

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

NORTH GIBSON SCHOOL CORPORATION

GIBSON COUNTY, INDIANA

July 1, 2010 to June 30, 2012



**FILED**  
03/18/2013



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Auditor's Report .....	3-4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance With Government Auditing Standards .....	5-6
Financial Statement: Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis .....	9
Notes to Financial Statement .....	10-15
Supplementary Information - Unaudited: Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis .....	18-27
Schedule of Long-Term Debt .....	28
Schedule of Capital Assets .....	29
Audit Results and Comments: Internal Controls over Financial Transactions and Reporting .....	30
Overdrawn Fund Balances .....	30
Supplemental Audit of Federal Awards: Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 .....	32-33
Schedule of Expenditures of Federal Awards .....	36-37
Notes to Schedule of Expenditures of Federal Awards .....	38
Schedule of Findings and Questioned Costs .....	39-43
Auditee Prepared Schedule: Corrective Action Plan .....	44-45
Exit Conference .....	46

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Marlene S. Fisher	07-01-10 to 06-30-13
Superintendent of Schools	Dr. R. Thomas Miller Dr. Brian L. Harmon	07-01-10 to 06-30-11 07-01-11 to 06-30-13
President of the School Board	H. Mark lunghuhn	07-01-10 to 12-31-13



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE NORTH GIBSON SCHOOL CORPORATION, GIBSON COUNTY, INDIANA

We have audited the accompanying financial statement of the North Gibson School Corporation (School Corporation), for the period of July 1, 2010 to June 30, 2012. This financial statement is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

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

In accordance with Government Auditing Standards, we have also issued a report dated February 12, 2013, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting

INDEPENDENT AUDITOR'S REPORT  
(Continued)

and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other reports used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis, Schedule of 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 auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

February 12, 2013



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE NORTH GIBSON SCHOOL CORPORATION, GIBSON COUNTY, INDIANA

We have audited the financial statement of the North Gibson School Corporation (School Corporation), for the period of July 1, 2010 to June 30, 2012, and have issued our report thereon dated February 12, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1 to be material weaknesses.

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

Compliance and Other Matters

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

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

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

STATE BOARD OF ACCOUNTS

February 12, 2013

## 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.

(This page intentionally left blank.)

NORTH GIBSON 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	\$ 1,234,788	\$ 13,634,769	\$ 13,647,730	\$ 118,424	\$ 1,340,251	\$ 13,347,761	\$ 13,271,955	\$ (605,188)	\$ 810,869
Debt Service	77,490	1,905,063	1,837,555	(9,113)	135,885	2,441,248	1,854,635	-	722,498
Retirement/Severance Bond Debt Service	25,300	508,217	511,241	-	22,276	518,831	514,149	13,000	39,958
Capital Projects	3,884,334	3,288,763	2,314,483	(2,500,000)	2,358,614	3,080,490	4,444,706	(994,000)	398
School Transportation	653,379	1,979,452	1,422,171	(475,524)	735,136	2,065,746	1,245,939	(200,000)	1,354,943
School Bus Replacement	146,332	111,583	-	-	257,915	147,989	96,814	-	309,090
Rainy Day	1,166,584	-	1,652,120	2,865,000	2,379,464	-	2,253,219	1,023,000	1,149,245
Retirement/Severance Bond	453,487	-	179,189	-	274,298	-	99,281	-	175,017
Construction	6,846,545	52,500	-	-	6,899,045	378,701	1,335,890	-	5,941,856
School Lunch	77,489	999,581	1,016,920	-	60,150	1,044,453	1,079,125	-	25,478
Textbook Rental	114,668	152,045	71,392	9,113	204,434	207,509	413,742	150,000	148,201
Self-Insurance	1,128,099	1,936,627	1,827,654	300	1,237,372	3,291,383	3,142,058	580,000	1,966,697
Levy Excess	449,868	24,476	-	(24,476)	449,868	-	-	-	449,868
Special Education (Part B) Grant 11/12	-	529,060	529,060	-	-	-	-	-	-
Special Education Grant 11/12	-	-	-	-	-	448,210	479,239	-	(31,029)
Special Education Preschool Grant 11/12	-	-	-	-	-	20,392	20,392	-	-
Child Care Program	496	37,983	45,849	8,000	630	45,669	52,011	8,000	2,288
Educational License Plates	9,434	281	-	-	9,715	244	-	-	9,959
CFA Betty Ann McCullough Grant	210	2,500	1,712	-	998	-	-	-	998
William L. West Trust	95,766	23,183	16,752	-	102,197	11,054	11,000	-	102,251
Esther & Jesse Townsley Memorial Award	1,035	1,001	1,000	-	1,036	524	1,000	-	560
John S. Woods Family Scholarship	5,928	1,837	600	-	7,165	1,836	900	-	8,101
Noble Hale Scholarship	39,746	-	1,000	-	38,746	-	1,000	-	37,746
Michele Hurt Memorial Scholarship	2,057	500	1,000	-	1,557	750	1,000	-	1,307
Johnathan Cummings Scholarship	921	-	-	-	921	-	-	-	921
Terry McQueen Memorial	-	187	-	-	187	903	-	-	1,090
PCHS Child Care	61,233	26,832	21,486	-	66,579	26,287	34,849	-	58,017
PCHS Tech-Prep Grant / PLTW	(15,000)	15,000	-	-	-	-	-	-	-
Gifted and Talented 10/11 and 11/12	-	33,587	33,587	-	-	32,805	32,805	-	-
Student Distress	6,051	3,329	4,233	-	5,147	2,575	3,804	-	3,918
Non-English Speaking Programs	920	1,260	2,180	-	-	1,075	25	-	1,050
School Technology	78,542	4,647	690	8,639	91,138	12,518	1,880	27,268	129,044
PCHS Classroom Library	-	3,000	3,000	-	-	-	-	-	-
Title I 10/11	-	295,210	352,111	95,700	38,799	140,868	160,667	(19,000)	-
Title I 09/10 and 11/12	132,723	38,547	75,570	(95,700)	-	209,079	252,266	19,000	(24,187)
Drug Free Schools	(1,855)	78,513	76,295	(363)	-	40,911	40,911	-	-
Title IV Drug Free Schools 09/10	3,420	-	426	-	2,994	4,794	7,788	-	-
Title IV Drug Free Schools 08/09	6,706	-	6,706	-	-	-	-	-	-
Title II Part A Improving Teacher Quality 10/11	-	15,959	12,347	-	3,612	62,348	65,960	-	-
Title II Part A Improving Teacher Quality 08/09	-	-	-	-	-	28,359	31,074	-	(2,715)
Title II Part A Improving Teacher Quality 09/10	-	102,087	102,087	-	-	-	-	-	-
Title I - Grants to LEAs	53,942	97,501	136,030	-	15,413	3,099	18,512	-	-
Education Jobs	-	-	-	-	-	427,350	427,350	-	-
Payroll Clearing	-	3,678,348	3,678,348	-	-	3,969,868	3,969,868	-	-
<b>Totals</b>	<b>\$ 16,740,638</b>	<b>\$ 29,583,428</b>	<b>\$ 29,582,524</b>	<b>\$ -</b>	<b>\$ 16,741,542</b>	<b>\$ 32,015,629</b>	<b>\$ 35,365,814</b>	<b>\$ 2,080</b>	<b>\$ 13,393,437</b>

