$ -	\$ 68	\$ -	\$ -	\$ 6,287	\$ -	\$ 775
Receipts:										
Local sources	-	1,000	951	2,501	-	7,000	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	29,605	-	104,400	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	-	1,000	951	2,501	-	7,000	29,605	-	104,400	-
Disbursements:										
Current:										
Instruction	-	-	785	699	-	-	26,330	6,287	-	-
Support services	-	-	-	-	-	-	-	-	104,400	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	785	699	-	-	26,330	6,287	104,400	-
Excess (deficiency) of receipts over disbursements	-	1,000	166	1,802	-	7,000	3,275	(6,287)	-	-
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	1,000	166	1,802	-	7,000	3,275	(6,287)	-	-
Cash and investments - ending	\$ 116	\$ 1,000	\$ 166	\$ 1,802	\$ 68	\$ 7,000	\$ 3,275	\$ -	\$ -	\$ 775

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

	Technology Grants [IC 20-40-15]	Excess PTRC Distributions	Title I 2009-2010	Title V 2007-2008	Title I Migrant	Drug Free Communities	Improving Teaching Quality, No Child Left, Title II, Part A	ITQ, Enhanced Education Through Technology, Title II, Part D	Fiscal Stabilization - Education
Cash and investments - beginning	\$ 64,150	\$ -	\$ -	\$ 500	\$ 874	\$ 979	\$ 15,809	\$ 13	\$ 313,151
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	30,707	536	-	-	29,465	-	224,088
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	30,707	536	-	-	29,465	-	224,088
Disbursements:									
Current:									
Instruction	-	-	30,707	-	-	-	7,444	-	235,772
Support services	6,145	-	-	1,036	-	345	-	-	148,055
Noninstructional services	-	-	-	-	-	-	-	-	782
Facilities acquisition and construction	49,931	-	-	-	-	-	-	-	247
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	152,383
Total disbursements	56,076	-	30,707	1,036	-	345	7,444	-	537,239
Excess (deficiency) of receipts over disbursements	(56,076)	-	-	(500)	-	(345)	22,021	-	(313,151)
Other financing sources (uses):									
Transfers in	-	29,006	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	29,006	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(56,076)	29,006	-	(500)	-	(345)	22,021	-	(313,151)
Cash and investments - ending	\$ 8,074	\$ 29,006	\$ -	\$ -	\$ 874	\$ 634	\$ 37,830	\$ 13	\$ -

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

	ARRA Special Education - Part B	ARRA Special Education - Part B - Preschool	Prepaid Food Collections - SFS	Full Day Kindergarten Deposits	Transfer Tuition	Federal Withholding Taxes	Social Security Clearing Account	State Withholding Taxes	County Tax Clearing Account
Cash and investments - beginning	\$ -	\$ -	\$ 9,953	\$ -	\$ -	\$ 73	\$ 83	\$ 12,517	\$ 3,970
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	125,005	4,192	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	379,662	2,400	200	387,673	362,186	157,024	50,093
Total receipts	125,005	4,192	379,662	2,400	200	387,673	362,186	157,024	50,093
Disbursements:									
Current:									
Instruction	117,051	-	-	-	-	-	-	-	-
Support services	-	4,192	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	373,526	-	-	387,366	362,179	157,431	50,190
Total disbursements	117,051	4,192	373,526	-	-	387,366	362,179	157,431	50,190
Excess (deficiency) of receipts over disbursements	7,954	-	6,136	2,400	200	307	7	(407)	(97)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	7,954	-	6,136	2,400	200	307	7	(407)	(97)
Cash and investments - ending	\$ 7,954	\$ -	\$ 16,089	\$ 2,400	\$ 200	\$ 380	\$ 90	\$ 12,110	\$ 3,873

