

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

SOUTH HENRY SCHOOL CORPORATION

HENRY COUNTY, INDIANA

July 1, 2010 to June 30, 2012



FILED
02/15/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Emily Cupp Amy Milner	07-01-10 to 06-30-11 07-01-11 to 06-30-13
Superintendent of Schools	Candis Haskell Phillip Wray (Interim) Wesley A. Hammond	07-01-10 to 06-30-11 07-01-11 to 07-31-11 08-01-11 to 07-31-14
President of the School Board	Scott Lightfoot Amy Miller	07-01-10 to 12-31-12 01-01-13 to 12-31-13



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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statement of the South Henry School Corporation (School Corporation), for the period of July 1, 2010 to June 30, 2012. 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 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 effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The basis noted above is a different basis than that used in the prior period.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2010 to June 30, 2012.

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 period of July 1, 2010 to June 30, 2012, on the basis of accounting described in Note 1.

Our examination 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 Long-Term Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts 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.

STATE BOARD OF ACCOUNTS

January 17, 2013

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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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SOUTH HENRY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2011 and 2012

	Cash and Investments 07-01-10	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12
General	\$ 582,625	\$ 5,133,846	\$ 5,395,027	\$ (165,678)	\$ 155,766	\$ 4,952,034	\$ 4,915,433	\$ -	\$ 192,367
Debt Service	499,803	626,550	695,084	-	431,269	743,132	682,942	-	491,459
Retirement/Severance Bond Debt Service	64,065	57,608	79,415	-	42,258	82,079	77,212	-	47,125
Capital Projects	311,729	736,955	780,937	-	267,747	624,962	639,443	-	253,266
School Transportation	352,002	484,487	607,737	-	228,752	484,478	444,000	-	269,230
School Bus Replacement	302,573	611,066	129,656	(400,000)	383,983	292,164	-	(400,000)	276,147
Rainy Day	-	-	153,303	565,678	412,375	-	-	400,000	812,375
Retirement/Severance Bond	57,003	-	1,777	-	55,226	-	28,567	-	26,659
School Lunch	66,990	334,218	373,717	12,073	39,564	376,276	351,982	3,710	67,568
Textbook Rental	34,051	90,548	69,281	-	55,318	78,116	114,068	-	19,366
Levy Excess	-	8,050	-	-	8,050	-	-	-	8,050
Educational License Plates	2,531	95	185	-	2,441	113	2,045	-	509
SAFE School Haven	4,141	13,686	12,906	-	4,921	11,216	23,979	-	(7,842)
Miscellaneous Programs	-	-	-	-	-	-	-	2,000	2,000
Henry County Community Foundation	1,200	2,452	1,200	-	2,452	-	1,552	-	900
Athletics	(356)	15,832	13,656	-	1,820	12,151	13,611	-	360
Commission for Higher Education	-	-	-	-	-	1,000	160	-	840
Non-English Speaking Programs P.L. 273-1999	-	81,628	79,219	-	2,409	-	1,799	-	610
School Technology	-	3,084	-	-	3,084	4,932	-	-	8,016
Construction, Remodeling, and Equipping Buildings	137	-	-	-	137	-	-	-	137
High Ability Grant	1,587	28,136	26,104	-	3,619	27,806	26,959	-	4,466
Title I 2010-2011	-	55,234	69,887	-	(14,653)	101,528	95,588	-	(8,713)
Title I 2009--2010	4,055	148	4,203	-	-	-	-	-	-
Title II - Dwight D. Eisenhower - Science and Math Technology Grants	2,000	-	-	-	2,000	-	2,000	-	-
Contributions and Donations	-	-	-	-	-	4,231	2,231	(2,000)	-
Improving Teaching Quality, No Child Left, Title II, Part A 2011-2012	(484)	-	(484)	-	-	4,530	5,430	-	(900)
Improving Teaching Quality, No Child Left, Title II, Part A 2010-2011	11,295	-	20,244	-	(8,949)	34,886	25,937	-	-
Title III, Language Instruction	-	-	-	-	-	317	-	-	317
ARRA - Title I - Grants to LEAs	2,487	-	2,487	-	-	-	-	-	-
Education Jobs	-	15,287	39,230	-	(23,943)	107,739	96,720	-	(12,924)
Payroll Withholdings	28,082	1,254,236	1,230,030	-	52,288	1,222,420	1,200,987	-	73,721
Totals	\$ 2,327,516	\$ 9,553,146	\$ 9,784,801	\$ 12,073	\$ 2,107,934	\$ 9,166,110	\$ 8,752,645	\$ 3,710	\$ 2,525,109

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

SOUTH HENRY 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.