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

NORTH GIBSON 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.

NORTH GIBSON 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.

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

*E. Disbursements*

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

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

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

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

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

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

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

*F. Other Financing Sources and Uses*

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

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

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

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

NORTH GIBSON 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 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.

NORTH GIBSON SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 5. Risk Management**

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

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

**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.

NORTH GIBSON 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.

**Note 7. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of the Indiana Department of Education requiring that these grant funds be spent prior to being reimbursed. These grant funds were expected to have negative balances because of the manner in which the grants are administered. The reimbursements for the expenditures made by the School Corporation were not received by June 30 for each fiscal year.

**Note 8. Holding Corporation**

The School Corporation has entered into a capital lease with North Gibson Multi-School Building Corporation (the lessor). The lessor was organized as a not for profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2011 and 2012, totaled \$1,837,500 and \$1,837,500, respectively.

NORTH GIBSON SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 9. *Other Postemployment Benefits***

The School Corporation provides to eligible retirees and their spouses the following benefits; postemployment health insurance and bridge to retirement benefits, as authorized by Indiana Code 5-10-8. The School Corporation also provides termination benefits to eligible retirees. These benefits pose a liability to the School Corporation for this year and in future years. Information regarding the benefits can be obtained by contacting the School Corporation.

(This page intentionally left blank.)

## SUPPLEMENTARY INFORMATION – UNAUDITED

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

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

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

NORTH GIBSON 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	Retirement/ Severance Bond	Construction
Cash and investments - beginning	\$ 1,234,788	\$ 77,490	\$ 25,300	\$ 3,884,334	\$ 653,379	\$ 146,332	\$ 1,166,584	\$ 453,487	\$ 6,846,545
Receipts:									
Local sources	41,040	1,905,063	508,217	3,288,763	1,974,471	111,583	-	-	52,500
Intermediate sources	531	-	-	-	-	-	-	-	-
State sources	13,064,138	-	-	-	-	-	-	-	-
Federal sources	529,060	-	-	-	-	-	-	-	-
Other	-	-	-	-	4,981	-	-	-	-
Total receipts	<u>13,634,769</u>	<u>1,905,063</u>	<u>508,217</u>	<u>3,288,763</u>	<u>1,979,452</u>	<u>111,583</u>	<u>-</u>	<u>-</u>	<u>52,500</u>
Disbursements:									
Current:									
Instruction	10,715,623	-	-	-	-	-	-	-	-
Support services	2,702,530	-	-	1,232,383	1,422,171	-	37,357	179,189	-
Noninstructional services	229,577	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	1,082,100	-	-	1,614,763	-	-
Debt services	-	1,837,500	511,241	-	-	-	-	-	-
Nonprogrammed charges	-	55	-	-	-	-	-	-	-
Total disbursements	<u>13,647,730</u>	<u>1,837,555</u>	<u>511,241</u>	<u>2,314,483</u>	<u>1,422,171</u>	<u>-</u>	<u>1,652,120</u>	<u>179,189</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(12,961)</u>	<u>67,508</u>	<u>(3,024)</u>	<u>974,280</u>	<u>557,281</u>	<u>111,583</u>	<u>(1,652,120)</u>	<u>(179,189)</u>	<u>52,500</u>
Other financing sources (uses):									
Transfers in	127,363	-	-	-	24,476	-	3,000,000	-	-
Transfers out	(8,939)	(9,113)	-	(2,500,000)	(500,000)	-	(135,000)	-	-
Total other financing sources (uses)	<u>118,424</u>	<u>(9,113)</u>	<u>-</u>	<u>(2,500,000)</u>	<u>(475,524)</u>	<u>-</u>	<u>2,865,000</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>105,463</u>	<u>58,395</u>	<u>(3,024)</u>	<u>(1,525,720)</u>	<u>81,757</u>	<u>111,583</u>	<u>1,212,880</u>	<u>(179,189)</u>	<u>52,500</u>
Cash and investments - ending	<u>\$ 1,340,251</u>	<u>\$ 135,885</u>	<u>\$ 22,276</u>	<u>\$ 2,358,614</u>	<u>\$ 735,136</u>	<u>\$ 257,915</u>	<u>\$ 2,379,464</u>	<u>\$ 274,298</u>	<u>\$ 6,899,045</u>