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

	Teacher Retirement Clearing Account	PERF Clearing Account	Medical Insurance Deduction Account	Annuities Clearing Account	Child Support	Garnishment	Dependent Life Insurance	United Way Deductions	Fortis Disability Insurance Non-cert
Cash and investments - beginning	\$ 124	\$ 9,224	\$ 6,957	\$ 2,139	\$ 169	\$ -	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	515	35,821	95,503	60,609	14,830	1,302	87	375	456
Total receipts	515	35,821	95,503	60,609	14,830	1,302	87	375	456
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	517	36,671	94,570	59,977	14,830	1,302	74	195	417
Total disbursements	517	36,671	94,570	59,977	14,830	1,302	74	195	417
Excess (deficiency) of receipts over disbursements	(2)	(850)	933	632	-	-	13	180	39
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2)	(850)	933	632	-	-	13	180	39
Cash and investments - ending	\$ 122	\$ 8,374	\$ 7,890	\$ 2,771	\$ 169	\$ -	\$ 13	\$ 180	\$ 39

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

	American Fidelity Life Insurance	American Fidelity Disability Insurance	Medical Expense Reimbursement	Fees For Sect 125	Additional Life Insurance Premiums	Cancer Insurance American Fidelity	Retiree Medical Insurance Premium	Miscellaneous Clearing	Totals
Cash and investments - beginning	\$ 405	\$ 2,135	\$ 691	\$ (38)	\$ 68	\$ 1,308	\$ 1,698	\$ 90	\$ 1,902,936
Receipts:									
Local sources	-	-	-	-	-	-	-	-	5,355,447
Intermediate sources	-	-	-	-	-	-	-	-	225
State sources	-	-	-	-	-	-	-	-	6,271,313
Federal sources	-	-	-	-	-	-	-	-	560,029
Temporary loans	-	-	-	-	-	-	-	-	593,555
Other	1,030	3,455	24,398	153	945	18,238	38,088	414	1,664,695
Total receipts	1,030	3,455	24,398	153	945	18,238	38,088	414	14,445,264
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	-	4,087,426
Support services	-	-	-	-	-	-	-	-	3,127,761
Noninstructional services	-	-	-	-	-	-	-	-	619,385
Facilities acquisition and construction	-	-	-	-	-	-	-	-	595,239
Debt services	-	-	-	-	-	-	-	-	2,118,914
Nonprogrammed charges	1,435	5,590	17,172	67	842	19,541	41,960	306	2,158,232
Total disbursements	1,435	5,590	17,172	67	842	19,541	41,960	306	12,706,957
Excess (deficiency) of receipts over disbursements	(405)	(2,135)	7,226	86	103	(1,303)	(3,872)	108	1,738,307
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	59,480
Transfers out	-	-	-	-	-	-	-	-	(59,480)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(405)	(2,135)	7,226	86	103	(1,303)	(3,872)	108	1,738,307
Cash and investments - ending	\$ -	\$ -	\$ 7,917	\$ 48	\$ 171	\$ 5	\$ (2,174)	\$ 198	\$ 3,641,243

