

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION  
DEARBORN COUNTY, INDIANA

July 1, 2010 to June 30, 2012



**FILED**  
03/28/2013



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### SCHEDULE OF OFFICIALS

| <u>Office</u>                    | <u>Official</u>                         | <u>Term</u>                                  |
|----------------------------------|-----------------------------------------|----------------------------------------------|
| Treasurer                        | Shirley J. Retherford<br>Rebecca Heller | 07-01-10 to 06-30-11<br>07-01-11 to 06-30-13 |
| Superintendent<br>of Schools     | Thomas L. Book<br>Dr. John Mehrle       | 07-01-10 to 06-30-12<br>07-01-12 to 06-30-13 |
| President of the<br>School Board | Daryl Cutter<br>Gene Ferguson           | 07-01-10 to 12-31-12<br>01-01-13 to 12-31-13 |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE SOUTH DEARBORN COMMUNITY  
SCHOOL CORPORATION, DEARBORN COUNTY, INDIANA

We have audited the accompanying financial statement of the South Dearborn Community 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.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

In accordance with Government Auditing Standards, we have also issued a report dated March 14, 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 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, 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.

The School Corporation's response to the Audit Results and Comments identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.



Bruce Hartman  
State Examiner

March 14, 2013



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 SOUTH DEARBORN COMMUNITY  
SCHOOL CORPORATION, DEARBORN COUNTY, INDIANA

We have audited the financial statement of the South Dearborn Community School Corporation (School Corporation), for the period of July 1, 2010 to June 30, 2012, and have issued our report thereon dated March 14, 2013, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America. 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 a 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 responses to the findings identified in our audit are described in the accompanying Official Response and Corrective Action Plan. We did not audit the School Corporation's responses and, accordingly, we express no opinion on them.

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

Bruce Hartman  
State Examiner

March 14, 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.

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SOUTH DEARBORN COMMUNITY 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<br>Investments<br>07-01-10 | Receipts             | Disbursements        | Other<br>Financing<br>Sources (Uses) | Cash and<br>Investments<br>06-30-11 | Receipts             | Disbursements        | Other<br>Financing<br>Sources (Uses) | Cash and<br>Investments<br>06-30-12 |
|------------------------------------------------|-------------------------------------|----------------------|----------------------|--------------------------------------|-------------------------------------|----------------------|----------------------|--------------------------------------|-------------------------------------|
| General                                        | \$ 1,397,622                        | \$ 18,947,875        | \$ 19,056,361        | \$ (6,020)                           | \$ 1,283,116                        | \$ 19,534,477        | \$ 17,507,120        | \$ (1,122,042)                       | \$ 2,188,431                        |
| Debt Service                                   | 2,290,771                           | 4,593,890            | 4,733,296            | -                                    | 2,151,365                           | 4,434,859            | 3,689,924            | (388,259)                            | 2,508,041                           |
| Retirement/Severance Bond Debt Service         | 80,914                              | 261,772              | 221,196              | -                                    | 121,490                             | 229,814              | 220,013              | (12,259)                             | 119,032                             |
| Capital Projects                               | 812,414                             | 2,283,098            | 2,064,805            | -                                    | 1,030,707                           | 2,046,121            | 2,197,406            | (85,627)                             | 793,795                             |
| School Transportation                          | 304,728                             | 2,141,692            | 1,574,810            | 111,601                              | 983,211                             | 2,255,563            | 2,390,595            | (104,186)                            | 743,993                             |
| School Bus Replacement                         | 365,410                             | 15,295               | 82,691               | -                                    | 298,014                             | -                    | 254,713              | -                                    | 43,301                              |
| Rainy Day                                      | 189,672                             | -                    | 59,500               | -                                    | 130,172                             | -                    | 59,000               | 145,000                              | 216,172                             |
| Retirement/Severance Bond                      | (6,020)                             | -                    | -                    | 6,020                                | -                                   | -                    | -                    | -                                    | -                                   |
| School Lunch                                   | 388,031                             | 1,198,840            | 1,069,434            | -                                    | 517,437                             | 1,223,754            | 1,136,192            | (3,402)                              | 601,597                             |
| Textbook Rental                                | 326,489                             | 306,890              | 241,555              | 9,969                                | 401,793                             | 376,200              | 540,686              | 4,301                                | 241,608                             |
| Self-Insurance                                 | 2,069,847                           | 2,354,786            | 2,802,570            | -                                    | 1,622,063                           | 1,729,979            | 3,313,000            | 1,233,976                            | 1,273,018                           |
| Levy Excess                                    | 314,666                             | 34,384               | -                    | (111,601)                            | 237,449                             | -                    | 995                  | 397,210                              | 633,664                             |
| SAFE School Haven                              | 498                                 | -                    | -                    | -                                    | 498                                 | -                    | 152                  | -                                    | 346                                 |
| Rising Sun Regional Foundation Grant           | 9,090                               | 35,525               | 36,021               | -                                    | 8,594                               | 66,345               | 16,356               | -                                    | 58,583                              |
| ECO 15                                         | -                                   | -                    | -                    | -                                    | -                                   | 16,266               | 13,661               | -                                    | 2,605                               |
| Dearborn County Community Foundation           | 23,303                              | -                    | 23,303               | -                                    | -                                   | -                    | -                    | -                                    | -                                   |
| Scholarships and Awards                        | 272,253                             | 3,221                | 3,029                | -                                    | 272,445                             | 5,329                | 5,257                | -                                    | 272,517                             |
| Morrison Estate Fund                           | 3,162                               | 35                   | -                    | -                                    | 3,197                               | -                    | 168                  | -                                    | 3,029                               |
| K.E. Pitts Library Memorial                    | 1,826                               | 18                   | -                    | -                                    | 1,844                               | -                    | -                    | -                                    | 1,844                               |
| Indiana Next Leadership Grant                  | 611                                 | -                    | 332                  | -                                    | 279                                 | -                    | -                    | -                                    | 279                                 |
| High Ability Education Grant                   | -                                   | -                    | 972                  | -                                    | (972)                               | -                    | (972)                | -                                    | -                                   |
| State High Ability Grant                       | -                                   | -                    | 780                  | -                                    | (780)                               | -                    | (780)                | -                                    | -                                   |
| City of Lawrenceburg Gifted and Talented Grant | 194,312                             | 3,860                | 111,219              | -                                    | 86,953                              | -                    | 84,160               | (2,793)                              | -                                   |
| Gifted/ Talented 2010                          | 25,638                              | -                    | 26,610               | -                                    | (972)                               | -                    | (972)                | -                                    | -                                   |
| Gifted/ Talented H/A                           | -                                   | 37,972               | 23,004               | -                                    | 14,968                              | -                    | 14,968               | -                                    | -                                   |
| State High Ability Grant 2012                  | -                                   | -                    | -                    | -                                    | -                                   | 39,991               | 22,164               | -                                    | 17,827                              |
| Non-English Speaking Programs                  | 791                                 | -                    | 571                  | -                                    | 220                                 | 82                   | 302                  | -                                    | -                                   |
| School Technology                              | 1,840                               | 38,917               | 4,107                | -                                    | 36,650                              | 15,647               | 18,633               | -                                    | 33,664                              |
| Title I, 2009-2010                             | 142,896                             | 22,500               | 97,184               | (68,212)                             | -                                   | -                    | -                    | -                                    | -                                   |
| Title I, 2010-2011                             | -                                   | 295,000              | 391,598              | 68,212                               | (28,386)                            | 172,834              | 141,489              | (2,959)                              | -                                   |
| Title I, 2011-2012                             | -                                   | -                    | -                    | -                                    | -                                   | 345,931              | 338,601              | (23,737)                             | (16,407)                            |
| DFSC - Title IV, 2008-2009                     | 2,451                               | -                    | 2,451                | -                                    | -                                   | -                    | -                    | -                                    | -                                   |
| DFSC - Title IV, 2009-2010                     | 7,517                               | 1,000                | 7,149                | -                                    | 1,368                               | 4,778                | 6,146                | -                                    | -                                   |
| Medicaid Reimbursement - Federal               | 4,736                               | -                    | 4,619                | -                                    | 117                                 | 32,850               | 5,781                | -                                    | 27,186                              |
| Title II, Part A                               | 25,247                              | 99,600               | 131,809              | -                                    | (6,962)                             | 115,211              | 119,469              | (4,888)                              | (16,108)                            |
| Fiscal Stabilization - Education               | -                                   | -                    | -                    | -                                    | -                                   | -                    | -                    | -                                    | -                                   |
| Title I - Grants to LEAs                       | 18,715                              | 86,026               | 98,347               | -                                    | 6,394                               | -                    | 6,394                | -                                    | -                                   |
| Special Education - Part B                     | (17,643)                            | 142,431              | 105,868              | -                                    | 18,920                              | 43,312               | 62,232               | -                                    | -                                   |
| Education Jobs                                 | -                                   | -                    | -                    | -                                    | -                                   | 517,659              | 514,698              | (26,034)                             | (23,073)                            |
| Payroll                                        | 28,222                              | 12,329,237           | 12,232,513           | -                                    | 124,946                             | 12,400,983           | 12,919,480           | -                                    | (393,551)                           |
| Prepaid Food                                   | -                                   | -                    | -                    | -                                    | -                                   | 376,284              | 372,916              | -                                    | 3,368                               |
| <b>Totals</b>                                  | <b>\$ 9,280,009</b>                 | <b>\$ 45,233,864</b> | <b>\$ 45,207,704</b> | <b>\$ 9,969</b>                      | <b>\$ 9,316,138</b>                 | <b>\$ 45,984,269</b> | <b>\$ 45,969,947</b> | <b>\$ 4,301</b>                      | <b>\$ 9,334,761</b>                 |

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

SOUTH DEARBORN COMMUNITY 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, 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, and revenue for or on behalf of the School Corporation.