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

	School Lunch	Textbook Rental	Self- Insurance	Levy Excess	Special Education (Part B) Grant 11/12	Special Education Grant 11/12	Special Education Preschool Grant 11/12	Child Care Program	Educational License Plates
Cash and investments - beginning	\$ 77,489	\$ 114,668	\$ 1,128,099	\$ 449,868	\$ -	\$ -	\$ -	\$ 496	\$ 9,434
Receipts:									
Local sources	446,556	94,933	1,936,627	24,476	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	281
State sources	11,419	57,112	-	-	-	-	-	37,983	-
Federal sources	541,606	-	-	-	529,060	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	999,581	152,045	1,936,627	24,476	529,060	-	-	37,983	281
Disbursements:									
Current:									
Instruction	-	-	-	-	529,060	-	-	-	-
Support services	5,505	71,392	-	-	-	-	-	-	-
Noninstructional services	1,011,415	-	-	-	-	-	-	45,849	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	1,827,654	-	-	-	-	-	-
Total disbursements	1,016,920	71,392	1,827,654	-	529,060	-	-	45,849	-
Excess (deficiency) of receipts over disbursements	(17,339)	80,653	108,973	24,476	-	-	-	(7,866)	281
Other financing sources (uses):									
Transfers in	-	9,113	4,982	-	-	-	-	8,000	-
Transfers out	-	-	(4,682)	(24,476)	-	-	-	-	-
Total other financing sources (uses)	-	9,113	300	(24,476)	-	-	-	8,000	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(17,339)	89,766	109,273	-	-	-	-	134	281
Cash and investments - ending	\$ 60,150	\$ 204,434	\$ 1,237,372	\$ 449,868	\$ -	\$ -	\$ -	\$ 630	\$ 9,715

NORTH GIBSON 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)

	CFA Betty Ann McCullough Grant	William L. West Trust	Esther & Jesse Townesley Memorial Award	John S. Woods Family Scholarship	Noble Hale Scholarship	Michele Hurt Memorial Scholarship	Johnathan Cummings Scholarship	Terry McQueen Memorial	PCHS Child Care
Cash and investments - beginning	\$ 210	\$ 95,766	\$ 1,035	\$ 5,928	\$ 39,746	\$ 2,057	\$ 921	\$ -	\$ 61,233
Receipts:									
Local sources	2,500	23,183	1,001	1,837	-	500	-	187	26,832
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>2,500</u>	<u>23,183</u>	<u>1,001</u>	<u>1,837</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>187</u>	<u>26,832</u>
Disbursements:									
Current:									
Instruction	1,712	3,752	-	-	-	-	-	-	12,112
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	9,374
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	13,000	1,000	600	1,000	1,000	-	-	-
Total disbursements	<u>1,712</u>	<u>16,752</u>	<u>1,000</u>	<u>600</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>21,486</u>
Excess (deficiency) of receipts over disbursements	<u>788</u>	<u>6,431</u>	<u>1</u>	<u>1,237</u>	<u>(1,000)</u>	<u>(500)</u>	<u>-</u>	<u>187</u>	<u>5,346</u>
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>788</u>	<u>6,431</u>	<u>1</u>	<u>1,237</u>	<u>(1,000)</u>	<u>(500)</u>	<u>-</u>	<u>187</u>	<u>5,346</u>
Cash and investments - ending	<u>\$ 998</u>	<u>\$ 102,197</u>	<u>\$ 1,036</u>	<u>\$ 7,165</u>	<u>\$ 38,746</u>	<u>\$ 1,557</u>	<u>\$ 921</u>	<u>\$ 187</u>	<u>\$ 66,579</u>

NORTH GIBSON 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)

	PCHS Tech-Prep Grant / PLTW	Gifted and Talented 10/11 and 11/12	Student Distress	Non-English Speaking Programs	School Technology	PCHS Classroom Library	Title I 10/11	Title I 09/10 and 11/12	Drug Free Schools
Cash and investments - beginning	\$ (15,000)	\$ -	\$ 6,051	\$ 920	\$ 78,542	\$ -	\$ -	\$ 132,723	\$ (1,855)
Receipts:									
Local sources	15,000	-	3,329	-	1,978	3,000	195,721	-	78,513
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	33,587	-	1,260	2,669	-	-	-	-
Federal sources	-	-	-	-	-	-	99,489	38,547	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>15,000</u>	<u>33,587</u>	<u>3,329</u>	<u>1,260</u>	<u>4,647</u>	<u>3,000</u>	<u>295,210</u>	<u>38,547</u>	<u>78,513</u>
Disbursements:									
Current:									
Instruction	-	33,389	-	2,180	-	3,000	344,174	66,672	-
Support services	-	198	-	-	690	-	6,506	8,872	76,295
Noninstructional services	-	-	4,233	-	-	-	1,431	26	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>33,587</u>	<u>4,233</u>	<u>2,180</u>	<u>690</u>	<u>3,000</u>	<u>352,111</u>	<u>75,570</u>	<u>76,295</u>
Excess (deficiency) of receipts over disbursements	<u>15,000</u>	<u>-</u>	<u>(904)</u>	<u>(920)</u>	<u>3,957</u>	<u>-</u>	<u>(56,901)</u>	<u>(37,023)</u>	<u>2,218</u>
Other financing sources (uses):									
Transfers in	-	-	-	-	13,621	-	95,700	-	-
Transfers out	-	-	-	-	(4,982)	-	-	(95,700)	(363)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,639</u>	<u>-</u>	<u>95,700</u>	<u>(95,700)</u>	<u>(363)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>15,000</u>	<u>-</u>	<u>(904)</u>	<u>(920)</u>	<u>12,596</u>	<u>-</u>	<u>38,799</u>	<u>(132,723)</u>	<u>1,855</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,147</u>	<u>\$ -</u>	<u>\$ 91,138</u>	<u>\$ -</u>	<u>\$ 38,799</u>	<u>\$ -</u>	<u>\$ -</u>