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. Receipts are recorded when received and disbursements are recorded when paid.

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 include distributions from the State of Indiana and are 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.

SOUTH HENRY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Federal sources include distributions from the federal government and are 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.

Non-instructional 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.

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

F. Other Financing Sources and Uses

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

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

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

SOUTH HENRY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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 or highway use taxes are received 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.

SOUTH HENRY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 5. Risk Management

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

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

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.

SOUTH HENRY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teacher's Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

SUPPLEMENTARY INFORMATION – UNAUDITED

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

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the 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.

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

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day
Cash and investments - beginning	\$ 582,625	\$ 499,803	\$ 64,065	\$ 311,729	\$ 352,002	\$ 302,573	\$ -
Receipts:							
Local sources	28,801	626,550	57,608	502,151	435,408	611,066	-
Intermediate sources	-	-	-	-	-	-	-
State sources	5,104,934	-	-	-	-	-	-
Federal sources	111	-	-	-	-	-	-
Temporary loans	-	-	-	234,804	45,318	-	-
Other	-	-	-	-	3,761	-	-
Total receipts	<u>5,133,846</u>	<u>626,550</u>	<u>57,608</u>	<u>736,955</u>	<u>484,487</u>	<u>611,066</u>	<u>-</u>
Disbursements:							
Current:							
Instruction	3,735,510	-	-	-	-	-	-
Support services	1,498,180	-	-	365,550	442,625	129,656	-
Noninstructional services	161,337	-	-	-	-	-	153,303
Facilities acquisition and construction	-	-	-	182,732	-	-	-
Debt services	-	695,084	79,415	232,655	165,112	-	-
Other	-	-	-	-	-	-	-
Total disbursements	<u>5,395,027</u>	<u>695,084</u>	<u>79,415</u>	<u>780,937</u>	<u>607,737</u>	<u>129,656</u>	<u>153,303</u>
Excess (deficiency) of receipts over disbursements	<u>(261,181)</u>	<u>(68,534)</u>	<u>(21,807)</u>	<u>(43,982)</u>	<u>(123,250)</u>	<u>481,410</u>	<u>(153,303)</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	565,678
Transfers out	(165,678)	-	-	-	-	(400,000)	-
Total other financing sources (uses)	<u>(165,678)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(400,000)</u>	<u>565,678</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(426,859)</u>	<u>(68,534)</u>	<u>(21,807)</u>	<u>(43,982)</u>	<u>(123,250)</u>	<u>81,410</u>	<u>412,375</u>
Cash and investments - ending	<u>\$ 155,766</u>	<u>\$ 431,269</u>	<u>\$ 42,258</u>	<u>\$ 267,747</u>	<u>\$ 228,752</u>	<u>\$ 383,983</u>	<u>\$ 412,375</u>

SOUTH HENRY 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)

	Retirement/ Severance Bond	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	SAFE School Haven	Henry County Community Foundation
Cash and investments - beginning	\$ 57,003	\$ 66,990	\$ 34,051	\$ -	\$ 2,531	\$ 4,141	\$ 1,200
Receipts:							
Local sources	-	182,391	56,387	-	-	-	2,452
Intermediate sources	-	-	-	-	95	-	-
State sources	-	-	34,161	8,050	-	13,686	-
Federal sources	-	151,827	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>334,218</u>	<u>90,548</u>	<u>8,050</u>	<u>95</u>	<u>13,686</u>	<u>2,452</u>
Disbursements:							
Current:							
Instruction	1,777	-	-	-	185	12,906	-
Support services	-	4,427	33,726	-	-	-	1,200
Noninstructional services	-	330,495	-	-	-	-	-
Facilities acquisition and construction	-	38,795	35,555	-	-	-	-
Debt services	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total disbursements	<u>1,777</u>	<u>373,717</u>	<u>69,281</u>	<u>-</u>	<u>185</u>	<u>12,906</u>	<u>1,200</u>
Excess (deficiency) of receipts over disbursements	<u>(1,777)</u>	<u>(39,499)</u>	<u>21,267</u>	<u>8,050</u>	<u>(90)</u>	<u>780</u>	<u>1,252</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	12,073	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>12,073</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>(1,777)</u>	<u>(27,426)</u>	<u>21,267</u>	<u>8,050</u>	<u>(90)</u>	<u>780</u>	<u>1,252</u>
Cash and investments - ending	<u>\$ 55,226</u>	<u>\$ 39,564</u>	<u>\$ 55,318</u>	<u>\$ 8,050</u>	<u>\$ 2,441</u>	<u>\$ 4,921</u>	<u>\$ 2,452</u>