SOUTH DEARBORN COMMUNITY 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, 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, 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.

Non-programmed charges which include outflows for 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.

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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 DEARBORN COMMUNITY 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.

SOUTH DEARBORN COMMUNITY 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. Holding Corporation**

The School Corporation has entered into a capital lease with Aurora 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 school years ended June 30, 2011 and June 30, 2012, totaled \$2,718,000, and \$2,784,000, respectively.

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 8. Cash Balance Deficits**

The financial statement contains funds with deficits in cash.

The June 30, 2012 Payroll Fund deficit cash balance was due to a timing difference in recording receipts and expenditures. Fund expenditures for the final pay period in the fiscal year ending June 30, 2012, were recorded in that fiscal year. Transfers into the fund from other School Corporation funds to cover those expenditures were not recorded until the July 1, 2012, the first day of the next fiscal period.

Various federal grant funds were set up for reimbursable grants. Cash deficit balances for these funds occurred because reimbursements for expenditures made by the School Corporation were not received by June 30 of the respective years included in the financial statement, but were received in subsequent periods.

Various state grants incurred deficit cash balances because expenditures exceeded grant receipts. Adjustments were made in the subsequent year to close these funds from other available funds.

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## SUPPLEMENTARY INFORMATION – UNAUDITED

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

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

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

SOUTH DEARBORN COMMUNITY 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<br>Service     | Retirement/<br>Severance<br>Bond<br>Debt<br>Service | Capital<br>Projects | School<br>Transportation | School<br>Bus<br>Replacement | Rainy<br>Day      | Retirement/<br>Severance<br>Bond | School<br>Lunch   |
|---------------------------------------------------------------------------------------------------------|---------------------|---------------------|-----------------------------------------------------|---------------------|--------------------------|------------------------------|-------------------|----------------------------------|-------------------|
| Cash and investments - beginning                                                                        | \$ 1,397,622        | \$ 2,290,771        | \$ 80,914                                           | \$ 812,414          | \$ 304,728               | \$ 365,410                   | \$ 189,672        | \$ (6,020)                       | \$ 388,031        |
| Receipts:                                                                                               |                     |                     |                                                     |                     |                          |                              |                   |                                  |                   |
| Local sources                                                                                           | 1,615,797           | 4,582,399           | 261,772                                             | 1,592,634           | 1,589,126                | 15,295                       | -                 | -                                | 599,349           |
| Intermediate sources                                                                                    | 284,778             | -                   | -                                                   | -                   | -                        | -                            | -                 | -                                | -                 |
| State sources                                                                                           | 17,047,300          | 11,491              | -                                                   | -                   | -                        | -                            | -                 | -                                | 15,490            |
| Federal sources                                                                                         | -                   | -                   | -                                                   | -                   | -                        | -                            | -                 | -                                | 584,001           |
| Temporary loans                                                                                         | -                   | -                   | -                                                   | 690,464             | 552,566                  | -                            | -                 | -                                | -                 |
| Other                                                                                                   | -                   | -                   | -                                                   | -                   | -                        | -                            | -                 | -                                | -                 |
| Total receipts                                                                                          | <u>18,947,875</u>   | <u>4,593,890</u>    | <u>261,772</u>                                      | <u>2,283,098</u>    | <u>2,141,692</u>         | <u>15,295</u>                | <u>-</u>          | <u>-</u>                         | <u>1,198,840</u>  |
| Disbursements:                                                                                          |                     |                     |                                                     |                     |                          |                              |                   |                                  |                   |
| Current:                                                                                                |                     |                     |                                                     |                     |                          |                              |                   |                                  |                   |
| Instruction                                                                                             | 12,597,051          | -                   | -                                                   | -                   | 22                       | -                            | 59,500            | -                                | 46                |
| Support services                                                                                        | 4,492,535           | -                   | -                                                   | 807,801             | 1,569,386                | 82,691                       | -                 | -                                | -                 |
| Noninstructional services                                                                               | 252,050             | -                   | -                                                   | -                   | -                        | -                            | -                 | -                                | 1,064,509         |
| Facilities acquisition and construction                                                                 | -                   | -                   | -                                                   | 541,907             | -                        | -                            | -                 | -                                | -                 |
| Debt services                                                                                           | -                   | 4,733,296           | 221,196                                             | 715,097             | -                        | -                            | -                 | -                                | -                 |
| Nonprogrammed charges                                                                                   | 1,714,725           | -                   | -                                                   | -                   | 5,402                    | -                            | -                 | -                                | 4,879             |
| Total disbursements                                                                                     | <u>19,056,361</u>   | <u>4,733,296</u>    | <u>221,196</u>                                      | <u>2,064,805</u>    | <u>1,574,810</u>         | <u>82,691</u>                | <u>59,500</u>     | <u>-</u>                         | <u>1,069,434</u>  |
| Excess (deficiency) of receipts over disbursements                                                      | <u>(108,486)</u>    | <u>(139,406)</u>    | <u>40,576</u>                                       | <u>218,293</u>      | <u>566,882</u>           | <u>(67,396)</u>              | <u>(59,500)</u>   | <u>-</u>                         | <u>129,406</u>    |
| Other financing sources (uses):                                                                         |                     |                     |                                                     |                     |                          |                              |                   |                                  |                   |
| Sale of capital assets                                                                                  | -                   | -                   | -                                                   | -                   | -                        | -                            | -                 | -                                | -                 |
| Transfers in                                                                                            | -                   | -                   | -                                                   | -                   | 111,601                  | -                            | -                 | 6,020                            | -                 |
| Transfers out                                                                                           | (6,020)             | -                   | -                                                   | -                   | -                        | -                            | -                 | -                                | -                 |
| Total other financing sources (uses)                                                                    | <u>(6,020)</u>      | <u>-</u>            | <u>-</u>                                            | <u>-</u>            | <u>111,601</u>           | <u>-</u>                     | <u>-</u>          | <u>6,020</u>                     | <u>-</u>          |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>(114,506)</u>    | <u>(139,406)</u>    | <u>40,576</u>                                       | <u>218,293</u>      | <u>678,483</u>           | <u>(67,396)</u>              | <u>(59,500)</u>   | <u>6,020</u>                     | <u>129,406</u>    |
| Cash and investments - ending                                                                           | <u>\$ 1,283,116</u> | <u>\$ 2,151,365</u> | <u>\$ 121,490</u>                                   | <u>\$ 1,030,707</u> | <u>\$ 983,211</u>        | <u>\$ 298,014</u>            | <u>\$ 130,172</u> | <u>\$ -</u>                      | <u>\$ 517,437</u> |

SOUTH DEARBORN COMMUNITY 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)