COMMUNITY SCHOOL CORPORATION OF EASTERN HANCOCK COUNTY  
 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	Post- Retirement/ Severance Future Benefits	Sale of Bonds Principal	School Lunch
Cash and investments - beginning	\$ 945,525	\$ 724,205	\$ 106,254	\$ 597,741	\$ 595,504	\$ 127,107	\$ 100,000	\$ -	\$ 51,846	\$ 83,232
Receipts:										
Local sources	40,934	1,144,007	170,394	901,792	815,232	73,839	-	-	2,696	396,298
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	6,187,740	-	-	-	-	-	-	-	-	5,734
Federal sources	-	-	-	-	-	-	-	-	-	128,179
Other	13,819	-	-	-	-	-	-	-	-	-
Total receipts	<u>6,242,493</u>	<u>1,144,007</u>	<u>170,394</u>	<u>901,792</u>	<u>815,232</u>	<u>73,839</u>	<u>-</u>	<u>-</u>	<u>2,696</u>	<u>530,211</u>
Disbursements:										
Current:										
Instruction	3,364,359	-	-	-	-	-	-	21,715	-	-
Support services	1,603,634	-	-	380,014	764,161	83,362	-	-	49,176	20,304
Noninstructional services	68,429	-	-	-	-	-	-	-	-	484,625
Facilities acquisition and construction	3,475	-	-	457,700	-	-	-	-	5,366	-
Debt services	-	1,152,993	188,775	257,145	244,388	-	-	-	-	-
Nonprogrammed charges	647,776	-	-	-	-	-	-	-	-	-
Total disbursements	<u>5,687,673</u>	<u>1,152,993</u>	<u>188,775</u>	<u>1,094,859</u>	<u>1,008,549</u>	<u>83,362</u>	<u>-</u>	<u>21,715</u>	<u>54,542</u>	<u>504,929</u>
Excess (deficiency) of receipts over disbursements	<u>554,820</u>	<u>(8,986)</u>	<u>(18,381)</u>	<u>(193,067)</u>	<u>(193,317)</u>	<u>(9,523)</u>	<u>-</u>	<u>(21,715)</u>	<u>(51,846)</u>	<u>25,282</u>
Other financing sources (uses):										
Sale of capital assets	763	-	-	-	-	-	-	-	-	-
Transfers in	108,216	11,443	-	8,664	21,583	1,244	-	21,715	-	-
Transfers out	(26,088)	(11,149)	-	(53,441)	-	-	-	-	-	-
Total other financing sources (uses)	<u>82,891</u>	<u>294</u>	<u>-</u>	<u>(44,777)</u>	<u>21,583</u>	<u>1,244</u>	<u>-</u>	<u>21,715</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>637,711</u>	<u>(8,692)</u>	<u>(18,381)</u>	<u>(237,844)</u>	<u>(171,734)</u>	<u>(8,279)</u>	<u>-</u>	<u>-</u>	<u>(51,846)</u>	<u>25,282</u>
Cash and investments - ending	<u>\$ 1,583,236</u>	<u>\$ 715,513</u>	<u>\$ 87,873</u>	<u>\$ 359,897</u>	<u>\$ 423,770</u>	<u>\$ 118,828</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,514</u>

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

	Textbook Rental	Educational License Plates	SAFE School Haven	Donations to Schools	Life Skills Class Donation	BSU German Grant	NASA Grant	Outdoor Lab	Safe Hire Fees
Cash and investments - beginning	\$ 146,605	\$ 2,450	\$ 14	\$ -	\$ -	\$ 28	\$ 1,007	\$ -	\$ 156
Receipts:									
Local sources	99,272	-	-	800	187	-	-	5,000	672
Intermediate sources	-	225	-	-	-	-	-	-	-
State sources	16,512	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>115,784</u>	<u>225</u>	<u>-</u>	<u>800</u>	<u>187</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>672</u>
Disbursements:									
Current:									
Instruction	-	-	-	-	134	-	-	-	-
Support services	131,004	-	-	-	-	-	-	3,797	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	2,600	-	-	-	-	380	-	700
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>131,004</u>	<u>2,600</u>	<u>-</u>	<u>-</u>	<u>134</u>	<u>-</u>	<u>380</u>	<u>3,797</u>	<u>700</u>
Excess (deficiency) of receipts over disbursements	<u>(15,220)</u>	<u>(2,375)</u>	<u>-</u>	<u>800</u>	<u>53</u>	<u>-</u>	<u>(380)</u>	<u>1,203</u>	<u>(28)</u>
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	(43,626)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(43,626)</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>(58,846)</u>	<u>(2,375)</u>	<u>-</u>	<u>800</u>	<u>53</u>	<u>-</u>	<u>(380)</u>	<u>1,203</u>	<u>(28)</u>
Cash and investments - ending	<u>\$ 87,759</u>	<u>\$ 75</u>	<u>\$ 14</u>	<u>\$ 800</u>	<u>\$ 53</u>	<u>\$ 28</u>	<u>\$ 627</u>	<u>\$ 1,203</u>	<u>\$ 128</u>

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

	Lilly PTLW Grant	Life Science Donation	Lilly School Science Grant	Covance Educational Grant	Show Pigs for Selling	2009 Lilly Life Science & Agricultural Grant	Griffith Library Endowment	NWEA Grant	High Ability Grant 2009-2010
Cash and investments - beginning	\$ 114	\$ 3	\$ 116	\$ 1,000	\$ 166	\$ 1,802	\$ 68	\$ 7,000	\$ 3,275
Receipts:									
Local sources	104	-	-	-	1,044	-	456	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	104	-	-	-	1,044	-	456	-	-
Disbursements:									
Current:									
Instruction	218	3	116	1,000	1,210	1,802	-	-	3,275
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	7,000	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	218	3	116	1,000	1,210	1,802	-	7,000	3,275
Excess (deficiency) of receipts over disbursements	(114)	(3)	(116)	(1,000)	(166)	(1,802)	456	(7,000)	(3,275)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(114)	(3)	(116)	(1,000)	(166)	(1,802)	456	(7,000)	(3,275)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 524	\$ -	\$ -