NORTH GIBSON 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 IV Drug Free Schools 09/10	Title IV Drug Free Schools 08/09	Title II Part A Improving Teacher Quality 10/11	Title II Part A Improving Teacher Quality 08/09	Title II Part A Improving Teacher Quality 09/10	Title I Grants to LEAs	Education Jobs	Payroll Clearing	Totals
Cash and investments - beginning	\$ 3,420	\$ 6,706	\$ -	\$ -	\$ -	\$ 53,942	\$ -	\$ -	\$ 16,740,638
Receipts:									
Local sources	-	-	-	-	-	-	-	-	10,737,810
Intermediate sources	-	-	-	-	-	-	-	-	812
State sources	-	-	-	-	-	-	-	-	13,208,168
Federal sources	-	-	15,959	-	102,087	97,501	-	-	1,953,309
Other	-	-	-	-	-	-	-	3,678,348	3,683,329
Total receipts	-	-	15,959	-	102,087	97,501	-	3,678,348	29,583,428
Disbursements:									
Current:									
Instruction	-	293	12,184	-	90,655	135,904	-	-	11,950,710
Support services	426	6,413	163	-	11,432	126	-	-	5,761,648
Noninstructional services	-	-	-	-	-	-	-	-	1,301,905
Facilities acquisition and construction	-	-	-	-	-	-	-	-	2,696,863
Debt services	-	-	-	-	-	-	-	-	2,348,741
Nonprogrammed charges	-	-	-	-	-	-	-	3,678,348	5,522,657
Total disbursements	426	6,706	12,347	-	102,087	136,030	-	3,678,348	29,582,524
Excess (deficiency) of receipts over disbursements	(426)	(6,706)	3,612	-	-	(38,529)	-	-	904
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	3,283,255
Transfers out	-	-	-	-	-	-	-	-	(3,283,255)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(426)	(6,706)	3,612	-	-	(38,529)	-	-	904
Cash and investments - ending	\$ 2,994	\$ -	\$ 3,612	\$ -	\$ -	\$ 15,413	\$ -	\$ -	\$ 16,741,542

NORTH GIBSON 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	Construction
Cash and investments - beginning	\$ 1,340,251	\$ 135,885	\$ 22,276	\$ 2,358,614	\$ 735,136	\$ 257,915	\$ 2,379,464	\$ 274,298	\$ 6,899,045
Receipts:									
Local sources	134,671	2,441,248	518,831	3,080,490	2,065,746	147,989	-	-	378,701
Intermediate sources	531	-	-	-	-	-	-	-	-
State sources	13,192,951	-	-	-	-	-	-	-	-
Federal sources	19,608	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>13,347,761</u>	<u>2,441,248</u>	<u>518,831</u>	<u>3,080,490</u>	<u>2,065,746</u>	<u>147,989</u>	<u>-</u>	<u>-</u>	<u>378,701</u>
Disbursements:									
Current:									
Instruction	10,198,782	-	-	-	-	-	417,092	-	-
Support services	2,823,554	-	-	1,146,400	1,245,939	96,814	331,038	99,281	-
Noninstructional services	249,619	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	3,298,306	-	-	1,505,089	-	1,335,890
Debt services	-	1,854,590	514,149	-	-	-	-	-	-
Nonprogrammed charges	-	45	-	-	-	-	-	-	-
Total disbursements	<u>13,271,955</u>	<u>1,854,635</u>	<u>514,149</u>	<u>4,444,706</u>	<u>1,245,939</u>	<u>96,814</u>	<u>2,253,219</u>	<u>99,281</u>	<u>1,335,890</u>
Excess (deficiency) of receipts over disbursements	<u>75,806</u>	<u>586,613</u>	<u>4,682</u>	<u>(1,364,216)</u>	<u>819,807</u>	<u>51,175</u>	<u>(2,253,219)</u>	<u>(99,281)</u>	<u>(957,189)</u>
Other financing sources (uses):									
Sale of capital assets	2,080	-	-	-	-	-	-	-	-
Transfers in	-	-	13,000	316,000	-	-	1,510,000	-	-
Transfers out	<u>(607,268)</u>	<u>-</u>	<u>-</u>	<u>(1,310,000)</u>	<u>(200,000)</u>	<u>-</u>	<u>(487,000)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(605,188)</u>	<u>-</u>	<u>13,000</u>	<u>(994,000)</u>	<u>(200,000)</u>	<u>-</u>	<u>1,023,000</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(529,382)</u>	<u>586,613</u>	<u>17,682</u>	<u>(2,358,216)</u>	<u>619,807</u>	<u>51,175</u>	<u>(1,230,219)</u>	<u>(99,281)</u>	<u>(957,189)</u>
Cash and investments - ending	<u>\$ 810,869</u>	<u>\$ 722,498</u>	<u>\$ 39,958</u>	<u>\$ 398</u>	<u>\$ 1,354,943</u>	<u>\$ 309,090</u>	<u>\$ 1,149,245</u>	<u>\$ 175,017</u>	<u>\$ 5,941,856</u>