|                                                                                                         | Textbook<br>Rental | Self-<br>Insurance  | Levy<br>Excess    | SAFE<br>School<br>Haven | Rising Sun<br>Regional<br>Foundation<br>Grant | ECO 15      | Dearborn<br>County<br>Community<br>Foundation | Scholarships<br>and<br>Awards | Morrison<br>Estate<br>Fund |
|---------------------------------------------------------------------------------------------------------|--------------------|---------------------|-------------------|-------------------------|-----------------------------------------------|-------------|-----------------------------------------------|-------------------------------|----------------------------|
| Cash and investments - beginning                                                                        | \$ 326,489         | \$ 2,069,847        | \$ 314,666        | \$ 498                  | \$ 9,090                                      | \$ -        | \$ 23,303                                     | \$ 272,253                    | \$ 3,162                   |
| Receipts:                                                                                               |                    |                     |                   |                         |                                               |             |                                               |                               |                            |
| Local sources                                                                                           | 249,071            | 2,354,786           | 34,384            | -                       | 35,525                                        | -           | -                                             | 3,221                         | 35                         |
| Intermediate sources                                                                                    | -                  | -                   | -                 | -                       | -                                             | -           | -                                             | -                             | -                          |
| State sources                                                                                           | 57,819             | -                   | -                 | -                       | -                                             | -           | -                                             | -                             | -                          |
| Federal sources                                                                                         | -                  | -                   | -                 | -                       | -                                             | -           | -                                             | -                             | -                          |
| Temporary loans                                                                                         | -                  | -                   | -                 | -                       | -                                             | -           | -                                             | -                             | -                          |
| Other                                                                                                   | -                  | -                   | -                 | -                       | -                                             | -           | -                                             | -                             | -                          |
| Total receipts                                                                                          | <u>306,890</u>     | <u>2,354,786</u>    | <u>34,384</u>     | <u>-</u>                | <u>35,525</u>                                 | <u>-</u>    | <u>-</u>                                      | <u>3,221</u>                  | <u>35</u>                  |
| Disbursements:                                                                                          |                    |                     |                   |                         |                                               |             |                                               |                               |                            |
| Current:                                                                                                |                    |                     |                   |                         |                                               |             |                                               |                               |                            |
| Instruction                                                                                             | -                  | 2,802,570           | -                 | -                       | 28,147                                        | -           | 20,360                                        | -                             | -                          |
| Support services                                                                                        | 241,555            | -                   | -                 | -                       | 7,874                                         | -           | -                                             | -                             | -                          |
| Noninstructional services                                                                               | -                  | -                   | -                 | -                       | -                                             | -           | -                                             | -                             | -                          |
| Facilities acquisition and construction                                                                 | -                  | -                   | -                 | -                       | -                                             | -           | -                                             | -                             | -                          |
| Debt services                                                                                           | -                  | -                   | -                 | -                       | -                                             | -           | -                                             | -                             | -                          |
| Nonprogrammed charges                                                                                   | -                  | -                   | -                 | -                       | -                                             | -           | 2,943                                         | 3,029                         | -                          |
| Total disbursements                                                                                     | <u>241,555</u>     | <u>2,802,570</u>    | <u>-</u>          | <u>-</u>                | <u>36,021</u>                                 | <u>-</u>    | <u>23,303</u>                                 | <u>3,029</u>                  | <u>-</u>                   |
| Excess (deficiency) of receipts over disbursements                                                      | <u>65,335</u>      | <u>(447,784)</u>    | <u>34,384</u>     | <u>-</u>                | <u>(496)</u>                                  | <u>-</u>    | <u>(23,303)</u>                               | <u>192</u>                    | <u>35</u>                  |
| Other financing sources (uses):                                                                         |                    |                     |                   |                         |                                               |             |                                               |                               |                            |
| Sale of capital assets                                                                                  | 9,969              | -                   | -                 | -                       | -                                             | -           | -                                             | -                             | -                          |
| Transfers in                                                                                            | -                  | -                   | -                 | -                       | -                                             | -           | -                                             | -                             | -                          |
| Transfers out                                                                                           | -                  | -                   | (111,601)         | -                       | -                                             | -           | -                                             | -                             | -                          |
| Total other financing sources (uses)                                                                    | <u>9,969</u>       | <u>-</u>            | <u>(111,601)</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>75,304</u>      | <u>(447,784)</u>    | <u>(77,217)</u>   | <u>-</u>                | <u>(496)</u>                                  | <u>-</u>    | <u>(23,303)</u>                               | <u>192</u>                    | <u>35</u>                  |
| Cash and investments - ending                                                                           | <u>\$ 401,793</u>  | <u>\$ 1,622,063</u> | <u>\$ 237,449</u> | <u>\$ 498</u>           | <u>\$ 8,594</u>                               | <u>\$ -</u> | <u>\$ -</u>                                   | <u>\$ 272,445</u>             | <u>\$ 3,197</u>            |

SOUTH DEARBORN COMMUNITY 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)

|                                                                                                         | K.E. Pitts<br>Library<br>Memorial | Indiana<br>Next<br>Leadership<br>Grant | High<br>Ability<br>Education<br>Grant | State<br>High<br>Ability<br>Grant | City of<br>Lawrenceburg<br>Gifted and<br>Talented<br>Grant | Gifted/<br>Talented<br>2010 | Gifted/<br>Talented H/A | State<br>High<br>Ability<br>Grant 2012 |
|---------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------------|---------------------------------------|-----------------------------------|------------------------------------------------------------|-----------------------------|-------------------------|----------------------------------------|
| Cash and investments - beginning                                                                        | \$ 1,826                          | \$ 611                                 | \$ -                                  | \$ -                              | \$ 194,312                                                 | \$ 25,638                   | \$ -                    | \$ -                                   |
| Receipts:                                                                                               |                                   |                                        |                                       |                                   |                                                            |                             |                         |                                        |
| Local sources                                                                                           | 18                                | -                                      | -                                     | -                                 | 3,860                                                      | -                           | -                       | -                                      |
| Intermediate sources                                                                                    | -                                 | -                                      | -                                     | -                                 | -                                                          | -                           | -                       | -                                      |
| State sources                                                                                           | -                                 | -                                      | -                                     | -                                 | -                                                          | -                           | 37,972                  | -                                      |
| Federal sources                                                                                         | -                                 | -                                      | -                                     | -                                 | -                                                          | -                           | -                       | -                                      |
| Temporary loans                                                                                         | -                                 | -                                      | -                                     | -                                 | -                                                          | -                           | -                       | -                                      |
| Other                                                                                                   | -                                 | -                                      | -                                     | -                                 | -                                                          | -                           | -                       | -                                      |
| Total receipts                                                                                          | <u>18</u>                         | <u>-</u>                               | <u>-</u>                              | <u>-</u>                          | <u>3,860</u>                                               | <u>-</u>                    | <u>37,972</u>           | <u>-</u>                               |
| Disbursements:                                                                                          |                                   |                                        |                                       |                                   |                                                            |                             |                         |                                        |
| Current:                                                                                                |                                   |                                        |                                       |                                   |                                                            |                             |                         |                                        |
| Instruction                                                                                             | -                                 | 332                                    | 972                                   | 780                               | 103,186                                                    | 24,963                      | 22,903                  | -                                      |
| Support services                                                                                        | -                                 | -                                      | -                                     | -                                 | 321                                                        | 1,647                       | 101                     | -                                      |
| Noninstructional services                                                                               | -                                 | -                                      | -                                     | -                                 | 30                                                         | -                           | -                       | -                                      |
| Facilities acquisition and construction                                                                 | -                                 | -                                      | -                                     | -                                 | -                                                          | -                           | -                       | -                                      |
| Debt services                                                                                           | -                                 | -                                      | -                                     | -                                 | -                                                          | -                           | -                       | -                                      |
| Nonprogrammed charges                                                                                   | -                                 | -                                      | -                                     | -                                 | 7,682                                                      | -                           | -                       | -                                      |
| Total disbursements                                                                                     | <u>-</u>                          | <u>332</u>                             | <u>972</u>                            | <u>780</u>                        | <u>111,219</u>                                             | <u>26,610</u>               | <u>23,004</u>           | <u>-</u>                               |
| Excess (deficiency) of receipts over disbursements                                                      | <u>18</u>                         | <u>(332)</u>                           | <u>(972)</u>                          | <u>(780)</u>                      | <u>(107,359)</u>                                           | <u>(26,610)</u>             | <u>14,968</u>           | <u>-</u>                               |
| Other financing sources (uses):                                                                         |                                   |                                        |                                       |                                   |                                                            |                             |                         |                                        |
| Sale of capital assets                                                                                  | -                                 | -                                      | -                                     | -                                 | -                                                          | -                           | -                       | -                                      |
| Transfers in                                                                                            | -                                 | -                                      | -                                     | -                                 | -                                                          | -                           | -                       | -                                      |
| Transfers out                                                                                           | -                                 | -                                      | -                                     | -                                 | -                                                          | -                           | -                       | -                                      |
| Total other financing sources (uses)                                                                    | <u>-</u>                          | <u>-</u>                               | <u>-</u>                              | <u>-</u>                          | <u>-</u>                                                   | <u>-</u>                    | <u>-</u>                | <u>-</u>                               |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>18</u>                         | <u>(332)</u>                           | <u>(972)</u>                          | <u>(780)</u>                      | <u>(107,359)</u>                                           | <u>(26,610)</u>             | <u>14,968</u>           | <u>-</u>                               |
| Cash and investments - ending                                                                           | <u>\$ 1,844</u>                   | <u>\$ 279</u>                          | <u>\$ (972)</u>                       | <u>\$ (780)</u>                   | <u>\$ 86,953</u>                                           | <u>\$ (972)</u>             | <u>\$ 14,968</u>        | <u>\$ -</u>                            |