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

	High Ability Grant 2010-2011	Non-English Speaking Programs P.L. 273-1999	School Technology	Technology Grants [IC 20-40-15]	Excess PTRC Distributions	Title I 2009-2010	Title I 2010-2011	Title I Migrant	Drug Free Communities
Cash and investments - beginning	\$ -	\$ 775	\$ -	\$ 8,074	\$ 29,006	\$ -	\$ -	\$ 874	\$ 634
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	29,161	-	6,000	-	13,928	-	-	-	-
Federal sources	-	-	-	-	-	3,000	28,651	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>29,161</u>	<u>-</u>	<u>6,000</u>	<u>-</u>	<u>13,928</u>	<u>3,000</u>	<u>28,651</u>	<u>-</u>	<u>-</u>
Disbursements:									
Current:									
Instruction	23,050	-	-	-	-	3,000	23,175	-	-
Support services	-	-	-	-	-	-	5,476	-	315
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	4,000	8,074	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>23,050</u>	<u>-</u>	<u>4,000</u>	<u>8,074</u>	<u>-</u>	<u>3,000</u>	<u>28,651</u>	<u>-</u>	<u>315</u>
Excess (deficiency) of receipts over disbursements	<u>6,111</u>	<u>-</u>	<u>2,000</u>	<u>(8,074)</u>	<u>13,928</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(315)</u>
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	4,373	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(42,934)	-	-	-	-
Total other financing sources (uses)	<u>4,373</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,934)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>10,484</u>	<u>-</u>	<u>2,000</u>	<u>(8,074)</u>	<u>(29,006)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(315)</u>
Cash and investments - ending	<u>\$ 10,484</u>	<u>\$ 775</u>	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 874</u>	<u>\$ 319</u>

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

	Improving Teaching Quality, No Child Left, Title II, Part A	ITA, Enhanced Education Through Technology, Title II, Part D	ARRA Special Education - Part B	Prepaid Food Collections - SFS	Book Rental Employees	Full Day Kindergarten Deposits	Transfer Tuition	Federal Withholding Taxes	Social Security Clearing Account
Cash and investments - beginning	\$ 37,830	\$ 13	\$ 7,954	\$ 16,089	\$ -	\$ 2,400	\$ 200	\$ 380	\$ 90
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	51,625	-	-	-	-	-	-
Other	-	-	-	396,433	162	655	1,271	360,778	284,013
Total receipts	-	-	51,625	396,433	162	655	1,271	360,778	284,013
Disbursements:									
Current:									
Instruction	30,029	-	69,537	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	394,769	1,130	3,055	503	360,224	284,809
Total disbursements	30,029	-	69,537	394,769	1,130	3,055	503	360,224	284,809
Excess (deficiency) of receipts over disbursements	(30,029)	-	(17,912)	1,664	(968)	(2,400)	768	554	(796)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(30,029)	-	(17,912)	1,664	(968)	(2,400)	768	554	(796)
Cash and investments - ending	\$ 7,801	\$ 13	\$ (9,958)	\$ 17,753	\$ (968)	\$ -	\$ 968	\$ 934	\$ (706)

