

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

CANNELTON CITY SCHOOL CORPORATION

PERRY COUNTY, INDIANA

July 1, 2009 to June 30, 2011



FILED
08/14/2012

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Melissa B. Embry	07-01-09 to 06-30-12
Superintendent of Schools	Marion A. Chapman Dr. Alva L. Sibbitt, Jr. (Interim)	07-01-09 to 12-22-11 12-23-11 to 06-30-12
President of the School Board	William Garrett	07-01-09 to 06-30-12



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF CANNELTON CITY SCHOOL CORPORATION, PERRY COUNTY, INDIANA

We have examined the financial statement of Cannelton City School Corporation (School Corporation), for the period of July 1, 2009 to June 30, 2011. The School Corporation's management is responsible for the financial statement. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination 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 noted above is a different basis than that used in the prior year.

The School Corporation's management did not provide accurate information to the Indiana Department of Education (IDOE) in the form of its financial reports for the years examined. The financial reports are used to compile the cash basis financial statement. Therefore, an accurate financial statement was not available for audit. The cash receipts, disbursements, and balances as shown in the financial reports for the years ended June 30, 2010 and 2011, do not reconcile to the unit's corresponding bank statements.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present 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.

INDEPENDENT ACCOUNTANT'S REPORT
(Continued)

The accompanying financial statements have been prepared assuming that the School Corporation will continue as a going concern. As discussed in Note 7 to the financial statements, the School Corporation's financial condition has been in decline for several years that raise substantial doubt about its ability to continue as a going concern. The School Corporation has entered into increasing debt obligations and is materially delinquent in payment of payroll withholdings and taxes. Management's plans in regard to these matters are also described in Note 7. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the School Corporation's management, the School Board, and others within the entity 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

May 7, 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.

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CANNELTON CITY 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	\$ (541,774)	\$ 2,506,639	\$ 2,342,261	\$ (2,160)	\$ (379,556)	\$ 2,566,196	\$ 2,365,672	\$ (203,524)	\$ (382,556)
Debt Service	(10,702)	12,961	47,569	-	(45,310)	329,069	275,064	2,595	11,290
Capital Projects	(197,589)	-	88,059	-	(285,648)	13,466	272	272,182	(272)
School Transportation	(8,778)	-	74	-	(8,852)	-	-	8,852	-
School Bus Replacement	8,845	-	-	-	8,845	1,587	-	-	10,432
Special Education Preschool	3,976	-	13,871	-	(9,895)	-	-	9,895	-
Construction	-	-	-	-	-	113,815	113,815	-	-
School Lunch	84,436	131,639	132,117	-	83,958	105,713	126,237	(19,395)	44,039
Textbook Rental	10,038	1,237	7,273	-	4,002	4,444	385	-	8,061
Welborn Family / School Activities	(1,187)	-	1,160	-	(2,347)	-	-	-	(2,347)
Miscellaneous Programs	(68)	-	-	-	(68)	-	-	-	(68)
Perry County Community Foundation	836	-	-	-	836	-	-	-	836
SINE-Model School	(2,020)	-	120	-	(2,140)	-	-	-	(2,140)
Vision Athena	449	-	-	-	449	-	-	-	449
Even Start Preschool	5,500	-	-	-	5,500	-	-	-	5,500
Weyerhauser Grant	81	-	-	-	81	-	-	-	81
Technology Plan Buddy	(260)	-	-	-	(260)	-	-	-	(260)
Perry County Substance Abuse Grant	(1,268)	8,000	8,372	-	(1,640)	8,688	9,196	-	(2,148)
Gifted and Talented	30,303	26,276	9,931	-	46,648	25,880	22,581	(25,000)	24,947
Professional Development Portfolio	4,822	1,251	1,336	-	4,737	-	-	-	4,737
Professional Development Capacity	-	-	-	-	-	-	195	-	(195)
United Way of Perry County	3,126	-	68	-	3,058	-	-	-	3,058
PL 103-382 ECIA Title I	11,330	90,893	96,865	8,873	14,231	94,907	121,789	-	(12,651)
Title I	-	8,873	-	(8,873)	-	-	-	-	-
ECIA Title VI	1,214	-	-	-	1,214	-	-	-	1,214
Title V, Part A, Innovative	1,902	-	-	-	1,902	-	-	-	1,902
Drug Free Schools	814	7,643	1,381	-	7,076	-	1,015	-	6,061
Title II Eisenhower	7,775	14,983	363	-	22,395	2,140	-	(20,000)	4,535
After School Program	2,699	-	335	-	2,364	-	-	-	2,364
Tobacco Grant	635	-	167	-	468	-	-	-	468
GAP / REAP	29,324	34,131	14,973	-	48,482	16,322	23,952	(45,000)	(4,148)
Learning to Give	1,474	-	571	-	903	499	358	-	1,044
Workforce Development Grant	(13,883)	-	2,901	-	(16,784)	-	-	-	(16,784)
Class Size Reduction	1	-	-	-	1	-	-	-	1
Special Ed Technology	1,915	-	-	-	1,915	-	179	-	1,736
Math and Science Partnership	158	-	-	-	158	-	-	-	158
Improving Teaching Quality	13,671	-	2,567	-	11,104	-	1,945	-	9,159
Ed Tech Competitive Grant	378	-	-	-	378	-	-	-	378
Tech Literacy Grant	(1,324)	-	40,055	2,160	(39,219)	-	27,106	-	(66,325)
Tech Literacy II	30,000	-	-	-	30,000	-	-	-	30,000
Ed Tech II	(65,028)	-	-	-	(65,028)	-	-	-	(65,028)
Special Arts Grant	498	-	-	-	498	-	-	-	498
Fiscal Stabilization - Education (Stimulus)	179,830	53,274	233,104	-	-	-	-	-	-
Title I Grants to LEAs (Stimulus)	-	75,600	71,307	-	4,293	-	24,455	-	(20,162)
Special Ed-Part B IDEA (Stimulus)	-	57,861	63,026	-	(5,165)	16,412	13,797	-	(2,550)
Special Ed-Pt B Preschool (Stimulus)	-	918	-	-	918	-	-	-	918
School Lunch Equipment (Stimulus)	-	16,377	35,772	-	(19,395)	-	-	19,395	-
Education Jobs	-	-	-	-	-	65,044	69,307	-	(4,263)
Totals	\$ (407,851)	\$ 3,048,556	\$ 3,215,598	\$ -	\$ (574,893)	\$ 3,364,182	\$ 3,197,320	\$ -	\$ (408,031)