NORTH GIBSON 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  
 (Continued)

	School Lunch	Textbook Rental	Self- Insurance	Levy Excess	Special Education (Part B) Grant 11/12	Special Education Grant 11/12	Special Education Preschool Grant 11/12	Child Care Program	Educational License Plates
Cash and investments - beginning	\$ 60,150	\$ 204,434	\$ 1,237,372	\$ 449,868	\$ -	\$ -	\$ -	\$ 630	\$ 9,715
Receipts:									
Local sources	463,516	109,775	3,291,383	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	244
State sources	11,626	97,734	-	-	-	-	-	45,669	-
Federal sources	569,311	-	-	-	-	448,210	20,392	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>1,044,453</u>	<u>207,509</u>	<u>3,291,383</u>	<u>-</u>	<u>-</u>	<u>448,210</u>	<u>20,392</u>	<u>45,669</u>	<u>244</u>
Disbursements:									
Current:									
Instruction	-	-	1,929,356	-	-	479,239	20,392	-	-
Support services	9,422	413,742	-	-	-	-	-	-	-
Noninstructional services	1,069,703	-	-	-	-	-	-	52,011	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	1,212,702	-	-	-	-	-	-
Total disbursements	<u>1,079,125</u>	<u>413,742</u>	<u>3,142,058</u>	<u>-</u>	<u>-</u>	<u>479,239</u>	<u>20,392</u>	<u>52,011</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(34,672)</u>	<u>(206,233)</u>	<u>149,325</u>	<u>-</u>	<u>-</u>	<u>(31,029)</u>	<u>-</u>	<u>(6,342)</u>	<u>244</u>
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	150,000	580,000	-	-	-	-	8,000	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>150,000</u>	<u>580,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,000</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(34,672)</u>	<u>(56,233)</u>	<u>729,325</u>	<u>-</u>	<u>-</u>	<u>(31,029)</u>	<u>-</u>	<u>1,658</u>	<u>244</u>
Cash and investments - ending	<u>\$ 25,478</u>	<u>\$ 148,201</u>	<u>\$ 1,966,697</u>	<u>\$ 449,868</u>	<u>\$ -</u>	<u>\$ (31,029)</u>	<u>\$ -</u>	<u>\$ 2,288</u>	<u>\$ 9,959</u>

NORTH GIBSON 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  
 (Continued)

	CFA Betty Ann McCullough Grant	William L. West Trust	Esther & Jesse Townesley Memorial Award	John S. Woods Family Scholarship	Noble Hale Scholarship	Michele Hurt Memorial Scholarship	Johnathan Cummings Scholarship	Terry McQueen Memorial	PCHS Child Care
Cash and investments - beginning	\$ 998	\$ 102,197	\$ 1,036	\$ 7,165	\$ 38,746	\$ 1,557	\$ 921	\$ 187	\$ 66,579
Receipts:									
Local sources	-	11,054	524	1,836	-	750	-	903	26,287
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	11,054	524	1,836	-	750	-	903	26,287
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	-	25,510
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	9,339
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	11,000	1,000	900	1,000	1,000	-	-	-
Total disbursements	-	11,000	1,000	900	1,000	1,000	-	-	34,849
Excess (deficiency) of receipts over disbursements	-	54	(476)	936	(1,000)	(250)	-	903	(8,562)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	54	(476)	936	(1,000)	(250)	-	903	(8,562)
Cash and investments - ending	\$ 998	\$ 102,251	\$ 560	\$ 8,101	\$ 37,746	\$ 1,307	\$ 921	\$ 1,090	\$ 58,017

NORTH GIBSON 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  
 (Continued)

	PCHS Tech-Prep Grant / PLTW	Gifted and Talented 10/11 and 11/12	Student Distress	Non-English Speaking Programs	School Technology	PCHS Classroom Library	Title I 10/11	Title I 09/10 and 11/12	Drug Free Schools
Cash and investments - beginning	\$ -	\$ -	\$ 5,147	\$ -	\$ 91,138	\$ -	\$ 38,799	\$ -	\$ -
Receipts:									
Local sources	-	-	2,575	-	8,243	-	-	-	40,911
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	32,805	-	1,075	4,275	-	-	-	-
Federal sources	-	-	-	-	-	-	140,868	209,079	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	32,805	2,575	1,075	12,518	-	140,868	209,079	40,911
Disbursements:									
Current:									
Instruction	-	32,805	-	25	-	-	142,982	234,173	-
Support services	-	-	-	-	1,880	-	14,202	17,409	40,911
Noninstructional services	-	-	3,804	-	-	-	3,483	684	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	32,805	3,804	25	1,880	-	160,667	252,266	40,911
Excess (deficiency) of receipts over disbursements	-	-	(1,229)	1,050	10,638	-	(19,799)	(43,187)	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	27,268	-	-	19,000	-
Transfers out	-	-	-	-	-	-	(19,000)	-	-
Total other financing sources (uses)	-	-	-	-	27,268	-	(19,000)	19,000	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(1,229)	1,050	37,906	-	(38,799)	(24,187)	-
Cash and investments - ending	\$ -	\$ -	\$ 3,918	\$ 1,050	\$ 129,044	\$ -	\$ -	\$ (24,187)	\$ -