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

	State Withholding Taxes	County Tax Clearing Account	Teacher Retirement Clearing Account	PERF Clearing Account	Medical Insurance Deduction Account	Annuities Clearing Account	Child Support	Garnishment	Dependent Life Insurance
Cash and investments - beginning	\$ 12,110	\$ 3,873	\$ 122	\$ 8,374	\$ 7,890	\$ 2,771	\$ 169	\$ -	\$ 13
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	140,805	44,426	519	34,578	106,219	47,000	12,528	1,879	59
Total receipts	<u>140,805</u>	<u>44,426</u>	<u>519</u>	<u>34,578</u>	<u>106,219</u>	<u>47,000</u>	<u>12,528</u>	<u>1,879</u>	<u>59</u>
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	141,930	44,843	511	34,538	103,970	46,876	12,669	1,879	66
Total disbursements	<u>141,930</u>	<u>44,843</u>	<u>511</u>	<u>34,538</u>	<u>103,970</u>	<u>46,876</u>	<u>12,669</u>	<u>1,879</u>	<u>66</u>
Excess (deficiency) of receipts over disbursements	<u>(1,125)</u>	<u>(417)</u>	<u>8</u>	<u>40</u>	<u>2,249</u>	<u>124</u>	<u>(141)</u>	<u>-</u>	<u>(7)</u>
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(1,125)</u>	<u>(417)</u>	<u>8</u>	<u>40</u>	<u>2,249</u>	<u>124</u>	<u>(141)</u>	<u>-</u>	<u>(7)</u>
Cash and investments - ending	<u>\$ 10,985</u>	<u>\$ 3,456</u>	<u>\$ 130</u>	<u>\$ 8,414</u>	<u>\$ 10,139</u>	<u>\$ 2,895</u>	<u>\$ 28</u>	<u>\$ -</u>	<u>\$ 6</u>

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

	United Way Deductions	Fortis Disability Insurance Non-cert	Medical Expense Reimbursement	Fees For Sect 125	Additional Life Insurance Premiums	Cancer Insurance American Fidelity	Retiree Medical Insurance Premium	Miscellaneous Clearing	Totals
Cash and investments - beginning	\$ 180	\$ 39	\$ 7,917	\$ 48	\$ 171	\$ 5	\$ (2,174)	\$ 198	\$ 3,641,243
Receipts:									
Local sources	-	-	-	-	-	-	-	-	3,652,727
Intermediate sources	-	-	-	-	-	-	-	-	225
State sources	-	-	-	-	-	-	-	-	6,259,075
Federal sources	-	-	-	-	-	-	-	-	211,455
Other	390	472	33,387	-	763	11,259	28,882	232	1,520,529
Total receipts	390	472	33,387	-	763	11,259	28,882	232	11,644,011
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	-	3,542,623
Support services	-	-	-	-	-	-	-	-	3,041,243
Noninstructional services	-	-	-	-	-	-	-	-	553,054
Facilities acquisition and construction	-	-	-	-	-	-	-	-	489,295
Debt services	-	-	-	-	-	-	-	-	1,843,301
Nonprogrammed charges	390	393	25,123	48	863	22,632	29,151	436	2,158,584
Total disbursements	390	393	25,123	48	863	22,632	29,151	436	11,628,100
Excess (deficiency) of receipts over disbursements	-	79	8,264	(48)	(100)	(11,373)	(269)	(204)	15,911
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	763
Transfers in	-	-	-	-	-	-	-	-	177,238
Transfers out	-	-	-	-	-	-	-	-	(177,238)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	763
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	79	8,264	(48)	(100)	(11,373)	(269)	(204)	16,674
Cash and investments - ending	\$ 180	\$ 118	\$ 16,181	\$ -	\$ 71	\$ (11,368)	\$ (2,443)	\$ (6)	\$ 3,657,917

COMMUNITY SCHOOL CORPORATION OF EASTERN HANCOCK COUNTY  
 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.

<u>Primary Government</u>	<u>Ending Balance</u>
School debt:	
Capital assets, not being depreciated:	
Land	\$ 33,921
Buildings	17,146,668
Improvements other than buildings	502,349
Machinery and equipment	<u>4,253,001</u>
 Total School debt	 <u><u>\$ 21,935,939</u></u>

COMMUNITY SCHOOL CORPORATION OF EASTERN HANCOCK COUNTY  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 June 30, 2011

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
2009 Middle School	\$ 6,450,500	\$ 679,000
2007 Middle School	7,333,000	490,000
Common School Fund Loan	93,960	21,767
Bonds payable:		
General obligation bonds:		
Pension Bond	445,000	143,499
Total governmental activities debt	<u>\$ 14,322,460</u>	<u>\$ 1,334,266</u>