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

CANNELTON CITY 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.

CANNELTON CITY 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.

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.

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:

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.

CANNELTON CITY 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.

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.

CANNELTON CITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

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

CANNELTON CITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

Note 7. Financial Condition

The School Corporation's financial condition has been precarious for a number of years. At June 30, 2008, and again at June 30, 2010, sufficient funds were not in the bank account to cover all outstanding checks. At June 30, 2011, the School Corporation did not have sufficient funds to meet all current obligations such as \$512,089 in Average Daily Membership (ADM) judgments due the state and \$580,411 (excluding penalty and interest) due the Internal Revenue Service for federal withholding, FICA, and Medicare taxes. The School Corporation is in a constant struggle to meet expenses when they come due. The following items demonstrate problems with the unit's financial condition:

- A. Due to outstanding bank loans which exceeded \$1,800,000 and a need to finance renovations and upgrades to the Cannelton Junior-Senior High School, the School Corporation entered into a lease agreement with Cannelton School Building Corporation, which issued \$2,785,000 in bonds in 2009. The School Corporation has also entered into an assignment and security agreement with German American Bank which places all revenue received by the School Corporation from property tax revenues, license excise tax revenues, commercial vehicle excise tax revenues, financial institutions tax revenues, local option-property tax replacement revenues and payments-in-lieu of taxes into an escrow account. This agreement effectively is in place until all the lease payments are completed in July 2029.
- B. The School Corporation failed to remit payroll withholding, FICA (social security), and Medicare taxes for 39 out of 40 pay dates from July 15, 2008 through February 26, 2010. As of June 30, 2011, the School Corporation owed \$580,411 in back taxes (excluding any penalties and interest). (See also, Examination Result and Comment entitled "Federal and State Agencies-Compliance Requirements").

CANNELTON CITY SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENT
 (Continued)

- C. The City of Cannelton, which is the taxing district for the School Corporation, has lost approximately 34 percent of its population since 1980. Because the City has very little industry and a few small shops, the tax base consists largely of residential property. The combination of these factors has resulted in a decrease in the assessed valuation. The decrease in population has a definite impact on the amount of residential property that is occupied, which in turn, has a direct impact on the School Corporation's ability to raise property taxes to increase revenue support.
- D. The assessed valuation for the City of Cannelton, which supports the School Corporation, decreased by over 28 percent from 2002 to 2011. The maximum homestead credit for property taxes has increased from \$6,000 to approximately \$45,000 in recent years. The School Corporation's management, as well as the County Auditor, agrees that the City of Cannelton has not experienced any significant industrial or residential growth in a number of years. Management does not foresee significant growth in the near future.
- E. Although the School Corporation's enrollment has fluctuated in the last several years, it has seen approximately a 25 percent reduction over the last 20 years. Due to the declining population in the area, any significant sustained enrollment increase has to be considered unlikely. Therefore, tuition support received from the state should remain somewhat stagnant.
- F. The School Corporation owes \$512,089 for Average Daily Membership (ADM) enrollment for reporting errors made dating back to the 2003-04 school year.