SOUTH DEARBORN COMMUNITY 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)

|                                                                                                         | Non-English<br>Speaking<br>Programs | School<br>Technology | Title I<br>2009-2010 | Title I<br>2010-2011 | Title I<br>2011-2012 | DFSC<br>Title IV<br>2008-2009 | DFSC<br>Title IV<br>2009-2010 | Medicaid<br>Reimbursement<br>Federal |
|---------------------------------------------------------------------------------------------------------|-------------------------------------|----------------------|----------------------|----------------------|----------------------|-------------------------------|-------------------------------|--------------------------------------|
| Cash and investments - beginning                                                                        | \$ 791                              | \$ 1,840             | \$ 142,896           | \$ -                 | \$ -                 | \$ 2,451                      | \$ 7,517                      | \$ 4,736                             |
| Receipts:                                                                                               |                                     |                      |                      |                      |                      |                               |                               |                                      |
| Local sources                                                                                           | -                                   | 38,917               | -                    | -                    | -                    | -                             | -                             | -                                    |
| Intermediate sources                                                                                    | -                                   | -                    | -                    | -                    | -                    | -                             | -                             | -                                    |
| State sources                                                                                           | -                                   | -                    | -                    | -                    | -                    | -                             | -                             | -                                    |
| Federal sources                                                                                         | -                                   | -                    | 22,500               | 295,000              | -                    | -                             | 1,000                         | -                                    |
| Temporary loans                                                                                         | -                                   | -                    | -                    | -                    | -                    | -                             | -                             | -                                    |
| Other                                                                                                   | -                                   | -                    | -                    | -                    | -                    | -                             | -                             | -                                    |
| Total receipts                                                                                          | -                                   | 38,917               | 22,500               | 295,000              | -                    | -                             | 1,000                         | -                                    |
| Disbursements:                                                                                          |                                     |                      |                      |                      |                      |                               |                               |                                      |
| Current:                                                                                                |                                     |                      |                      |                      |                      |                               |                               |                                      |
| Instruction                                                                                             | 571                                 | -                    | 80,876               | 349,765              | -                    | 1,907                         | 7,149                         | 2,381                                |
| Support services                                                                                        | -                                   | 4,107                | 181                  | 4,905                | -                    | 544                           | -                             | 2,238                                |
| Noninstructional services                                                                               | -                                   | -                    | 2,784                | 374                  | -                    | -                             | -                             | -                                    |
| Facilities acquisition and construction                                                                 | -                                   | -                    | -                    | -                    | -                    | -                             | -                             | -                                    |
| Debt services                                                                                           | -                                   | -                    | -                    | -                    | -                    | -                             | -                             | -                                    |
| Nonprogrammed charges                                                                                   | -                                   | -                    | 13,343               | 36,554               | -                    | -                             | -                             | -                                    |
| Total disbursements                                                                                     | 571                                 | 4,107                | 97,184               | 391,598              | -                    | 2,451                         | 7,149                         | 4,619                                |
| Excess (deficiency) of receipts over disbursements                                                      | (571)                               | 34,810               | (74,684)             | (96,598)             | -                    | (2,451)                       | (6,149)                       | (4,619)                              |
| Other financing sources (uses):                                                                         |                                     |                      |                      |                      |                      |                               |                               |                                      |
| Sale of capital assets                                                                                  | -                                   | -                    | -                    | -                    | -                    | -                             | -                             | -                                    |
| Transfers in                                                                                            | -                                   | -                    | -                    | 68,212               | -                    | -                             | -                             | -                                    |
| Transfers out                                                                                           | -                                   | -                    | (68,212)             | -                    | -                    | -                             | -                             | -                                    |
| Total other financing sources (uses)                                                                    | -                                   | -                    | (68,212)             | 68,212               | -                    | -                             | -                             | -                                    |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (571)                               | 34,810               | (142,896)            | (28,386)             | -                    | (2,451)                       | (6,149)                       | (4,619)                              |
| Cash and investments - ending                                                                           | \$ 220                              | \$ 36,650            | \$ -                 | \$ (28,386)          | \$ -                 | \$ -                          | \$ 1,368                      | \$ 117                               |

SOUTH DEARBORN COMMUNITY 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<br>Part A | Fiscal<br>Stabilization<br>Education | Title I<br>Grants<br>to LEAs | Special<br>Education<br>Part B | Education<br>Jobs | Payroll           | Prepaid Food | Totals              |
|---------------------------------------------------------------------------------------------------------|--------------------|--------------------------------------|------------------------------|--------------------------------|-------------------|-------------------|--------------|---------------------|
| Cash and investments - beginning                                                                        | \$ 25,247          | \$ -                                 | \$ 18,715                    | \$ (17,643)                    | \$ -              | \$ 28,222         | \$ -         | \$ 9,280,009        |
| Receipts:                                                                                               |                    |                                      |                              |                                |                   |                   |              |                     |
| Local sources                                                                                           | -                  | -                                    | -                            | 142,431                        | -                 | -                 | -            | 13,118,620          |
| Intermediate sources                                                                                    | -                  | -                                    | -                            | -                              | -                 | -                 | -            | 284,778             |
| State sources                                                                                           | -                  | -                                    | -                            | -                              | -                 | -                 | -            | 17,170,072          |
| Federal sources                                                                                         | 99,600             | -                                    | 86,026                       | -                              | -                 | -                 | -            | 1,088,127           |
| Temporary loans                                                                                         | -                  | -                                    | -                            | -                              | -                 | -                 | -            | 1,243,030           |
| Other                                                                                                   | -                  | -                                    | -                            | -                              | -                 | 12,329,237        | -            | 12,329,237          |
| Total receipts                                                                                          | <u>99,600</u>      | <u>-</u>                             | <u>86,026</u>                | <u>142,431</u>                 | <u>-</u>          | <u>12,329,237</u> | <u>-</u>     | <u>45,233,864</u>   |
| Disbursements:                                                                                          |                    |                                      |                              |                                |                   |                   |              |                     |
| Current:                                                                                                |                    |                                      |                              |                                |                   |                   |              |                     |
| Instruction                                                                                             | 100,288            | -                                    | 69,357                       | 103,759                        | -                 | -                 | -            | 16,376,885          |
| Support services                                                                                        | -                  | -                                    | 6,227                        | -                              | -                 | -                 | -            | 7,222,113           |
| Noninstructional services                                                                               | -                  | -                                    | 9                            | 14                             | -                 | -                 | -            | 1,319,770           |
| Facilities acquisition and construction                                                                 | -                  | -                                    | -                            | -                              | -                 | -                 | -            | 541,907             |
| Debt services                                                                                           | -                  | -                                    | -                            | -                              | -                 | -                 | -            | 5,669,589           |
| Nonprogrammed charges                                                                                   | 31,521             | -                                    | 22,754                       | 2,095                          | -                 | 12,232,513        | -            | 14,077,440          |
| Total disbursements                                                                                     | <u>131,809</u>     | <u>-</u>                             | <u>98,347</u>                | <u>105,868</u>                 | <u>-</u>          | <u>12,232,513</u> | <u>-</u>     | <u>45,207,704</u>   |
| Excess (deficiency) of receipts over disbursements                                                      | <u>(32,209)</u>    | <u>-</u>                             | <u>(12,321)</u>              | <u>36,563</u>                  | <u>-</u>          | <u>96,724</u>     | <u>-</u>     | <u>26,160</u>       |
| Other financing sources (uses):                                                                         |                    |                                      |                              |                                |                   |                   |              |                     |
| Sale of capital assets                                                                                  | -                  | -                                    | -                            | -                              | -                 | -                 | -            | 9,969               |
| Transfers in                                                                                            | -                  | -                                    | -                            | -                              | -                 | -                 | -            | 185,833             |
| Transfers out                                                                                           | -                  | -                                    | -                            | -                              | -                 | -                 | -            | (185,833)           |
| Total other financing sources (uses)                                                                    | <u>-</u>           | <u>-</u>                             | <u>-</u>                     | <u>-</u>                       | <u>-</u>          | <u>-</u>          | <u>-</u>     | <u>9,969</u>        |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>(32,209)</u>    | <u>-</u>                             | <u>(12,321)</u>              | <u>36,563</u>                  | <u>-</u>          | <u>96,724</u>     | <u>-</u>     | <u>36,129</u>       |
| Cash and investments - ending                                                                           | <u>\$ (6,962)</u>  | <u>\$ -</u>                          | <u>\$ 6,394</u>              | <u>\$ 18,920</u>               | <u>\$ -</u>       | <u>\$ 124,946</u> | <u>\$ -</u>  | <u>\$ 9,316,138</u> |