SOUTH HENRY 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)

	Athletics	Non-English Speaking Programs P.L. 273-1999	School Technology	Construction Remodeling and Equipping Buildings	High Ability Grant	Title I 2010-2011	Title I 2009-2010
Cash and investments - beginning	\$ (356)	\$ -	\$ -	\$ 137	\$ 1,587	\$ -	\$ 4,055
Receipts:							
Local sources	15,832	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	81,628	3,084	-	28,136	-	-
Federal sources	-	-	-	-	-	55,234	148
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	<u>15,832</u>	<u>81,628</u>	<u>3,084</u>	<u>-</u>	<u>28,136</u>	<u>55,234</u>	<u>148</u>
Disbursements:							
Current:							
Instruction	13,656	-	-	-	26,104	69,887	4,055
Support services	-	79,219	-	-	-	-	148
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total disbursements	<u>13,656</u>	<u>79,219</u>	<u>-</u>	<u>-</u>	<u>26,104</u>	<u>69,887</u>	<u>4,203</u>
Excess (deficiency) of receipts over disbursements	<u>2,176</u>	<u>2,409</u>	<u>3,084</u>	<u>-</u>	<u>2,032</u>	<u>(14,653)</u>	<u>(4,055)</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
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>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>2,176</u>	<u>2,409</u>	<u>3,084</u>	<u>-</u>	<u>2,032</u>	<u>(14,653)</u>	<u>(4,055)</u>
Cash and investments - ending	<u>\$ 1,820</u>	<u>\$ 2,409</u>	<u>\$ 3,084</u>	<u>\$ 137</u>	<u>\$ 3,619</u>	<u>\$ (14,653)</u>	<u>\$ -</u>

SOUTH HENRY 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)

	Title II Dwight D. Eisenhower Science and Math Technology Grants	Improving Teaching Quality No Child Left Title II, Part A 2011-2012	Improving Teaching Quality No Child Left Title II, Part A 2010-2011	ARRA Title I Grants to LEAs	Education Jobs	Payroll Withholdings	Totals
Cash and investments - beginning	\$ 2,000	\$ (484)	\$ 11,295	\$ 2,487	\$ -	\$ 28,082	\$ 2,327,516
Receipts:							
Local sources	-	-	-	-	-	-	2,518,646
Intermediate sources	-	-	-	-	-	-	95
State sources	-	-	-	-	-	-	5,273,679
Federal sources	-	-	-	-	15,287	-	222,607
Temporary loans	-	-	-	-	-	-	280,122
Other	-	-	-	-	-	1,254,236	1,257,997
Total receipts	-	-	-	-	15,287	1,254,236	9,553,146
Disbursements:							
Current:							
Instruction	-	(484)	20,244	2,487	39,230	-	3,925,557
Support services	-	-	-	-	-	-	2,554,731
Noninstructional services	-	-	-	-	-	-	645,135
Facilities acquisition and construction	-	-	-	-	-	-	257,082
Debt services	-	-	-	-	-	-	1,172,266
Other	-	-	-	-	-	1,230,030	1,230,030
Total disbursements	-	(484)	20,244	2,487	39,230	1,230,030	9,784,801
Excess (deficiency) of receipts over disbursements	-	484	(20,244)	(2,487)	(23,943)	24,206	(231,655)
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	12,073
Transfers in	-	-	-	-	-	-	565,678
Transfers out	-	-	-	-	-	-	(565,678)
Total other financing sources (uses)	-	-	-	-	-	-	12,073
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	484	(20,244)	(2,487)	(23,943)	24,206	(219,582)
Cash and investments - ending	\$ 2,000	\$ -	\$ (8,949)	\$ -	\$ (23,943)	\$ 52,288	\$ 2,107,934