As of the date of this report, management has hired an interim Superintendent, Dr. Alva L. Sibbitt, Jr. Dr. Sibbitt has prepared a specific plan to reduce expenditures by more than \$600,000 by the end of calendar year 2013 in an effort to deal with the financial condition described above.

Note 8. Cash and Investment Balance Deficits

At June 30, 2010 and 2011, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2010	2011
General	\$ (379,556)	\$ (382,556)
Debt Service	(45,310)	-
Capital Projects	(285,648)	(272)
School Transportation	(8,852)	-
Special Education Preschool	(9,895)	-
Welborn Family/School Activities	(2,347)	(2,347)
Miscellaneous Programs	(68)	(68)
SINE-Model School	(2,140)	(2,140)
Technology Plan Buddy	(260)	(260)
Perry County Substance Abuse Grant	(1,640)	(2,148)
Professional Development Capacity	-	(195)
GAP/REAP	-	(4,148)
Workforce Development Grant	(16,784)	(16,784)
Tech Literacy Grant	(39,219)	(66,325)
Ed Tech II	(65,028)	(65,028)

CANNELTON CITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

The PL 103-382 ECIA Title I Fund, Title I Grants to LEAs (Stimulus) Fund, Special Ed-Part B IDEA (Stimulus) Fund, Special Ed-Pt B Preschool (Stimulus) Fund, School Lunch Equipment (Stimulus) Fund and Education Jobs Fund are not included above because these funds are reimbursement grants and they normally carry a negative balance, but eventually at the end of each grant the negative balance is covered by the reimbursements.

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

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 examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

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

CANNELTON CITY 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	Capital Projects	School Transportation	School Bus Replacement	Special Education Preschool	Construction	School Lunch	Textbook Rental	Welborn Family/ School Activities
Cash and investments - beginning	\$ (541,774)	\$ (10,702)	\$ (197,589)	\$ (8,778)	\$ 8,845	\$ 3,976	\$ -	\$ 84,436	\$ 10,038	\$ (1,187)
Receipts:										
Local sources	384,826	12,961	-	-	-	-	-	-	-	-
Intermediate sources	504	-	-	-	-	-	-	-	-	-
State sources	2,121,309	-	-	-	-	-	-	586	1,237	-
Federal sources	-	-	-	-	-	-	-	131,053	-	-
Total receipts	<u>2,506,639</u>	<u>12,961</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,639</u>	<u>1,237</u>	<u>-</u>
Disbursements:										
Current:										
Instruction	1,387,187	-	17,958	-	-	13,871	-	-	6,748	1,160
Support services	844,929	-	53,110	74	-	-	-	-	525	-
Noninstructional services	29,589	-	-	-	-	-	-	132,117	-	-
Facilities acquisition and construction	16,855	-	16,991	-	-	-	-	-	-	-
Debt services	-	47,569	-	-	-	-	-	-	-	-
Nonprogrammed charges	63,701	-	-	-	-	-	-	-	-	-
Total disbursements	<u>2,342,261</u>	<u>47,569</u>	<u>88,059</u>	<u>74</u>	<u>-</u>	<u>13,871</u>	<u>-</u>	<u>132,117</u>	<u>7,273</u>	<u>1,160</u>
Excess (deficiency) of receipts over disbursements	<u>164,378</u>	<u>(34,608)</u>	<u>(88,059)</u>	<u>(74)</u>	<u>-</u>	<u>(13,871)</u>	<u>-</u>	<u>(478)</u>	<u>(6,036)</u>	<u>(1,160)</u>
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	(2,160)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(2,160)</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>162,218</u>	<u>(34,608)</u>	<u>(88,059)</u>	<u>(74)</u>	<u>-</u>	<u>(13,871)</u>	<u>-</u>	<u>(478)</u>	<u>(6,036)</u>	<u>(1,160)</u>
Cash and investments - ending	<u>\$ (379,556)</u>	<u>\$ (45,310)</u>	<u>\$ (285,648)</u>	<u>\$ (8,852)</u>	<u>\$ 8,845</u>	<u>\$ (9,895)</u>	<u>\$ -</u>	<u>\$ 83,958</u>	<u>\$ 4,002</u>	<u>\$ (2,347)</u>

CANNELTON CITY 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)