SOUTH DEARBORN COMMUNITY 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<br>Service     | Retirement/<br>Severance<br>Bond<br>Debt<br>Service | Capital<br>Projects | School<br>Transportation | School<br>Bus<br>Replacement | Rainy<br>Day      | Retirement/<br>Severance<br>Bond | School<br>Lunch   |
|---------------------------------------------------------------------------------------------------------|---------------------|---------------------|-----------------------------------------------------|---------------------|--------------------------|------------------------------|-------------------|----------------------------------|-------------------|
| Cash and investments - beginning                                                                        | \$ 1,283,116        | \$ 2,151,365        | \$ 121,490                                          | \$ 1,030,707        | \$ 983,211               | \$ 298,014                   | \$ 130,172        | \$ -                             | \$ 517,437        |
| Receipts:                                                                                               |                     |                     |                                                     |                     |                          |                              |                   |                                  |                   |
| Local sources                                                                                           | 2,678,307           | 3,986,718           | 229,814                                             | 1,583,846           | 1,544,377                | -                            | -                 | -                                | 553,205           |
| Intermediate sources                                                                                    | 145,637             | -                   | -                                                   | -                   | -                        | -                            | -                 | -                                | -                 |
| State sources                                                                                           | 16,710,533          | -                   | -                                                   | -                   | -                        | -                            | -                 | -                                | 14,393            |
| Federal sources                                                                                         | -                   | -                   | -                                                   | -                   | -                        | -                            | -                 | -                                | 656,156           |
| Temporary loans                                                                                         | -                   | 448,141             | -                                                   | 462,275             | 711,186                  | -                            | -                 | -                                | -                 |
| Other                                                                                                   | -                   | -                   | -                                                   | -                   | -                        | -                            | -                 | -                                | -                 |
| Total receipts                                                                                          | <u>19,534,477</u>   | <u>4,434,859</u>    | <u>229,814</u>                                      | <u>2,046,121</u>    | <u>2,255,563</u>         | <u>-</u>                     | <u>-</u>          | <u>-</u>                         | <u>1,223,754</u>  |
| Disbursements:                                                                                          |                     |                     |                                                     |                     |                          |                              |                   |                                  |                   |
| Current:                                                                                                |                     |                     |                                                     |                     |                          |                              |                   |                                  |                   |
| Instruction                                                                                             | 11,587,965          | -                   | -                                                   | -                   | -                        | -                            | 59,000            | -                                | 46                |
| Support services                                                                                        | 4,651,953           | -                   | -                                                   | 1,041,232           | 1,673,507                | 254,713                      | -                 | -                                | 3,130             |
| Noninstructional services                                                                               | 309,702             | -                   | -                                                   | -                   | -                        | -                            | -                 | -                                | 1,130,365         |
| Facilities acquisition and construction                                                                 | -                   | -                   | -                                                   | 561,752             | -                        | -                            | -                 | -                                | -                 |
| Debt services                                                                                           | -                   | 3,689,924           | 220,013                                             | 594,422             | 709,139                  | -                            | -                 | -                                | -                 |
| Nonprogrammed charges                                                                                   | 957,500             | -                   | -                                                   | -                   | 7,949                    | -                            | -                 | -                                | 2,651             |
| Total disbursements                                                                                     | <u>17,507,120</u>   | <u>3,689,924</u>    | <u>220,013</u>                                      | <u>2,197,406</u>    | <u>2,390,595</u>         | <u>254,713</u>               | <u>59,000</u>     | <u>-</u>                         | <u>1,136,192</u>  |
| Excess (deficiency) of receipts over disbursements                                                      | <u>2,027,357</u>    | <u>744,935</u>      | <u>9,801</u>                                        | <u>(151,285)</u>    | <u>(135,032)</u>         | <u>(254,713)</u>             | <u>(59,000)</u>   | <u>-</u>                         | <u>87,562</u>     |
| Other financing sources (uses):                                                                         |                     |                     |                                                     |                     |                          |                              |                   |                                  |                   |
| Sale of capital assets                                                                                  | -                   | -                   | -                                                   | -                   | -                        | -                            | -                 | -                                | -                 |
| Transfers in                                                                                            | 34,384              | (243,259)           | (12,259)                                            | (85,627)            | (90,450)                 | -                            | -                 | -                                | -                 |
| Transfers out                                                                                           | (1,156,426)         | (145,000)           | -                                                   | -                   | (13,736)                 | -                            | 145,000           | -                                | (3,402)           |
| Total other financing sources (uses)                                                                    | <u>(1,122,042)</u>  | <u>(388,259)</u>    | <u>(12,259)</u>                                     | <u>(85,627)</u>     | <u>(104,186)</u>         | <u>-</u>                     | <u>145,000</u>    | <u>-</u>                         | <u>(3,402)</u>    |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>905,315</u>      | <u>356,676</u>      | <u>(2,458)</u>                                      | <u>(236,912)</u>    | <u>(239,218)</u>         | <u>(254,713)</u>             | <u>86,000</u>     | <u>-</u>                         | <u>84,160</u>     |
| Cash and investments - ending                                                                           | <u>\$ 2,188,431</u> | <u>\$ 2,508,041</u> | <u>\$ 119,032</u>                                   | <u>\$ 793,795</u>   | <u>\$ 743,993</u>        | <u>\$ 43,301</u>             | <u>\$ 216,172</u> | <u>\$ -</u>                      | <u>\$ 601,597</u> |

SOUTH DEARBORN COMMUNITY 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)

|                                                                                                         | Textbook<br>Rental | Self-<br>Insurance | Levy<br>Excess | SAFE<br>School<br>Haven | Rising Sun<br>Regional<br>Foundation<br>Grant | ECO 15   | Dearborn<br>County<br>Community<br>Foundation | Scholarships<br>and<br>Awards | Morrison<br>Estate<br>Fund |
|---------------------------------------------------------------------------------------------------------|--------------------|--------------------|----------------|-------------------------|-----------------------------------------------|----------|-----------------------------------------------|-------------------------------|----------------------------|
| Cash and investments - beginning                                                                        | \$ 401,793         | \$ 1,622,063       | \$ 237,449     | \$ 498                  | \$ 8,594                                      | \$ -     | \$ -                                          | \$ 272,445                    | \$ 3,197                   |
| Receipts:                                                                                               |                    |                    |                |                         |                                               |          |                                               |                               |                            |
| Local sources                                                                                           | 282,492            | 1,729,979          | -              | -                       | 66,345                                        | 16,266   | -                                             | 5,329                         | -                          |
| Intermediate sources                                                                                    | -                  | -                  | -              | -                       | -                                             | -        | -                                             | -                             | -                          |
| State sources                                                                                           | 93,708             | -                  | -              | -                       | -                                             | -        | -                                             | -                             | -                          |
| Federal sources                                                                                         | -                  | -                  | -              | -                       | -                                             | -        | -                                             | -                             | -                          |
| Temporary loans                                                                                         | -                  | -                  | -              | -                       | -                                             | -        | -                                             | -                             | -                          |
| Other                                                                                                   | -                  | -                  | -              | -                       | -                                             | -        | -                                             | -                             | -                          |
| Total receipts                                                                                          | 376,200            | 1,729,979          | -              | -                       | 66,345                                        | 16,266   | -                                             | 5,329                         | -                          |
| Disbursements:                                                                                          |                    |                    |                |                         |                                               |          |                                               |                               |                            |
| Current:                                                                                                |                    |                    |                |                         |                                               |          |                                               |                               |                            |
| Instruction                                                                                             | -                  | 3,313,000          | -              | 152                     | 14,743                                        | 13,661   | -                                             | -                             | 168                        |
| Support services                                                                                        | 540,686            | -                  | 995            | -                       | 1,613                                         | -        | -                                             | -                             | -                          |
| Noninstructional services                                                                               | -                  | -                  | -              | -                       | -                                             | -        | -                                             | -                             | -                          |
| Facilities acquisition and construction                                                                 | -                  | -                  | -              | -                       | -                                             | -        | -                                             | -                             | -                          |
| Debt services                                                                                           | -                  | -                  | -              | -                       | -                                             | -        | -                                             | -                             | -                          |
| Nonprogrammed charges                                                                                   | -                  | -                  | -              | -                       | -                                             | -        | -                                             | 5,257                         | -                          |
| Total disbursements                                                                                     | 540,686            | 3,313,000          | 995            | 152                     | 16,356                                        | 13,661   | -                                             | 5,257                         | 168                        |
| Excess (deficiency) of receipts over disbursements                                                      | (164,486)          | (1,583,021)        | (995)          | (152)                   | 49,989                                        | 2,605    | -                                             | 72                            | (168)                      |
| Other financing sources (uses):                                                                         |                    |                    |                |                         |                                               |          |                                               |                               |                            |
| Sale of capital assets                                                                                  | 4,301              | -                  | -              | -                       | -                                             | -        | -                                             | -                             | -                          |
| Transfers in                                                                                            | -                  | 1,233,976          | 431,594        | -                       | -                                             | -        | -                                             | -                             | -                          |
| Transfers out                                                                                           | -                  | -                  | (34,384)       | -                       | -                                             | -        | -                                             | -                             | -                          |
| Total other financing sources (uses)                                                                    | 4,301              | 1,233,976          | 397,210        | -                       | -                                             | -        | -                                             | -                             | -                          |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (160,185)          | (349,045)          | 396,215        | (152)                   | 49,989                                        | 2,605    | -                                             | 72                            | (168)                      |
| Cash and investments - ending                                                                           | \$ 241,608         | \$ 1,273,018       | \$ 633,664     | \$ 346                  | \$ 58,583                                     | \$ 2,605 | \$ -                                          | \$ 272,517                    | \$ 3,029                   |