NORTH GIBSON 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  
 (Continued)

	Title IV Drug Free Schools 09/10	Title IV Drug Free Schools 08/09	Title II Part A Improving Teacher Quality 10/11	Title II Part A Improving Teacher Quality 08/09	Title II Part A Improving Teacher Quality 09/10	Title I Grants to LEAs	Education Jobs	Payroll Clearing	Totals
Cash and investments - beginning	\$ 2,994	\$ -	\$ 3,612	\$ -	\$ -	\$ 15,413	\$ -	\$ -	\$ 16,741,542
Receipts:									
Local sources	-	-	-	-	-	-	-	-	12,725,433
Intermediate sources	-	-	-	-	-	-	-	-	775
State sources	-	-	-	-	-	-	-	-	13,386,135
Federal sources	4,794	-	62,348	28,359	-	3,099	427,350	-	1,933,418
Other	-	-	-	-	-	-	-	3,969,868	3,969,868
Total receipts	<u>4,794</u>	<u>-</u>	<u>62,348</u>	<u>28,359</u>	<u>-</u>	<u>3,099</u>	<u>427,350</u>	<u>3,969,868</u>	<u>32,015,629</u>
Disbursements:									
Current:									
Instruction	382	-	56,001	30,799	-	18,364	427,350	-	14,013,252
Support services	7,406	-	9,959	275	-	148	-	-	6,258,380
Noninstructional services	-	-	-	-	-	-	-	-	1,388,643
Facilities acquisition and construction	-	-	-	-	-	-	-	-	6,139,285
Debt services	-	-	-	-	-	-	-	-	2,368,739
Nonprogrammed charges	-	-	-	-	-	-	-	3,969,868	5,197,515
Total disbursements	<u>7,788</u>	<u>-</u>	<u>65,960</u>	<u>31,074</u>	<u>-</u>	<u>18,512</u>	<u>427,350</u>	<u>3,969,868</u>	<u>35,365,814</u>
Excess (deficiency) of receipts over disbursements	<u>(2,994)</u>	<u>-</u>	<u>(3,612)</u>	<u>(2,715)</u>	<u>-</u>	<u>(15,413)</u>	<u>-</u>	<u>-</u>	<u>(3,350,185)</u>
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	2,080
Transfers in	-	-	-	-	-	-	-	-	2,623,268
Transfers out	-	-	-	-	-	-	-	-	(2,623,268)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,080</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(2,994)</u>	<u>-</u>	<u>(3,612)</u>	<u>(2,715)</u>	<u>-</u>	<u>(15,413)</u>	<u>-</u>	<u>-</u>	<u>(3,348,105)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,715)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,393,437</u>

NORTH GIBSON 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	Fund
Capital leases:			
North Gibson Multi-School Building Corporation	\$ 45,000,000	\$ 3,778,450	Debt Service
Bonds payable:			
General obligation bonds:			
Retirement/Severance Bonds	<u>4,240,000</u>	<u>515,969</u>	Retirement/Severance Bonds Debt Service
Total debt	<u>\$ 49,240,000</u>	<u>\$ 4,294,419</u>	

NORTH GIBSON SCHOOL CORPORATION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 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 and Land Improvements (A)	\$ 4,948,064
Buildings	49,861,319
Machinery and Equipment	<u>2,870,417</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 57,679,800</u>

(A) - The cost of land owned by the Corporation is not included in this schedule.

NORTH GIBSON SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

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

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

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the School Corporation to reduce risks to the achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to receipts, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to go undetected.
2. Reporting of Special Education Funds: A deficiency exists with the handling of the Special Education Funds. A separate fund number was not established for the Special Education Preschool grant funds. The Special Education Preschool funds receipts and disbursements were commingled with the Special Education Grants to States funds. By the lack of oversight over these accounts, the School Corporation could allow fraud or errors to occur in these funds.
3. Monitoring of Controls: Effective internal control over financial reporting requires the School Board to monitor and assess the quality of the School Corporation's system of internal control. The School Board has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility place the School Corporation at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the School Corporation has no process to identify or communicate corrective actions to improve controls.

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

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

***OVERDRAWN FUND BALANCES (Applies to Princeton Community Middle School)***

The Faculty Fund was overdrawn at June 6, 2011, and June 6, 2012. The General Fund was overdrawn at June 6, 2011. The Textbook Rental Fund was overdrawn at June 6, 2012.

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE NORTH GIBSON SCHOOL CORPORATION, GIBSON COUNTY, INDIANA

Compliance

We have audited the North Gibson School Corporation's (School Corporation) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the period of July 1, 2010 to June 30, 2012. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2010 to June 30, 2012. However the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2012-2 and 2012-3.

Internal Control Over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2012-3 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2012-2 to be significant deficiencies.

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

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

STATE BOARD OF ACCOUNTS

February 12, 2013

(This page intentionally left blank.)