	Miscellaneous Programs	Perry County Community Foundation	SINE- Model School	Vision Athena	Even Start Preschool	Weyerhauser Grant	Technology Plan Buddy	Perry County Substance Abuse Grant	Gifted and Talented	Professional Development Portfolio
Cash and investments - beginning	\$ (68)	\$ 836	\$ (2,020)	\$ 449	\$ 5,500	\$ 81	\$ (260)	\$ (1,268)	\$ 30,303	\$ 4,822
Receipts:										
Local sources	-	-	-	-	-	-	-	8,000	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	26,276	1,251
Federal sources	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-	-	8,000	26,276	1,251
Disbursements:										
Current:										
Instruction	-	-	-	-	-	-	-	8,372	9,931	1,336
Support services	-	-	120	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	120	-	-	-	-	8,372	9,931	1,336
Excess (deficiency) of receipts over disbursements	-	-	(120)	-	-	-	-	(372)	16,345	(85)
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	-	-	(120)	-	-	-	-	(372)	16,345	(85)
Cash and investments - ending	\$ (68)	\$ 836	\$ (2,140)	\$ 449	\$ 5,500	\$ 81	\$ (260)	\$ (1,640)	\$ 46,648	\$ 4,737

CANNELTON CITY 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)

	Professional Development Capacity	United Way of Perry County	PL 103-382 ECIA Title I	Title I	ECIA Title VI	Title V, Part A, Innovative	Drug Free Schools	Title II Eisenhower	After School Program	Tobacco Grant
Cash and investments - beginning	\$ -	\$ 3,126	\$ 11,330	\$ -	\$ 1,214	\$ 1,902	\$ 814	\$ 7,775	\$ 2,699	\$ 635
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	90,893	8,873	-	-	7,643	14,983	-	-
Total receipts	-	-	90,893	8,873	-	-	7,643	14,983	-	-
Disbursements:										
Current:										
Instruction	-	68	96,865	-	-	-	1,381	363	335	167
Support services	-	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	68	96,865	-	-	-	1,381	363	335	167
Excess (deficiency) of receipts over disbursements	-	(68)	(5,972)	8,873	-	-	6,262	14,620	(335)	(167)
Other financing sources (uses):										
Transfers in	-	-	8,873	-	-	-	-	-	-	-
Transfers out	-	-	-	(8,873)	-	-	-	-	-	-
Total other financing sources (uses)	-	-	8,873	(8,873)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(68)	2,901	-	-	-	6,262	14,620	(335)	(167)
Cash and investments - ending	\$ -	\$ 3,058	\$ 14,231	\$ -	\$ 1,214	\$ 1,902	\$ 7,076	\$ 22,395	\$ 2,364	\$ 468

CANNELTON CITY 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)

	GAP/ REAP	Learning to Give	Workforce Development Grant	Class Size Reduction	Special Ed Technology	Math and Science Partnership	Improving Teaching Quality	Ed Tech Competitive Grant	Tech Literacy Grant	Tech Literacy II
Cash and investments - beginning	\$ 29,324	\$ 1,474	\$ (13,883)	\$ 1	\$ 1,915	\$ 158	\$ 13,671	\$ 378	\$ (1,324)	\$ 30,000
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	34,131	-	-	-	-	-	-	-	-	-
Total receipts	34,131	-	-	-	-	-	-	-	-	-
Disbursements:										
Current:										
Instruction	4,065	571	2,901	-	-	-	2,452	-	-	-
Support services	10,908	-	-	-	-	-	115	-	40,055	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	14,973	571	2,901	-	-	-	2,567	-	40,055	-
Excess (deficiency) of receipts over disbursements	19,158	(571)	(2,901)	-	-	-	(2,567)	-	(40,055)	-
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	2,160	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	2,160	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	19,158	(571)	(2,901)	-	-	-	(2,567)	-	(37,895)	-
Cash and investments - ending	\$ 48,482	\$ 903	\$ (16,784)	\$ 1	\$ 1,915	\$ 158	\$ 11,104	\$ 378	\$ (39,219)	\$ 30,000

CANNELTON CITY 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)

	Ed Tech II	Special Arts Grant	Fiscal Stabilization - Education (Stimulus)	Title I Grants to LEAs (Stimulus)	Special Ed - Part B IDEA (Stimulus)	Special Ed - Pt B Preschool (Stimulus)	School Lunch Equipment (Stimulus)	Education Jobs	Totals
Cash and investments - beginning	\$ (65,028)	\$ 498	\$ 179,830	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (407,851)
Receipts:									
Local sources	-	-	-	-	-	-	16,377	-	422,164
Intermediate sources	-	-	-	-	-	-	-	-	504
State sources	-	-	-	-	57,861	918	-	-	2,209,438
Federal sources	-	-	53,274	75,600	-	-	-	-	416,450
Total receipts	-	-	53,274	75,600	57,861	918	16,377	-	3,048,556
Disbursements:									
Current:									
Instruction	-	-	143,641	71,307	63,026	-	-	-	1,833,705
Support services	-	-	89,463	-	-	-	-	-	1,039,299
Noninstructional services	-	-	-	-	-	-	-	-	161,706
Facilities acquisition and construction	-	-	-	-	-	-	35,772	-	69,618
Debt services	-	-	-	-	-	-	-	-	47,569
Nonprogrammed charges	-	-	-	-	-	-	-	-	63,701
Total disbursements	-	-	233,104	71,307	63,026	-	35,772	-	3,215,598
Excess (deficiency) of receipts over disbursements	-	-	(179,830)	4,293	(5,165)	918	(19,395)	-	(167,042)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	11,033
Transfers out	-	-	-	-	-	-	-	-	(11,033)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(179,830)	4,293	(5,165)	918	(19,395)	-	(167,042)
Cash and investments - ending	\$ (65,028)	\$ 498	\$ -	\$ 4,293	\$ (5,165)	\$ 918	\$ (19,395)	\$ -	\$ (574,893)