COMMUNITY SCHOOL CORPORATION OF EASTERN HANCOCK COUNTY  
AUDIT RESULTS AND COMMENTS

***FUND USES (Applies to Eastern Hancock Elementary School)***

Funds were disbursed from the Extra-Curricular Account General Fund in both audit years for staff related expenditures. In the 2009-2010 school year, a total of \$1,088.72 was spent for staff meals and related expenditures. This amount was 7 percent of the total expenditures for the year and 8 percent of the fund receipts. The expenditures for the 2010-2011 were \$ 1,919.35, which is 31 percent of the total expenditures and 39 percent of the total receipts for the 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 fund if the fund consists of revenues received from functions (vending machines or sales of a 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). Examples of appropriate expenditures in the past would be convocations, field trips which the entire student body has the opportunity to take during the course of the school year, etc. Our audit position has been based in part upon the substance of the transaction (the revenues are primarily from students or parents paying into vending machines, picture money, etc.). Naturally, we would not take audit exception to a public policy of a school corporation which would provide that a general fund does not exist and that money from these type of functions be used to offset the cost of the function (reduced prices of vending machine items, reduce the costs of pictures, etc.). (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

***CONDITION OF RECORDS (Applies to Eastern Hancock High School)***

The Eastern Hancock High School uses a computerized accounting system to maintain the financial records of the Extra-Curricular Activities (ECA) for the High School and the Middle School. The "Control Account Ledger (Form SA-6)" lists the payments and deposits for the month. The "Schedule of Balances (Form SA5-1)" is the ECA's fund report that list the beginning balance, receipts, expenditures, and ending balances of each fund along with a total for both receipts and expenditures. The totals of the receipts and expenditures will vary due to voided transactions during the month.

In September 2009, the receipt total listed on the SA-6 was \$1,591.45 more than the amount listed for receipts on the SA5-1. After accounting for \$793.41 of voided transactions and unrecorded back activities of a \$5.00 bank service charge and subtracting \$0.03 for a check that was written for \$65.00 but cleared for \$65.03, there is a difference of \$798.07 between the SA5-1 and the SA-6 receipt totals which cannot be accounted for. The amount of expenditures listed on the September SA5-1 was reconciled to the SA-6 using the voided transactions.

A list of outstanding checks (SA5-2) for the months of September 2009 to January 2010 was not presented for audit. As the lists were not presented the bank reconcilements for the four months could not be properly verified. Eleven outstanding checks from 2007 which were listed on the August 2009 but were not listed on the February 2010 SA5-2.

Due to the issues identified above, depository reconciliations of the fund balances to the bank account balances presented for audit were not in agreement as of May 31, 2011. The reported ledger balance at May 31, 2011, was \$772.04 more than the amount of funds in the bank. In a review of all bank reconcilements done during the audit period it was discovered that the ledger and the amount of funds in the bank had not been in agreement since August 2009.

COMMUNITY SCHOOL CORPORATION OF EASTERN HANCOCK COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

The controls over the receipting, disbursing, recording, and accounting for the financial activities: were insufficient. In reviewing the Eastern Hancock High School's ECA it was observed that there was no management oversight of the financial activities and reporting of the ECA.

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

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)

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)

***INTERNAL CONTROLS OVER CONCESSIONS (Applies to Eastern Hancock County High School)***

A review of the operating procedures that were in place during the audit period indicated that there was a lack of internal controls over the operations of the concession stands.

The concession stands did not maintain any type of inventory controls such as a beginning inventory, ending inventory or the number of items sold during an event. The concession stands also did not maintain any type of sales records. The ECA Treasurer would provide an amount of starting cash for the concession stands but the School could not provide any documentation as to the individual that it was provided to for any specific events in a lockable cash box. At the end of the event, the funds were then submitted back to the ECA Treasurer for deposit minus the starting cash. There was no supporting evidence as to how much money was collected for example, cash register receipts, sales reports, or a total of cash collected.

Subsequent to a theft of funds, the School changed procedures for the handling of the cash to include a record of the money provided for the change fund that is signed by the sponsor and the ECA Treasurer. The same form also includes a total of the amount and composition of the money received. The sponsor operating the concession stands is also keeping an inventory of the products.