SOUTH DEARBORN COMMUNITY 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)

|                                                                                                         | K.E. Pitts<br>Library<br>Memorial | Indiana<br>Next<br>Leadership<br>Grant | High<br>Ability<br>Education<br>Grant | State<br>High<br>Ability<br>Grant | City of<br>Lawrenceburg<br>Gifted and<br>Talented<br>Grant | Gifted/<br>Talented<br>2010 | Gifted/<br>Talented H/A | State<br>High<br>Ability<br>Grant 2012 |
|---------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------------|---------------------------------------|-----------------------------------|------------------------------------------------------------|-----------------------------|-------------------------|----------------------------------------|
| Cash and investments - beginning                                                                        | \$ 1,844                          | \$ 279                                 | \$ (972)                              | \$ (780)                          | \$ 86,953                                                  | \$ (972)                    | \$ 14,968               | \$ -                                   |
| Receipts:                                                                                               |                                   |                                        |                                       |                                   |                                                            |                             |                         |                                        |
| Local sources                                                                                           | -                                 | -                                      | -                                     | -                                 | -                                                          | -                           | -                       | 3,705                                  |
| Intermediate sources                                                                                    | -                                 | -                                      | -                                     | -                                 | -                                                          | -                           | -                       | -                                      |
| State sources                                                                                           | -                                 | -                                      | -                                     | -                                 | -                                                          | -                           | -                       | 36,286                                 |
| Federal sources                                                                                         | -                                 | -                                      | -                                     | -                                 | -                                                          | -                           | -                       | -                                      |
| Temporary loans                                                                                         | -                                 | -                                      | -                                     | -                                 | -                                                          | -                           | -                       | -                                      |
| Other                                                                                                   | -                                 | -                                      | -                                     | -                                 | -                                                          | -                           | -                       | -                                      |
| Total receipts                                                                                          | -                                 | -                                      | -                                     | -                                 | -                                                          | -                           | -                       | 39,991                                 |
| Disbursements:                                                                                          |                                   |                                        |                                       |                                   |                                                            |                             |                         |                                        |
| Current:                                                                                                |                                   |                                        |                                       |                                   |                                                            |                             |                         |                                        |
| Instruction                                                                                             | -                                 | -                                      | (972)                                 | (780)                             | 79,957                                                     | (972)                       | 14,968                  | 22,164                                 |
| Support services                                                                                        | -                                 | -                                      | -                                     | -                                 | -                                                          | -                           | -                       | -                                      |
| Noninstructional services                                                                               | -                                 | -                                      | -                                     | -                                 | 13                                                         | -                           | -                       | -                                      |
| Facilities acquisition and construction                                                                 | -                                 | -                                      | -                                     | -                                 | -                                                          | -                           | -                       | -                                      |
| Debt services                                                                                           | -                                 | -                                      | -                                     | -                                 | -                                                          | -                           | -                       | -                                      |
| Nonprogrammed charges                                                                                   | -                                 | -                                      | -                                     | -                                 | 4,190                                                      | -                           | -                       | -                                      |
| Total disbursements                                                                                     | -                                 | -                                      | (972)                                 | (780)                             | 84,160                                                     | (972)                       | 14,968                  | 22,164                                 |
| Excess (deficiency) of receipts over disbursements                                                      | -                                 | -                                      | 972                                   | 780                               | (84,160)                                                   | 972                         | (14,968)                | 17,827                                 |
| Other financing sources (uses):                                                                         |                                   |                                        |                                       |                                   |                                                            |                             |                         |                                        |
| Sale of capital assets                                                                                  | -                                 | -                                      | -                                     | -                                 | -                                                          | -                           | -                       | -                                      |
| Transfers in                                                                                            | -                                 | -                                      | -                                     | -                                 | -                                                          | -                           | -                       | -                                      |
| Transfers out                                                                                           | -                                 | -                                      | -                                     | -                                 | (2,793)                                                    | -                           | -                       | -                                      |
| Total other financing sources (uses)                                                                    | -                                 | -                                      | -                                     | -                                 | (2,793)                                                    | -                           | -                       | -                                      |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | -                                 | -                                      | 972                                   | 780                               | (86,953)                                                   | 972                         | (14,968)                | 17,827                                 |
| Cash and investments - ending                                                                           | <u>\$ 1,844</u>                   | <u>\$ 279</u>                          | <u>\$ -</u>                           | <u>\$ -</u>                       | <u>\$ -</u>                                                | <u>\$ -</u>                 | <u>\$ -</u>             | <u>\$ 17,827</u>                       |

SOUTH DEARBORN COMMUNITY 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)

|                                                                                                         | Non-English<br>Speaking<br>Programs | School<br>Technology | Title I<br>2009-2010 | Title I<br>2010-2011 | Title I<br>2011-2012 | DFSC<br>Title IV<br>2008-2009 | DFSC<br>Title IV<br>2009-2010 | Medicaid<br>Reimbursement<br>Federal |
|---------------------------------------------------------------------------------------------------------|-------------------------------------|----------------------|----------------------|----------------------|----------------------|-------------------------------|-------------------------------|--------------------------------------|
| Cash and investments - beginning                                                                        | \$ 220                              | \$ 36,650            | \$ -                 | \$ (28,386)          | \$ -                 | \$ -                          | \$ 1,368                      | \$ 117                               |
| Receipts:                                                                                               |                                     |                      |                      |                      |                      |                               |                               |                                      |
| Local sources                                                                                           | 82                                  | 15,647               | -                    | -                    | 1,000                | -                             | -                             | -                                    |
| Intermediate sources                                                                                    | -                                   | -                    | -                    | -                    | -                    | -                             | -                             | -                                    |
| State sources                                                                                           | -                                   | -                    | -                    | -                    | -                    | -                             | -                             | -                                    |
| Federal sources                                                                                         | -                                   | -                    | -                    | 172,834              | 344,931              | -                             | 4,778                         | 32,850                               |
| Temporary loans                                                                                         | -                                   | -                    | -                    | -                    | -                    | -                             | -                             | -                                    |
| Other                                                                                                   | -                                   | -                    | -                    | -                    | -                    | -                             | -                             | -                                    |
| Total receipts                                                                                          | 82                                  | 15,647               | -                    | 172,834              | 345,931              | -                             | 4,778                         | 32,850                               |
| Disbursements:                                                                                          |                                     |                      |                      |                      |                      |                               |                               |                                      |
| Current:                                                                                                |                                     |                      |                      |                      |                      |                               |                               |                                      |
| Instruction                                                                                             | 302                                 | 3,600                | -                    | 127,386              | 325,008              | -                             | 6,146                         | 3,486                                |
| Support services                                                                                        | -                                   | 15,033               | -                    | -                    | 1,132                | -                             | -                             | 2,295                                |
| Noninstructional services                                                                               | -                                   | -                    | -                    | 209                  | 329                  | -                             | -                             | -                                    |
| Facilities acquisition and construction                                                                 | -                                   | -                    | -                    | -                    | -                    | -                             | -                             | -                                    |
| Debt services                                                                                           | -                                   | -                    | -                    | -                    | -                    | -                             | -                             | -                                    |
| Nonprogrammed charges                                                                                   | -                                   | -                    | -                    | 13,894               | 12,132               | -                             | -                             | -                                    |
| Total disbursements                                                                                     | 302                                 | 18,633               | -                    | 141,489              | 338,601              | -                             | 6,146                         | 5,781                                |
| Excess (deficiency) of receipts over disbursements                                                      | (220)                               | (2,986)              | -                    | 31,345               | 7,330                | -                             | (1,368)                       | 27,069                               |
| Other financing sources (uses):                                                                         |                                     |                      |                      |                      |                      |                               |                               |                                      |
| Sale of capital assets                                                                                  | -                                   | -                    | -                    | -                    | -                    | -                             | -                             | -                                    |
| Transfers in                                                                                            | -                                   | -                    | -                    | -                    | 2,959                | -                             | -                             | -                                    |
| Transfers out                                                                                           | -                                   | -                    | -                    | (2,959)              | (26,696)             | -                             | -                             | -                                    |
| Total other financing sources (uses)                                                                    | -                                   | -                    | -                    | (2,959)              | (23,737)             | -                             | -                             | -                                    |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (220)                               | (2,986)              | -                    | 28,386               | (16,407)             | -                             | (1,368)                       | 27,069                               |
| Cash and investments - ending                                                                           | \$ -                                | \$ 33,664            | \$ -                 | \$ -                 | \$ (16,407)          | \$ -                          | \$ -                          | \$ 27,186                            |