CANNELTON CITY 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	Capital Projects	School Transportation	School Bus Replacement	Special Education Preschool	Construction	School Lunch	Textbook Rental	Welborn Family/ School Activities
Cash and investments - beginning	\$ (379,556)	\$ (45,310)	\$ (285,648)	\$ (8,852)	\$ 8,845	\$ (9,895)	\$ -	\$ 83,958	\$ 4,002	\$ (2,347)
Receipts:										
Local sources	418,462	329,069	13,466	-	1,587	-	758	-	-	-
Intermediate sources	55	-	-	-	-	-	-	-	-	-
State sources	2,129,694	-	-	-	-	-	-	524	4,444	-
Federal sources	-	-	-	-	-	-	-	105,189	-	-
Temporary loans	-	-	-	-	-	-	113,057	-	-	-
Other	17,985	-	-	-	-	-	-	-	-	-
Total receipts	2,566,196	329,069	13,466	-	1,587	-	113,815	105,713	4,444	-
Disbursements:										
Current:										
Instruction	1,396,804	-	-	-	-	-	-	-	-	-
Support services	865,599	-	272	-	-	-	-	-	385	-
Noninstructional services	31,572	-	-	-	-	-	-	126,237	-	-
Facilities acquisition and construction	23,510	-	-	-	-	-	113,815	-	-	-
Debt services	5,652	275,064	-	-	-	-	-	-	-	-
Nonprogrammed charges	42,535	-	-	-	-	-	-	-	-	-
Total disbursements	2,365,672	275,064	272	-	-	-	113,815	126,237	385	-
	18,974									
Excess (deficiency) of receipts over disbursements	200,524	54,005	13,194	-	1,587	-	-	(20,524)	4,059	-
Other financing sources (uses):										
Transfers in	90,000	2,595	272,182	8,852	-	9,895	-	-	-	-
Transfers out	(293,524)	-	-	-	-	-	-	(19,395)	-	-
Total other financing sources (uses)	(203,524)	2,595	272,182	8,852	-	9,895	-	(19,395)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,000)	56,600	285,376	8,852	1,587	9,895	-	(39,919)	4,059	-
Cash and investments - ending	\$ (382,556)	\$ 11,290	\$ (272)	\$ -	\$ 10,432	\$ -	\$ -	\$ 44,039	\$ 8,061	\$ (2,347)

CANNELTON CITY 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)

	Miscellaneous Programs	Perry County Community Foundation	SINE- Model School	Vision Athena	Even Start Preschool	Weyerhaeuser Grant	Technology Plan Buddy	Perry County Substance Abuse Grant	Gifted and Talented	Professional Development Portfolio
Cash and investments - beginning	\$ (68)	\$ 836	\$ (2,140)	\$ 449	\$ 5,500	\$ 81	\$ (260)	\$ (1,640)	\$ 46,648	\$ 4,737
Receipts:										
Local sources	-	-	-	-	-	-	-	8,688	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	25,880	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-	-	8,688	25,880	-
Disbursements:										
Current:										
Instruction	-	-	-	-	-	-	-	9,196	22,581	-
Support services	-	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	-	-	9,196	22,581	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-	-	(508)	3,299	-
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	(25,000)	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	(25,000)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	-	-	-	(508)	(21,701)	-
Cash and investments - ending	\$ (68)	\$ 836	\$ (2,140)	\$ 449	\$ 5,500	\$ 81	\$ (260)	\$ (2,148)	\$ 24,947	\$ 4,737

CANNELTON CITY 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)