Internal controls over vending operations, concessions or other sales should include, at a minimum, a regular reconciliation of the beginning inventory, purchases, distributions, items sold and ending inventory to the amount received. Any discrepancies noted should be immediately documented in writing to proper officials. The reconciliation should provide an accurate accounting. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 9)

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)

COMMUNITY SCHOOL CORPORATION OF EASTERN HANCOCK COUNTY  
 AUDIT RESULTS AND COMMENTS  
 (Continued)

***THEFT OF FUNDS (Applies to Eastern Hancock High School)***

On September 9, 2010, school officials became suspicious about missing funds at the school's concession stands. The school appropriately contacted the Hancock County Sheriff's Department to discuss their suspicions. The Hancock County Sheriff's Department began an investigation into the possible missing funds. On September 13, 2010, the ECA Treasurer identified that the collections for concessions was \$707 short. Through their investigation the Hancock County Sheriff's Department identified that Deborah L. Kramer, former Eastern Hancock High School Softball Coach, was responsible for the missing monies. On January 22, 2011, Ms. Kramer entered into a plea agreement for Cause No. 30D01-1009-FD-170 to one count of theft, a Class D Felony, with the understanding that judgment of conviction shall be entered as a Class A Misdemeanor and requires payment of restitution in the amount of \$707 and be placed on 12 months of formal probation. On February 28, 2011, the Eastern Hancock High School recorded receipt number 35005 for \$491 of restitution. The balance of \$216 is outstanding as of February 9, 2012.

Due to the lack of controls over the concessions stand inventory and collections during the audit period; we were not able to implement effective audit procedures to test if any additional monies were misappropriated during the audit period.

Internal controls over vending operations, concessions or other sales should include, at a minimum, a regular reconciliation of the beginning inventory, purchases, distributions, items sold and ending inventory to the amount received. Any discrepancies noted should be immediately documented in writing to proper officials. The reconciliation should provide an accurate accounting. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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 Extra-Curricular Accounts, Chapter 7)

**OVERDRAWN FUND BALANCES**

The cash balances of the following funds were overdrawn at the end of the school year as indicated.

Fund	2009-2010	2010-2011
Book Rental Employees	\$ -	\$ 968
Social Security Clearing Account	-	706
Cancer Insurance American Fidelity	-	11,368
Retiree Medical Insurance Premium	2,174	2,443
Miscellaneous Clearing	-	6

The remaining funds with negative balances are for federally funded programs in which the School Corporation incurs the expense and then request reimbursement from the pass-through agency.

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

COMMUNITY SCHOOL CORPORATION OF EASTERN HANCOCK COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

***AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS***

The ADM listing presented for audit for each school was not certified by a building level official (Principal, Assistant Principal, etc).

Officials should maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM.

The building level official (Principal, Assistant Principal, etc.) responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

***FILING OF 100R***

The School Corporation did not file the Certified Report of Names, Addresses, Duties and Compensation of Public Employees (100-R) within 60 days after the end of the calendar year.

Indiana Code 5-11-13-1 states in part:

"(a) . . . Every . . . school official . . . who is the head of or in charge . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents in their respective offices, departments, boards, commissions, and institutions, and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

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

Compliance

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

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

In our opinion, the School Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2010 and 2011. The results of our auditing procedures also disclosed an instance of noncompliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1.

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

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)

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.

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 2011-1 to be a material weakness.

The School Corporation's response to the findings identified in our audit is described in the accompanying Official Response and 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 9, 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.