SOUTH DEARBORN COMMUNITY 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 II<br>Part A | Fiscal<br>Stabilization<br>Education | Title I<br>Grants<br>to LEAs | Special<br>Education<br>Part B | Education<br>Jobs | Payroll      | Prepaid Food | Totals       |
|---------------------------------------------------------------------------------------------------------|--------------------|--------------------------------------|------------------------------|--------------------------------|-------------------|--------------|--------------|--------------|
| Cash and investments - beginning                                                                        | \$ (6,962)         | \$ -                                 | \$ 6,394                     | \$ 18,920                      | \$ -              | \$ 124,946   | \$ -         | \$ 9,316,138 |
| Receipts:                                                                                               |                    |                                      |                              |                                |                   |              |              |              |
| Local sources                                                                                           | -                  | -                                    | -                            | 43,312                         | -                 | -            | -            | 12,740,424   |
| Intermediate sources                                                                                    | -                  | -                                    | -                            | -                              | -                 | -            | -            | 145,637      |
| State sources                                                                                           | -                  | -                                    | -                            | -                              | -                 | -            | -            | 16,854,920   |
| Federal sources                                                                                         | 115,211            | -                                    | -                            | -                              | 517,659           | -            | -            | 1,844,419    |
| Temporary loans                                                                                         | -                  | -                                    | -                            | -                              | -                 | -            | -            | 1,621,602    |
| Other                                                                                                   | -                  | -                                    | -                            | -                              | -                 | 12,400,983   | 376,284      | 12,777,267   |
| Total receipts                                                                                          | 115,211            | -                                    | -                            | 43,312                         | 517,659           | 12,400,983   | 376,284      | 45,984,269   |
| Disbursements:                                                                                          |                    |                                      |                              |                                |                   |              |              |              |
| Current:                                                                                                |                    |                                      |                              |                                |                   |              |              |              |
| Instruction                                                                                             | 109,250            | -                                    | 6,394                        | 62,232                         | 500,208           | -            | -            | 16,247,112   |
| Support services                                                                                        | 300                | -                                    | -                            | -                              | -                 | -            | -            | 8,186,589    |
| Noninstructional services                                                                               | -                  | -                                    | -                            | -                              | -                 | -            | -            | 1,440,618    |
| Facilities acquisition and construction                                                                 | -                  | -                                    | -                            | -                              | -                 | -            | -            | 561,752      |
| Debt services                                                                                           | -                  | -                                    | -                            | -                              | -                 | -            | -            | 5,213,498    |
| Nonprogrammed charges                                                                                   | 9,919              | -                                    | -                            | -                              | 14,490            | 12,919,480   | 372,916      | 14,320,378   |
| Total disbursements                                                                                     | 119,469            | -                                    | 6,394                        | 62,232                         | 514,698           | 12,919,480   | 372,916      | 45,969,947   |
| Excess (deficiency) of receipts over disbursements                                                      | (4,258)            | -                                    | (6,394)                      | (18,920)                       | 2,961             | (518,497)    | 3,368        | 14,322       |
| Other financing sources (uses):                                                                         |                    |                                      |                              |                                |                   |              |              |              |
| Sale of capital assets                                                                                  | -                  | -                                    | -                            | -                              | -                 | -            | -            | 4,301        |
| Transfers in                                                                                            | -                  | -                                    | -                            | -                              | -                 | -            | -            | 1,271,318    |
| Transfers out                                                                                           | (4,888)            | -                                    | -                            | -                              | (26,034)          | -            | -            | (1,271,318)  |
| Total other financing sources (uses)                                                                    | (4,888)            | -                                    | -                            | -                              | (26,034)          | -            | -            | 4,301        |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (9,146)            | -                                    | (6,394)                      | (18,920)                       | (23,073)          | (518,497)    | 3,368        | 18,623       |
| Cash and investments - ending                                                                           | \$ (16,108)        | \$ -                                 | \$ -                         | \$ -                           | \$ (23,073)       | \$ (393,551) | \$ 3,368     | \$ 9,334,761 |

SOUTH DEARBORN COMMUNITY 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:

Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the School Corporation to reduce risks to achievement of financial reporting objectives.

Due to a small number of employees being assigned financial related duties, the School Corporation has not been able to segregate duties related to receipts, disbursements, and cash and investment balances. The lack of segregation of duties over key financial areas could enable material misstatements or irregularities to occur and remain undetected for an extended period of time.

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

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

A similar comment was made in prior Report B38549.

***APPROPRIATIONS***

Records presented for audit showed that the General Fund calendar year 2011 expenditures exceeded budgeted appropriations by \$879,218.

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

***PAYROLL FUND NEGATIVE BALANCE***

The Payroll Fund had a negative fund balance of \$393,551 at June 30, 2012. The cause was believed to be untimely recording of year-end transactions. Expenditures from the fund for the period ending June 30, 2012, were recorded in the period ending June 30, 2012. Transfers in of \$442,498 from other funds to cover those expenditures were not recorded until July 1, 2012, the beginning of the next fiscal year.

The fund balance of any fund may not be reduced below zero. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

***PUBLIC WORKS PROJECT***

During the school year ending June 30, 2012, the School Corporation paid \$96,640 to a contractor for roofing services at the Moores Hill Elementary school. Board minutes did not record quotes being approved or an emergency being declared.

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 36-1-12-4.7 states in part:

"(a) This section applies whenever a public work project is estimated to cost:

(1) . . . at least fifty thousand dollars (\$50,000) and less than one hundred fifty thousand dollars (\$150,000) . . .

(b) The board must proceed under the following provisions:

(1) The board shall invite quotes from at least three (3) persons known to deal in the class of work proposed to be done by mailing them a notice stating that plans and specifications are on file in a specified office. The notice must be mailed not less than seven (7) days before the time fixed for receiving quotes.

(2) The board may not require a person to submit a quote before the meeting at which quotes are to be received. The meeting for receiving quotes must be open to the public. All quotes received shall be opened publicly and read aloud at the time and place designated and not before.

(3) The board shall award the contract for the public work to the lowest responsible and responsive quoter.

(4) The board may reject all quotes submitted."

Indiana Code 36-1-12-9 states:

"(a) The board, upon a declaration of an emergency, may contract for a public work project without advertising for bids if bids or quotes are invited from an least two (2) persons known to deal in the public work required to be done.

(b) The minutes of the board must show the declaration of emergency and the names of the persons invited to bid or provide quotes."

***AVERAGE DAILY MEMBERSHIP (ADM) - INCORRECT REPORTING TO THE STATE***

The information presented for audit showed enrollment figures reported to the Indiana Department of Education (IDOE) were incorrect for the school year ending June 30, 2011. The enrollment count date for the 2010-2011 year was September 17, 2010. The count reported to IDOE was 2,848 and the count per the summary sheets presented for audit was 2,861 for a difference of 13 students.

In addition, no class rosters signed by building officials were presented for audit to substantiate the number of students claimed each year.

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

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

**PAYROLL**

Our testing of the payroll system revealed the following deficiencies:

1. Payroll claims were not certified by the Treasurer as to statutory authority, compliance with contracts; and correctness.
2. Payroll time sheets were not always signed by department heads.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations.

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)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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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 SOUTH DEARBORN COMMUNITY  
SCHOOL CORPORATION, DEARBORN COUNTY, INDIANA

Compliance

We have audited the South Dearborn Community 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 an instance of noncompliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2012-2.

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

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)

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

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.

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 controls over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2012-2 and 2012-3 to be material weaknesses.

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

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



Bruce Hartman  
State Examiner

March 14, 2013

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2011 and 2012

| Federal Grantor Agency/Pass-Through Entity<br>Cluster Title/Program Title/Project Title | Federal<br>CFDA<br>Number | Pass-Through<br>Entity (or Other)<br>Identifying<br>Number | Total<br>Federal Awards<br>Expended<br>06-30-11 | Total<br>Federal Awards<br>Expended<br>06-30-12 |
|-----------------------------------------------------------------------------------------|---------------------------|------------------------------------------------------------|-------------------------------------------------|-------------------------------------------------|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u>                                                   |                           |                                                            |                                                 |                                                 |
| Pass-Through Indiana Department of Education                                            |                           |                                                            |                                                 |                                                 |
| Child Nutrition Cluster                                                                 |                           |                                                            |                                                 |                                                 |
| School Breakfast Program                                                                | 10.553                    |                                                            |                                                 |                                                 |
|                                                                                         |                           | FY 2011                                                    | \$ 111,411                                      | \$ -                                            |
|                                                                                         |                           | FY 2012                                                    | -                                               | 138,889                                         |
| National School Lunch Program                                                           | 10.555                    |                                                            |                                                 |                                                 |
|                                                                                         |                           | FY 2011                                                    | 546,294                                         | -                                               |
|                                                                                         |                           | FY 2012                                                    | -                                               | 602,583                                         |
| Total for federal grantor agency                                                        |                           |                                                            | <u>657,705</u>                                  | <u>741,472</u>                                  |
| <u>U.S. DEPARTMENT OF EDUCATION</u>                                                     |                           |                                                            |                                                 |                                                 |
| Pass-Through Indiana Department of Education                                            |                           |                                                            |                                                 |                                                 |
| Title I, Part A Cluster                                                                 |                           |                                                            |                                                 |                                                 |
| Title I Grants to Local Educational Agencies                                            | 84.010                    |                                                            |                                                 |                                                 |
|                                                                                         |                           | 10-1600                                                    | 165,397                                         | -                                               |
|                                                                                         |                           | 11-1600                                                    | 391,598                                         | 144,448                                         |
|                                                                                         |                           | 12-1600                                                    | -                                               | 345,931                                         |
| Total for program                                                                       |                           |                                                            | <u>556,995</u>                                  | <u>490,379</u>                                  |
| ARRA - Title I Grants to Local Educational Agencies, Recovery Act                       | 84.389                    |                                                            |                                                 |                                                 |
|                                                                                         |                           | 10-1600                                                    | 98,347                                          | 6,394                                           |
| Total for cluster                                                                       |                           |                                                            | <u>655,342</u>                                  | <u>496,773</u>                                  |
| Safe and Drug Free Schools and Communities - State Grants                               | 84.186                    |                                                            |                                                 |                                                 |
|                                                                                         |                           | 09-1600                                                    | 1,000                                           | 4,778                                           |
| Improving Teacher Quality State Grants                                                  | 84.367                    |                                                            |                                                 |                                                 |
|                                                                                         |                           | SY 2009-2010                                               | 106,652                                         | 25,979                                          |
|                                                                                         |                           | SY 2010-2011                                               | -                                               | 82,270                                          |
| Total for program                                                                       |                           |                                                            | <u>106,652</u>                                  | <u>108,249</u>                                  |
| Education Jobs Fund                                                                     | 84.410                    |                                                            |                                                 |                                                 |
|                                                                                         |                           | FY 2011-2012                                               | -                                               | 517,658                                         |
| Total for federal grantor agency                                                        |                           |                                                            | <u>762,994</u>                                  | <u>1,127,458</u>                                |
| Total federal awards expended                                                           |                           |                                                            | <u>\$ 1,420,699</u>                             | <u>\$ 1,868,930</u>                             |

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

SOUTH DEARBORN COMMUNITY 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 South Dearborn Community 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<br>CFDA<br>Number | FY 2011   | FY2012    |
|-------------------------------|---------------------------|-----------|-----------|
| National School Lunch Program | 10.555                    | \$ 73,675 | \$ 85,315 |

SOUTH DEARBORN COMMUNITY 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;<br>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?                                                                                   | none reported |
| Type of auditor's report issued on compliance for major programs:                                                      | Unqualified   |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | yes           |

Identification of Major Programs:

| <u>CFDA<br/>Number</u> | <u>Name of Federal Program or Cluster</u>      |
|------------------------|------------------------------------------------|
| 84.410                 | Child Nutrition Cluster<br>Education Jobs Fund |

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

Auditee qualified as low-risk auditee? yes

**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:

Lack of Segregation of Duties: Control activities should be selected and developed at different levels of the School Corporation to reduce risks to the achievement of financial reporting objectives.