	Professional Development Capacity	United Way of Perry County	PL 103-382 ECIA Title I	Title I	ECIA Title VI	Title V, Part A, Innovative	Drug Free Schools	Title II Eisenhower	After School Program	Tobacco Grant
Cash and investments - beginning	\$ -	\$ 3,058	\$ 14,231	\$ -	\$ 1,214	\$ 1,902	\$ 7,076	\$ 22,395	\$ 2,364	\$ 468
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	94,907	-	-	-	-	2,140	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	94,907	-	-	-	-	2,140	-	-
Disbursements:										
Current:										
Instruction	45	-	121,789	-	-	-	1,015	-	-	-
Support services	150	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	195	-	121,789	-	-	-	1,015	-	-	-
Excess (deficiency) of receipts over disbursements	(195)	-	(26,882)	-	-	-	(1,015)	2,140	-	-
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(20,000)	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	(20,000)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(195)	-	(26,882)	-	-	-	(1,015)	(17,860)	-	-
Cash and investments - ending	\$ (195)	\$ 3,058	\$ (12,651)	\$ -	\$ 1,214	\$ 1,902	\$ 6,061	\$ 4,535	\$ 2,364	\$ 468

CANNELTON CITY 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)

	GAP/ REAP	Learning to Give	Workforce Development Grant	Class Size Reduction	Special Ed Technology	Math and Science Partnership	Improving Teaching Quality	Ed Tech Competitive Grant	Tech Literacy Grant	Tech Literacy II
Cash and investments - beginning	\$ 48,482	\$ 903	\$ (16,784)	\$ 1	\$ 1,915	\$ 158	\$ 11,104	\$ 378	\$ (39,219)	\$ 30,000
Receipts:										
Local sources	-	499	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	16,322	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	16,322	499	-	-	-	-	-	-	-	-
Disbursements:										
Current:										
Instruction	-	358	-	-	179	-	1,945	-	-	-
Support services	23,952	-	-	-	-	-	-	-	27,106	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	23,952	358	-	-	179	-	1,945	-	27,106	-
Excess (deficiency) of receipts over disbursements	(7,630)	141	-	-	(179)	-	(1,945)	-	(27,106)	-
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	(45,000)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(45,000)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(52,630)	141	-	-	(179)	-	(1,945)	-	(27,106)	-
Cash and investments - ending	\$ (4,148)	\$ 1,044	\$ (16,784)	\$ 1	\$ 1,736	\$ 158	\$ 9,159	\$ 378	\$ (66,325)	\$ 30,000

CANNELTON CITY 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)

	Ed Tech II	Special Arts Grant	Fiscal Stabilization - Education (Stimulus)	Title I Grants to LEAs (Stimulus)	Special Ed - Part B IDEA (Stimulus)	Special Ed - Pt B Preschool (Stimulus)	School Lunch Equipment (Stimulus)	Education Jobs	Totals
Cash and investments - beginning	\$ (65,028)	\$ 498	\$ -	\$ 4,293	\$ (5,165)	\$ 918	\$ (19,395)	\$ -	\$ (574,893)
Receipts:									
Local sources	-	-	-	-	-	-	-	-	772,529
Intermediate sources	-	-	-	-	-	-	-	-	55
State sources	-	-	-	-	16,412	-	-	-	2,176,954
Federal sources	-	-	-	-	-	-	-	65,044	283,602
Temporary loans	-	-	-	-	-	-	-	-	113,057
Other	-	-	-	-	-	-	-	-	17,985
Total receipts	-	-	-	-	16,412	-	-	65,044	3,364,182
Disbursements:									
Current:									
Instruction	-	-	-	24,455	13,797	-	-	69,307	1,661,471
Support services	-	-	-	-	-	-	-	-	917,464
Noninstructional services	-	-	-	-	-	-	-	-	157,809
Facilities acquisition and construction	-	-	-	-	-	-	-	-	137,325
Debt services	-	-	-	-	-	-	-	-	280,716
Nonprogrammed charges	-	-	-	-	-	-	-	-	42,535
Total disbursements	-	-	-	24,455	13,797	-	-	69,307	3,197,320
Excess (deficiency) of receipts over disbursements	-	-	-	(24,455)	2,615	-	-	(4,263)	166,862
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	19,395	-	402,919
Transfers out	-	-	-	-	-	-	-	-	(402,919)
Total other financing sources (uses)	-	-	-	-	-	-	19,395	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(24,455)	2,615	-	19,395	(4,263)	166,862
Cash and investments - ending	\$ (65,028)	\$ 498	\$ -	\$ (20,162)	\$ (2,550)	\$ 918	\$ -	\$ (4,263)	\$ (408,031)

CANNELTON CITY SCHOOL CORPORATION
OTHER REPORT

The report presented herein was prepared in addition to another official report prepared for the individual School Corporation office listed below:

Superintendent's Office

CANNELTON CITY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS

FINANCIAL CONDITION

The balances and additional items during the examination period which could have an effect on the School Corporation's General Fund are summarized as follows:

	06-30-09	06-30-10	06-30-11
General Fund Cash Balance, End of Period	\$ (541,774)	\$ (379,556)	\$ (382,556)
Additional Items:			
ADM Judgments (1)	(548,093)	(548,093)	(512,089)
Federal Withholding, FICA, and Medicare Taxes Due (2)	(450,946)	(625,411)	(580,411)
Other Outstanding Debt Service Requirements	(5,118,440)	(4,944,442)	(4,673,391)

1. ADM Judgments as specified in February 14, 2008, September 15, 2008, and September 30, 2010, letters from Indiana Department of Education.
2. Does not include any penalty or interest that may be applied.