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

NORTH GIBSON SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2011 and 2012

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-11	Total Federal Awards Expended 06-30-12
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
Pass-Through Indiana Department of Education Child Nutrition Cluster School Breakfast Program	10.553		\$ 113,051	\$ -
		FY 10/11	-	-
		FY 11/12	-	120,586
Total for program			113,051	120,586
National School Lunch Program				
		FY 10/11	492,029	-
		FY 11/12	-	518,409
Total for program			492,029	518,409
Total for cluster			605,080	638,995
Total for federal grantor agency			605,080	638,995
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
Pass-Through Indiana Department of Education Title I, Part A Cluster Title I Grants to Local Educational Agencies	84.010			
		10-2735	75,570	-
		11-2735	352,112	160,667
		12-2735	-	228,079
Total for program			427,682	388,746
ARRA Title I Grants to Local Educational Agencies, Recovery Act FY 09/10	84.389			
		10-2735	136,030	18,512
Total for cluster			563,712	407,258
Special Education Cluster (IDEA) Special Education-Grants to States	84.027			
		14211-078-PN01	505,184	-
		14212-078-PN01	-	448,210
Total for program			505,184	448,210
Special Education-Preschool Grants	84.173			
		45711-039-PN01	23,876	-
		45712-039-PN01	-	20,392
Total for program			23,876	20,392
Total for cluster			529,060	468,602

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

NORTH GIBSON SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2011 and 2012  
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-11	Total Federal Awards Expended 06-30-12
<u>U.S. DEPARTMENT OF EDUCATION (Continued)</u>				
Pass-Through Metropolitan School District of Mount Vernon Safe and Drug-Free Schools and Communities-National Programs	84.184	Q184L080320	78,513	40,911
Pass-Through Indiana Department of Education Safe and Drug-Free Schools and Communities-State Grants	84.186	08-2735 09-2735	6,706 426	- 7,788
Total for program			7,132	7,788
Tech-Prep Education Project Lead the Way	84.243	EDS# C1-10-PLTW-9-699	15,000	-
Improving Teacher Quality State Grants	84.367	09-2735 10-2735 11-2735	102,087 12,347 -	- 128,308 28,359
Total for program			114,434	156,667
Education Jobs Fund	84.410	2735	-	427,350
Total for federal grantor agency			1,307,851	1,508,576
Total federal awards expended			<u>\$ 1,912,931</u>	<u>\$ 2,147,571</u>

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

NORTH GIBSON SCHOOL CORPORATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

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

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

**Note 2. Noncash Assistance**

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2011 and 2012. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2011	2012
Child Nutrition Cluster:			
Food Commodities:			
School Breakfast Program	10.553	\$ 12,010	\$ 13,709
National School Lunch Program	10.555	51,983	58,239

NORTH GIBSON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unqualified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	yes
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.410	Title I, Part A Cluster Special Education Cluster Education Jobs Fund

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

Auditee qualified as low-risk auditee? no

**Section II – Financial Statement Findings**

**FINDING 2012-1 – INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

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

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

NORTH GIBSON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2. Reporting of Special Education Funds: A deficiency exists with the handling of the Special Education Funds. A separate fund number was not established for the Special Education Preschool grant funds. The Special Education Preschool funds receipts and disbursements were commingled with the Special Education Grants to States funds. By the lack of oversight over these accounts, the School Corporation could allow fraud or errors to occur in these funds.
3. Monitoring of Controls: Effective internal control over financial reporting requires the School Board to monitor and assess the quality of the School Corporation's system of internal control. The School Board has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility place the School Corporation at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the School Corporation has no process to identify or communicate corrective actions to improve controls.

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

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

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

***FINDING 2012-2 - CASH MANAGEMENT***

Federal Agency: U.S. Department of Education

Federal Program: Title I Grants to Local Educational Agencies, ARRA Title I  
Grants to Local Educational Agencies, Recovery Act

CFDA Number: 84.010, 84.389

Award Number: 09-2735, 10-2735, 2735

Pass-Through Entity: Indiana Department of Education

Amounts received by the School Corporation for the Title I Grants to Local Educational Agencies (Title I Grants) and the ARRA Title I Grants to Local Education Agencies, Recovery Act (ARRA-Title I Grants) were drawn down in advance. School Corporation Officials are required to review needs and draw funds as needed in accordance with federal guidelines. The drawdown requests are included in the applications for grant funds. The cash balance of the Title I Grants exceeded the allowable cash balance based on estimated future requirements for seven of the twelve months during the 2010-2011 school year. The cash balance of the ARRA Title I Grants exceeded the allowable cash balance based on estimated future requirements for eleven of the twelve months during the 2010-2011 school year.

NORTH GIBSON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

34 CFR 80.20 (b) (7) states:

"Cash Management. Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasurer and disbursements by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by the subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

OMB Circular A-133, Subpart C, section .300 (b) states:

"The auditee shall: (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulation, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Surplus cash indicates noncompliance with the cash management requirement as set forth by the grant agreement and federal guidelines. Additionally, failure to minimize the cash on hand may cause future funding to be reduced by the pass-through agency.

We recommended that School Corporation Officials develop and implement procedures and controls to ensure that the time between the receipt and disbursement of federal funds is minimized according to the grant requirements.

***FINDING 2012-3 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING FOR SPECIAL EDUCATION PROGRAMS***

Federal Agency: U.S. Department of Education

Federal Program: Special Education-Grants to States, Special Education-Preschool Grants

CFDA Number: 84.027, 84.173

Award Number: 14211-078-PN01, 45711-039-PN01

Pass-Through Entity: Indiana Department of Education

Management of the North Gibson School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements; Activities Allowed and Unallowed, Allowable Costs, Cash Management, Period of Availability, and Reporting. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

An internal control system, including segregation of duties, should be designed and operated effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement, of a federal program will be prevented, or detected and corrected, on a timely basis.

NORTH GIBSON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

The financial records for federal funds received as a part of the Special Education-Grants to States and Special Education-Preschool Grants are maintained in the School Corporation's Business Office. The financial transactions from these two grants were commingled in one fund during the 2010-2011 school year. Also, claims for reimbursement were filed prior to the expenditure of the grant funds. Sufficient internal controls were not in place in order to prevent these instances of noncompliance. The failure to establish these controls could enable material misstatements to go undetected.