SOUTH HENRY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 155,766	\$ 431,269	\$ 42,258	\$ 267,747	\$ 228,752	\$ 383,983	\$ 412,375	\$ 55,226	\$ 39,564	\$ 55,318
Receipts:										
Local sources	20,072	743,132	82,079	500,752	476,568	292,164	-	-	177,348	78,116
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	4,923,051	-	-	-	-	-	-	-	-	-
Federal sources	8,911	-	-	2,250	-	-	-	-	198,928	-
Temporary loans	-	-	-	114,621	-	-	-	-	-	-
Other	-	-	-	7,339	7,910	-	-	-	-	-
Total receipts	<u>4,952,034</u>	<u>743,132</u>	<u>82,079</u>	<u>624,962</u>	<u>484,478</u>	<u>292,164</u>	<u>-</u>	<u>-</u>	<u>376,276</u>	<u>78,116</u>
Disbursements:										
Current:										
Instruction	3,402,493	-	-	-	-	-	-	25,823	-	-
Support services	1,364,990	-	-	375,542	398,133	-	-	2,744	10,622	110,349
Noninstructional services	147,950	-	-	-	-	-	-	-	323,849	-
Facilities acquisition and construction	-	-	-	67,668	-	-	-	-	17,511	3,719
Debt services	-	682,942	77,212	196,233	45,867	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total disbursements	<u>4,915,433</u>	<u>682,942</u>	<u>77,212</u>	<u>639,443</u>	<u>444,000</u>	<u>-</u>	<u>-</u>	<u>28,567</u>	<u>351,982</u>	<u>114,068</u>
Excess (deficiency) of receipts over disbursements	<u>36,601</u>	<u>60,190</u>	<u>4,867</u>	<u>(14,481)</u>	<u>40,478</u>	<u>292,164</u>	<u>-</u>	<u>(28,567)</u>	<u>24,294</u>	<u>(35,952)</u>
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	3,710	-
Transfers in	-	-	-	-	-	-	400,000	-	-	-
Transfers out	-	-	-	-	-	(400,000)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(400,000)</u>	<u>400,000</u>	<u>-</u>	<u>3,710</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>36,601</u>	<u>60,190</u>	<u>4,867</u>	<u>(14,481)</u>	<u>40,478</u>	<u>(107,836)</u>	<u>400,000</u>	<u>(28,567)</u>	<u>28,004</u>	<u>(35,952)</u>
Cash and investments - ending	<u>\$ 192,367</u>	<u>\$ 491,459</u>	<u>\$ 47,125</u>	<u>\$ 253,266</u>	<u>\$ 269,230</u>	<u>\$ 276,147</u>	<u>\$ 812,375</u>	<u>\$ 26,659</u>	<u>\$ 67,568</u>	<u>\$ 19,366</u>

SOUTH HENRY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012

	Levy Excess	Educational License Plates	SAFE School Haven	Miscellaneous Programs	Henry County Community Foundation	Athletics	Commission for Higher Education	Non-English Speaking Programs P.L. 273-1999	School Technology	Construction Remodeling and Equipping Buildings
Cash and investments - beginning	\$ 8,050	\$ 2,441	\$ 4,921	\$ -	\$ 2,452	\$ 1,820	\$ -	\$ 2,409	\$ 3,084	\$ 137
Receipts:										
Local sources	-	-	-	-	-	12,151	1,000	-	-	-
Intermediate sources	-	113	-	-	-	-	-	-	-	-
State sources	-	-	11,216	-	-	-	-	-	4,932	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	-	113	11,216	-	-	12,151	1,000	-	4,932	-
Disbursements:										
Current:										
Instruction	-	2,045	23,979	-	1,552	13,611	160	-	-	-
Support services	-	-	-	-	-	-	-	1,799	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	2,045	23,979	-	1,552	13,611	160	1,799	-	-
Excess (deficiency) of receipts over disbursements	-	(1,932)	(12,763)	-	(1,552)	(1,460)	840	(1,799)	4,932	-
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	2,000	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	2,000	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(1,932)	(12,763)	2,000	(1,552)	(1,460)	840	(1,799)	4,932	-
Cash and investments - ending	\$ 8,050	\$ 509	\$ (7,842)	\$ 2,000	\$ 900	\$ 360	\$ 840	\$ 610	\$ 8,016	\$ 137