Please refer to Notes to the Financial Statements, Note 7, Financial Condition. Also refer to any of the following Examination Results and Comments concerning Average Daily Membership (ADM).

Furthermore, normal operating transactions which could have a material effect on the General Fund are not listed in the aforementioned schedule. Monthly gross payroll (paid on a semi-monthly basis) in 2011 averaged approximately \$145,000. Monthly tuition support for 2011 averaged approximately \$172,000. The School Corporation owed \$512,089 in ADM judgments and \$580,411 (excluding penalty and interest) to the Internal Revenue Service. The City of Cannelton, which is the taxing district for the School Corporation, has lost approximately 34 percent of its population since 1980. The assessed valuation for the City of Cannelton has decreased by over 28 percent from 2002 to 2011. Although the School Corporation's enrollment has fluctuated over the last 4 years, it has seen an approximate 25 percent reduction over the last 20 years. These existing conditions present substantial doubt as to the ability of the Cannelton City School Corporation to continue operations. A similar comment was included in several prior reports.

The cash 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)

FINANCIAL REPORT OPINION MODIFICATION

The School Corporation's management did not provide accurate information to the Indiana Department of Education (IDOE) in the form of its financial reports for the years examined. The cash receipts, disbursements, and balances as shown in the financial reports for the years ended June 30, 2010 and 2011, do not reconcile to the unit's corresponding bank statements. Prior Report B37359 noted that the School Corporation failed to remit payroll withholding, FICA (Social Security), and Medicare taxes for 39 out of 40 pay dates from July 15, 2008 through February 26, 2010. As of June 30, 2011, the School Corporation owed \$580,411 in back taxes (excluding any penalty or interest that may be applied by the Internal Revenue Service).

CANNELTON CITY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

Due to the aforementioned items, an adverse opinion has been issued on the financial statement. The Independent Accountant's Report also includes an explanatory paragraph concerning the School Corporation's ability to continue to operate. The paragraph highlights the nonpayment of payroll withholdings and the School Corporation's inability to pay current expenses. A similar comment was included in the prior report.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

Prior Report B37359 noted that the School Corporation did not comply with directives of the Internal Revenue Service by not remitting federal withholding tax, FICA (Social Security), and Medicare taxes for 39 out of 40 pay dates from July 15, 2008 through February 26, 2010. The report further stated that the amount owed at February 26, 2010, for these back taxes (excluding penalty and interest) totaled \$733,508. As of April 27, 2012, the School Corporation owed \$676,404 (including penalty and interest) to the Internal Revenue Service. The School Corporation also failed to report all compensation paid to former Superintendent Marion A. Chapman for the years 2005 through 2010. A similar comment was included in the prior report.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

CANNELTON CITY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

PRE-SIGNING DOCUMENTS

The outstanding check list at June 30, 2011, included \$202,835.28 in checks that had been approved by the School Board but were being held because there were insufficient funds in the unit's bank account to cover these disbursements. The Treasurer stated that checks had been written in advance so as to be presented on the docket of the board meeting and be written in a timely manner with the corresponding invoices. However, these checks were being held until sufficient funds were available in the bank account. The amount of held checks had been reduced to \$85,004.81 by December 31, 2011. The School Corporation was able to reduce the amount of held checks by using the principal from the Dorothy von Solbrig Income Trust. (See Supplemental Report of Superintendent's Office comment entitled "Dorothy von Solbrig Income Trust.")

Checks and receipts should be prepared timely and not signed in advance of the event or transaction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

AVERAGE DAILY MEMBERSHIP (ADM) - AMOUNT DUE THE STATE 2003-2005

The report covering the period July 1, 2003 to June 30, 2005, Report B26926, noted a difference between the student count reported for Average Daily Membership and the verified enrollment rosters resulting in an overreporting of 16 students for the 2003-2004 school year and an underreporting of one student for the 2004-2005 school year.