COMMUNITY SCHOOL CORPORATION OF EASTERN HANCOCK COUNTY  
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		\$ 12,237	\$ 17,355
National School Lunch Program	10.555		<u>155,260</u>	<u>132,128</u>
Total for federal grantor agency			<u>167,497</u>	<u>149,483</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			
		09-3145	30,707	3,000
		10-3145	<u>-</u>	<u>28,651</u>
Total for cluster			<u>30,707</u>	<u>31,651</u>
Pass-Through Greenfield-Central Community School Corporation Special Education Cluster				
ARRA - Special Education - Grants to States, Recovery Act	84.391			
		FY2009-10	117,051	-
		FY2010-11	<u>-</u>	<u>69,537</u>
Total for program			<u>117,051</u>	<u>69,537</u>
ARRA - Special Education - Preschool Grants, Recovery Act	84.392			
		FY2009-10	<u>4,192</u>	-
Total for cluster			<u>121,243</u>	<u>69,537</u>
Pass-Through Indiana Department of Education State Fiscal Stabilization Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394			
		10-3145	<u>537,239</u>	-
Safe and Drug-Free Schools and Communities - State Grants	84.186			
		FY2009-10	345	-
		FY2010-11	<u>-</u>	<u>315</u>
Total for program			<u>345</u>	<u>315</u>
State Grants for Innovative Programs	84.298			
		FY2009-10	<u>1,036</u>	-
Improving Teacher Quality State Grants	84.367			
		FY2009-10	7,444	-
		FY2010-11	<u>-</u>	<u>30,029</u>
Total for program			<u>7,444</u>	<u>30,029</u>
Total for federal grantor agency			<u>698,014</u>	<u>131,532</u>
Total federal awards expended			<u>\$ 865,511</u>	<u>\$ 281,015</u>

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

COMMUNITY SCHOOL CORPORATION OF EASTERN HANCOCK COUNTY  
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 Community School Corporation of Eastern Hancock County (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	2009-2010	2010-2011
Child Nutrition Cluster	\$ 21,461	\$ 21,304



COMMUNITY SCHOOL CORPORATION OF EASTERN HANCOCK COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Section III – Federal Award Finding and Questioned Cost**

**FINDING 2011-1 - PERIOD OF AVAILABILITY**

Federal Agency: U.S. Department of Education  
Federal Program: State Fiscal Stabilization Cluster  
CFDA Number: 84.394  
Federal Award Number and Year: ARRA 10-3145  
Pass-Through Entity: Indiana Department of Education

Our review of the expenditure of grant funds indicated two instances of noncompliance with period of availability requirements.

The first instance was for payment of vocational transfer tuition to Anderson Community School Corporation. The Anderson Community School Corporation billed Eastern Hancock Community School Corporation on June 22, 2009, for transfer tuition for two students to attend vocational education classes for the full 2007-2008 school year and one student who attended from August 20, 2007 to January 11, 2008. The total amount paid was \$7,984.28.

The second instance noted was a payment made for travel between December 3, 2008 and February 4, 2009. The amount paid for obligations prior to February 7, 2009, was \$85.80.

Section 1603 of ARRA specifies that payment from the State Fiscal Stabilization Funds may be use to pay pre-award costs prior to a specific date, but no earlier than February 17, 2009.

34 CFR 80.23 states in part: "(a) Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period . . ."

The grant expenditures noted above as obligated outside of applicable period of availability are inappropriate expenditures for the grant and total \$8,070.08.

We recommended that the School Corporation contact the Indiana Department of Education to resolve the comment and follow the required procedures.

COMMUNITY SCHOOL CORPORATION OF EASTERN HANCOCK COUNTY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

*COMMUNITY SCHOOL CORPORATION OF  
EASTERN HANCOCK COUNTY  
10370 E. 250 N.  
Charlottesville, Indiana 46117  
317-936-5444*

February 3, 2012

**Corrective Action Plan**

FINDING NO. 2011-1 PERIOD OF AVAILABILITY

Federal Agency:	U.S. Department of Education
Federal Program:	Fiscal Stabilization Cluster
CFDA Number:	84.394
Federal Award Number and year:	ARRA 10-3145
Pass-through Entity:	Indiana Department of Education

It is understood that during the audit period, Community School Corporation of Eastern Hancock had three instances of noncompliance with period of availability requirements. The school district received invoices during the period of availability for expenses not in the period of availability. We understand that the school district may only pay for those allowable items which occur during the period of availability.

We have communicated this information to the appropriate employees and have placed sufficient controls to assure that it does not occur in the future.

COMMUNITY SCHOOL CORPORATION OF EASTERN HANCOCK COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on February 9, 2012, with Kimberly Payne, Treasurer; Randy Harris, Superintendent of Schools; and Scott Petry, President of the School Board.