34 CFR 80.20 states in part"

"(a) A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

(b) The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.
- (3) *Internal control.* Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes."

OMB Circular A133, Subpart C, section .300 (b) states in part:

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

NORTH GIBSON SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the School Corporation.

We recommended the School Corporation develop internal control procedures that properly segregate accounting activities in the School Corporation's Business Office.



# NORTH GIBSON SCHOOL CORPORATION

1108 N. Embree St.  
Princeton, IN 47670-8321  
Phone: 812-385-4851  
Fax: 812-386-1531

February 12, 2013

## Corrective Action Plan

### SCHOOL BOARD

President  
*Mr. Mark Jungfuhrin*

Vice-President  
*Mr. Travis Nolcox*

Secretary  
*Mr. John Woods*

Member  
*Mr. Lee McConnell*

Member  
*Mr. Anthony Rogers*

### ADMINISTRATION

Superintendent  
*Dr. Brian Harmon*

Assistant to the Supt.  
*Eric Goggins*

Construction Finance Mgr.  
*Dr. Tom Miller*

Treasurer  
*Mrs. Marlene Fisher*

Dep Treas./Adm. Asst/ A/P  
*Mrs. Nancy Leukhardt*

Personnel  
*Mrs. Tina Burton*

Human Resource Manager  
*Mrs. Jerica Davis*

Auditee Contact Person: Marlene S. Fisher  
Title of Contact Person: Treasurer  
Phone Number: (812) 385-4851

### Section II-Financial Statement Findings

#### Finding 2012-01, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We will review our office procedures for internal control over and attempt to implement, at least on a sample basis, steps to provided segregation of duties over the receipting, disbursing, recording and accounting for financial transactions and reporting. We are a relatively small school corporation and management has determined that the cost associated with employing additional staff necessary to properly segregate duties would outweigh the benefits of additional internal control measures. The Board of School Trustees will review procedures related to information communication and monitoring of financial activities. Management, along with the School Board of Trustees, acknowledges and assumes the risks inherent with the current design of the business office.

### Section III- Findings

#### Finding 2012-02, TITLE I, PART A CLUSTER - CASH MANAGEMENT

Federal Agency: U.S. Department of Education  
Federal Program: Title I Grants to Local Educational Agencies, ARRA - Title I  
Grants to Local Educational Agencies, Recovery Act  
CFDA Numbers: 84.010, 84.389  
Pass-Through Entity: Indiana Department of Education  
Award Numbers: 10-2735, 2735

We understand that distribution of Title I funds are no longer received based on a drawdown method, but rather on a reimbursement basis. As such, we should no longer have excess cash in these funds. We have hired an Assistant to the Superintendent who is responsible for familiarizing himself with the compliance requirements of our federal grants. He is also responsible for overseeing that proper procedures are communicated to the appropriate employees and will report to the School Board on grant activity.

#### Finding 2012-03, SPECIAL EDUCATION CLUSTER - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Federal Agency: U.S. Department of Education  
Pass-Through Entity: Indiana Department of Education  
Federal Program: Special Education - Grants to States, Special Education – Preschool Grants  
CFDA Numbers: 84.027, 84.173  
Award Numbers: 14211-078-PN01, 45711-039-PN01



# NORTH GIBSON SCHOOL CORPORATION

1108 N. Embree St.  
Princeton, IN 47670-8321  
Phone: 812-385-4851  
Fax: 812-386-1531

## SCHOOL BOARD

President

*Mr. Mark Lunghuhn*

Vice-President

*Mr. Travis Nolcox*

Secretary

*Mr. John Woods*

Member

*Mr. Lee McConnell*

Member

*Mr. Anthony Rogers*

Separate funds were established for the Special Education – Grants to States and Special Education – Preschool Grants for the 2011-2012 school year. All expenditures from these two grant funds are paid prior to being claimed for reimbursement. We will review our office procedures for internal control over and attempt to implement, at least on a sample basis, steps to provided segregation of duties over the receipting, disbursing, recording and accounting for financial transactions and reporting. We are a relatively small school corporation and management has determined that the cost associated with employing additional staff necessary to properly segregate duties would outweigh the benefits of additional internal control measures. The Board of School Trustees will review procedures related to information communication and monitoring of financial activities. Management, along with the School Board of Trustees, acknowledges and assumes the risks inherent with the current design of the business office.

  
\_\_\_\_\_  
Brian L. Harmon, Superintendent

  
\_\_\_\_\_  
H. Mark Lunghuhn, School Board President

  
\_\_\_\_\_  
Marlene S. Fisher, Treasurer

## ADMINISTRATION

Superintendent

*Dr. Brian Harmon*

Assistant Superintendent

*Dr. Linda Coleman*

Construction Finance Mgr.

*Dr. Tom Miller*

Treasurer

*Mrs. Marlene Fisher*

Dep Treas./Adm. Asst/ A/P

*Mrs. Nancy Leukhardt*

Personnel

*Mrs. Tina Burton*

Human Resource Manager

*Mrs. Jerica Davis*

NORTH GIBSON SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on February 12, 2013, with Dr. Brian L. Harmon, Superintendent of Schools; Dr. R. Thomas Miller, former Superintendent of Schools; H. Mark lunghuhn, President of the School Board; Eric T. Goggins, Assistant to the Superintendent; and Marlene S. Fisher, Treasurer.