The Department of Education notified the School Corporation by letter dated February 14, 2008, of the recalculation of the Basic Grant based upon the State Board of Accounts audit and subsequent corrected counts for average daily membership which resulted in the School Corporation being required to refund a total of \$544,709. The Department has notified the School Corporation by letter dated September 30, 2010, that the required refund has been lowered to \$512,079. A similar comment was included in several prior reports.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

AVERAGE DAILY MEMBERSHIP (ADM) - AMOUNT DUE THE STATE 2005-2006

The report covering the period July 1, 2005 to June 30, 2007, Report B31777, noted a difference between the student count reported for Average Daily Membership and the verified enrollment rosters resulting in an underreporting of four students for the 2005-2006 school year.

CANNELTON CITY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

The Department of Education notified the School Corporation by letter dated September 15, 2008, of the recalculation of the Basic Grant based upon the State Board of Accounts audit and subsequent corrected counts for average daily membership which resulted in the School Corporation being required to refund a total of \$3,384. The Department of Education has subsequently lowered the required refund to \$10. A similar comment was included in several prior reports.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

CONDITION OF RECORDS

The School Corporation Biannual Financial Reports (Form 9) filed with the Department of Education (DOE) were incomplete and not reflective of the activity of all funds. The ending fund balances of the financial reports filed with DOE do not agree to the ending balances of the School Corporation's Fund Reports for the fiscal years ended June 30, 2010 and 2011. The cash receipts, disbursements, and balances as shown in the financial reports for the years ended June 30, 2010 and 2011, do not reconcile to the School Corporation's corresponding bank statements. This situation indicates that an internal control deficiency exists. A similar comment was included in the prior report.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

INTERNAL CONTROLS

There are several funds with large negative cash balances at June 30, 2010 and 2011, (See comment entitled "Overdrawn Fund Balances") and the payroll withholding accounts are not being reconciled monthly. A similar comment was included in the prior report.

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

OVERDRAWN FUND BALANCES

The balances of the General Fund, Debt Service Fund, Capital Projects Fund, School Transportation Fund, Special Education Preschool Fund, Welborn Family/School Activities Fund, Miscellaneous Programs Fund, SINE-Model School Fund, Technology Plan Buddy Fund, Perry County Substance Abuse Grant Fund, Workforce Development Grant Fund, Tech Literacy Grant Fund and Ed Tech II Fund were overdrawn at June 30, 2010. The balances of the General Fund, Capital Projects Fund, Welborn Family/School Activities Fund,

CANNELTON CITY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

Miscellaneous Programs Fund, and SINE-Model School Fund, Technology Plan Buddy Fund, Perry County Substance Abuse Grant Fund, Professional Development Capacity Fund, GAP/REAP Fund, Workforce Development Grant Fund, Tech Literacy Grant Fund and Ed Tech II Fund were overdrawn at June 30, 2011. A similar comment was included in several prior reports.

The PL 103-382 ECIA Title I Fund, Title I Grants to LEAs (Stimulus) Fund, Special Ed-Part B IDEA (Stimulus) Fund, Special Ed-Pt B Preschool (Stimulus) Fund, School Lunch Equipment (Stimulus) Fund and Education Jobs Fund are not included above because these funds are reimbursement grants and they normally carry a negative balance, but eventually at the end of each grant the negative balance is covered by the reimbursements.

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

APPROPRIATIONS

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

Fund	Years	Excess Amount Expended
General	2009	\$ 459,620
General	2010	749,112
Capital Projects	2009	84,950
Capital Projects	2010	16,991
School Transportation	2009	75
School Bus Replacement	2009	3,000
Special Education Preschool	2009	1,418
Special Education Preschool	2010	7,108
Construction	2010	113,815

A similar comment was included in several prior reports.

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."

OPTICAL IMAGES OF CHECKS

Fifth Third Bank did not return the actual cancelled checks with the monthly bank statements, but instead returned an optical image of only the front side of the checks. German American Bank did not return the actual cancelled checks with the monthly bank statements and had discontinued returning an optical image of the front and the back side of the checks.

CANNELTON CITY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 5-15-6-3(a) concerning optical imaging of checks states in part:

". . . 'original records' includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

Furthermore, Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and
 - (2) remains accessible for later reference. . . .
- (e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

CAPITAL ASSET RECORDS

Information presented for examination did not indicate an inventory or record of capital assets. A similar comment was included in several prior reports.

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

PRESCRIBED FORM

The following prescribed or approved form was not always in use:

Payroll Schedule and Voucher (Form 99)

A similar comment was included in the prior report.

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 Indiana Public School Corporations, Chapter 9)

CANNELTON CITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on May 7, 2012, with Dr. Alva L. Sibbitt, Jr., Interim Superintendent of Schools; Melissa B. Embry, Treasurer; William Garrett, President of the School Board; and Cory Faulkenberg, Vice President of the School Board. The officials concurred with our findings.

A certified letter was mailed to former Superintendent of Schools Marion A. Chapman inviting him to the exit conference, but he did not attend.