SOUTH HENRY SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012

	High Ability Grant	Title I 2010-2011	Title II Dwight D. Eisenhower Science and Math Technology Grants	Contributions and Donations	Improving Teaching Quality No Child Left Title II, Part A 2011-2012	Improving Teaching Quality No Child Left Title II, Part A 2010-2011	Title III Language Instruction	Education Jobs	Payroll Withholdings	Totals
Cash and investments - beginning	\$ 3,619	\$ (14,653)	\$ 2,000	\$ -	\$ -	\$ (8,949)	\$ -	\$ (23,943)	\$ 52,288	\$ 2,107,934
Receipts:										
Local sources	500	-	-	4,231	-	-	-	-	-	2,388,113
Intermediate sources	-	-	-	-	-	-	-	-	-	113
State sources	27,306	-	-	-	-	-	317	-	-	4,966,822
Federal sources	-	101,528	-	-	4,530	34,886	-	107,739	-	458,772
Temporary loans	-	-	-	-	-	-	-	-	-	114,621
Other	-	-	-	-	-	-	-	-	1,222,420	1,237,669
Total receipts	<u>27,806</u>	<u>101,528</u>	<u>-</u>	<u>4,231</u>	<u>4,530</u>	<u>34,886</u>	<u>317</u>	<u>107,739</u>	<u>1,222,420</u>	<u>9,166,110</u>
Disbursements:										
Current:										
Instruction	26,959	95,588	2,000	2,231	5,430	25,937	-	96,720	-	3,724,528
Support services	-	-	-	-	-	-	-	-	-	2,264,179
Noninstructional services	-	-	-	-	-	-	-	-	-	471,799
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	88,898
Debt services	-	-	-	-	-	-	-	-	-	1,002,254
Other	-	-	-	-	-	-	-	-	1,200,987	1,200,987
Total disbursements	<u>26,959</u>	<u>95,588</u>	<u>2,000</u>	<u>2,231</u>	<u>5,430</u>	<u>25,937</u>	<u>-</u>	<u>96,720</u>	<u>1,200,987</u>	<u>8,752,645</u>
Excess (deficiency) of receipts over disbursements	<u>847</u>	<u>5,940</u>	<u>(2,000)</u>	<u>2,000</u>	<u>(900)</u>	<u>8,949</u>	<u>317</u>	<u>11,019</u>	<u>21,433</u>	<u>413,465</u>
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	3,710
Transfers in	-	-	-	-	-	-	-	-	-	402,000
Transfers out	-	-	-	(2,000)	-	-	-	-	-	(402,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,710</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>847</u>	<u>5,940</u>	<u>(2,000)</u>	<u>-</u>	<u>(900)</u>	<u>8,949</u>	<u>317</u>	<u>11,019</u>	<u>21,433</u>	<u>417,175</u>
Cash and investments - ending	<u>\$ 4,466</u>	<u>\$ (8,713)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (900)</u>	<u>\$ -</u>	<u>\$ 317</u>	<u>\$ (12,924)</u>	<u>\$ 73,721</u>	<u>\$ 2,525,109</u>

SOUTH HENRY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2012

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
School building - 2008	\$ 2,775,000	\$ 345,430
Notes and loans payable:		
Common School Loan A0454	2,442,521	264,466
Common School Loan A1375	27,400	27,605
Common School Loan A1475	26,867	27,203
IBB Advanced Funding Program	114,621	115,709
Bonds payable:		
General obligation bonds:		
Retirement/Severance bonds	605,000	84,843
Qualified School Construction Bond 2010	<u>1,137,000</u>	<u>59,693</u>
 Total governmental activities debt	 <u>\$ 7,128,409</u>	 <u>\$ 924,949</u>

SOUTH HENRY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For the Year Ended June 30, 2012

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 24,000
Buildings	4,146,245
Improvements other than buildings	2,647,663
Machinery and equipment	<u>1,251,244</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 8,069,152</u>

SOUTH HENRY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The School Corporation was not in compliance with administrative requirements of the School Lunch Program. Performance standards require that "all free, reduced-price, and paid lunches claimed for reimbursement are served only to children eligible for free, reduced-price, and paid lunches, respectively; and counted, recorded, consolidated and reported through a system which consistently yields correct claims."

Applications on file at the selected schools were reviewed to determine whether households provided required information and whether the School Food Authority (SFA) properly approved applications. One application was approved incorrectly.

School Food Authorities are required to select and verify a sample of the approved free and reduced-price applications on file as of October 1 of each school year. This procedure was completed by using the standard method in the South Henry School Corporation for the 2011-2012 school year.

The verification summary report on file stated that eighty-nine applications were on file as of October 1. Three applications were chosen for verification and resulted in no changes. The Corporation does not use the USDA prototype letter "We Have Checked Your Application" when informing households of verification results. Households were not informed of their right to reapply at any time during the school year.

The claim review process (edit check) was not performed in each school.

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

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)

COMPENSATION AND BENEFITS

Five building level administrative personnel and all cafeteria employees received free lunch during the examination period. There was no resolution documenting the policy, and the benefit was not in the payroll system or on the salary ordinance or resolution.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 13

SOUTH HENRY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on January 17, 2013, with Amy Miller, President of the School Board; Wesley A. Hammond, Superintendent of Schools; and Amy Milner, Treasurer. The officials concurred with our findings.