Due to a small number of employees being assigned financial related duties, the School Corporation has not been able to segregate duties related to receipts, disbursements, and cash and investment balances. The lack of segregation of duties over key financial areas could enable material misstatements or irregularities to occur and remain undetected for an extended period of time.

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

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

We recommended that internal control activities continue to be reviewed to determine if risks can be reduced regarding the achievement of financial reporting objectives.

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

**FINDING 2012-2 - CASH MANAGEMENT AND INTERNAL CONTROLS OVER CASH MANAGEMENT**

Federal Agency: U.S. Department of Education

Federal Program: Education Jobs Fund

CFDA Number: 84.410

Federal Award Number and Year (or Other Identifying Number): FY 2011-2012

Pass-Through Entity: Indiana Department of Education

The School Corporation requested grant drawdowns on an estimated basis. The estimated monthly reimbursement request was determined by dividing the total grant amount by the number of months that funds would be available. Grant drawdown requests are required to be requested on a reimbursement basis of paid expenditures. The estimated basis was used from September 2011 to December 2011 and resulted in unexpended grant funds being on hand. There should be no grant monies on hand for reimbursable grants.

The error was caused by the School Corporation not realizing the change in the processing of grant drawdowns by the Indiana Department of Education. After the error was identified, the School Corporation implemented internal controls over their request for drawdowns and took corrective action in January 2012.

The funding technique established by the Indiana Department of Education (IDOE) was provided, in a letter dated July 11, 2011, to all school superintendents in Indiana which stated in part:

" . . . the IDOE must immediately begin reimbursing on actual expenditures only . . . "

34 CFR 80.21 states in part:

"(b) Basic standard. Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205.

(c) Advances. Grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.

(d) Reimbursement. Reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met. Grantees and subgrantees may also be paid by reimbursement for any construction grant. Except as otherwise specified in regulation, Federal

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

agencies shall not use the percentage of completion method to pay construction grants. The grantee or subgrantee may use that method to pay its construction contractor, and if it does, the awarding agency's payments to the grantee or subgrantee will be based on the grantee's or subgrantee's actual rate of disbursement."

31 CFR 205.12(b) states in part:

"We and a State may base our agreement on the sample funding techniques listed in paragraphs (b)(1) through (b)(5) of this section, or any other technique upon which both parties agree. . . .

- (5) Reimbursable funding means that a Federal Program Agency transfers Federal funds to a State after that State has already paid out the funds for Federal assistance program purposes."

OMB Circular A133 Section 300(b) states:

"The auditee shall: 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."

No additional recommendation was made because the School Corporation took corrective action prior to the end of the grant period.

***FINDING 2012-3 - INTERNAL CONTROLS OVER ALLOWABLE ACTIVITIES  
AND ALLOWABLE COSTS/COST PRINCIPLES***

Federal Agency: U.S. Department of Education  
Federal Program: Education Jobs Fund  
CFDA Number: 84.410  
Federal Award Number and Year (or Other Identifying Number): FY 2011-2012  
Pass-Through Entity: Indiana Department of Education

Internal controls over payroll should exist to ensure payroll is properly disbursed to the appropriate employees; paid from the right funds; accurately recorded; and in compliance with legal reporting requirements. A fundamental element of internal controls is segregation of duties. No single individual should record and report transactions without review.

A Deputy Treasurer performs all payroll functions. There was no documentation that a review of payroll transactions by the Treasurer or another employee with supervision responsibility was performed.

Rebecca Heller, Treasurer, stated that the lack of certifying payroll claims was an oversight.

OMB Circular A133 Section 300(b) states:

"The auditee shall: 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."

We recommended that the School Corporation establish controls to improve segregation of duties over the processing of payroll and to document controls including proper review and supervision over the payroll process.

**SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION**

**6109 SQUIRE PLACE**

**AURORA IN 47001**

**812 926-2090**

**CORRECTIVE ACTION PLAN**

February 28, 2013

**Financial Statement Finding 2012-1, Internal Controls Over Financial Transactions and Reporting**

We have reviewed our policies and procedures and have implemented additional review and monitoring procedures to provide as much segregation of duties as possible through the implementation of review and oversight by staff not engaged in the recording, reconciling, and reporting of financial transactions. However, the School Corporation has determined that the cost associated with employing additional staff necessary for additional segregation of duties would outweigh the benefits of a stronger internal control structure.

Procedures and practices related to purchasing and payment of claims will be reviewed. Supervisors, Deputy Treasurer, Treasurer, Business Manager and Superintendent will be involved in the internal controls of financial transactions and reporting.

Management acknowledges and assumes the risks inherent with the current new control structure.

**Federal Finding: 2012-2 Cash Management and Internal Controls Over Cash Management**

**Federal Agency: U.S. Department of Education**

**Federal Program: Education Jobs Fund**

**Pass-Through Entity: Indiana Department of Education**

**Federal Award Year: FY 2011-2012**

**CFDA Number: 84.410**

During the year audited we became aware of the change in Indiana Department of Education procedures requiring requests for reimbursement based on actual and not budgeted expenditures and we took corrective action by not requesting additional funds until our fund balance was drawn down and thereafter requesting reimbursement based on actual expenditures. We plan to submit all future requests for reimbursement for Federal programs administered by the Indiana Department of Education based on actual expenditures.

Federal Finding: 2012-3 Cash Management and Internal Controls Over Allowable Activities and Allowable Costs/Cost Principles

Federal Agency: U.S. Department of Education

Federal Program: Education Jobs Fund

Pass-Through Entity: Indiana Department of Education

Federal Award Year: FY 2011-2012

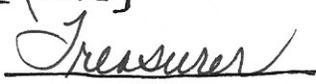
CFDA Number: 84.410

All payroll claims- including those paid from Federal programs- will be reviewed by the Corporation Treasurer who will certify review and approval by signing the payroll register for each pay period.

Additional internal controls that are now being used include:

1. Building level supervisors are reviewing and signing payroll documents.
2. Payroll documents are reviewed for accuracy and initialed by the Secretary to the Superintendent.
3. Deputy Treasurer verifies payroll claims and payments.
4. Treasurer reviews payroll claims and payments.
5. Business Manager gives final review and approval.
6. Data Coordinator will verify direct deposit accounts.

  
\_\_\_\_\_  
[Name]  
  
\_\_\_\_\_  
[Title]

  
\_\_\_\_\_  
[NAME]  
  
\_\_\_\_\_  
[TITLE]

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on March 14, 2013, with Rebecca Heller, Treasurer; Gene Ferguson, President of the School Board; Dr. John Mehrle, Superintendent of Schools; and William Narwold, Business Manager. The Official Response has been made a part of this report and may be found on pages 44 and 45.

**SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION  
6109 SQUIRE PLACE  
AURORA, IN 47001  
812 926-2090**

**OFFICIAL RESPONSE TO AUDIT RESULTS AND COMMENTS**

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

*We have reviewed our policies and procedures and have implemented additional review and monitoring procedures to provide as much segregation of duties as possible through the implementation of review and oversight by staff not engaged in the recording, reconciling, and reporting of financial transactions. However, the School Corporation has determined the cost associated with employing additional staff necessary for additional segregation of duties would outweigh the benefits of stronger internal control structure.*

*Procedures and practices related to purchasing and payment of claims will be reviewed. Supervisors, Deputy Treasurer, Treasurer, Business Manager and Superintendent will be involved in the internal controls of financial transactions and reporting.*

*Management acknowledges and assumes the risks inherent with the new control structure.*

**APPROPRIATIONS**

*Our records indicate that grant money from the Riverboat Fund was deposited and expended from the General Fund during the audit period. This resulted in appropriations being over-expended. All grant dollars beginning January 1, 2013 will be placed in fund #2012.*

**PAYROLL NEGATIVE FUND BALANCE**

*The discrepancy was due to a financial software issue. We have contacted our software vendor and they are making necessary changes to correct this program in the future.*

**PUBLIC WORKS PROJECT**

*Work completed to replace wall surfaces from stucco to metal, as well as replacing gutters and downspouts at Moores Hill School was spread over two calendar years. The work was divided into three projects, with no individual project expenditure greater than \$40,000. No emergency was declared by the School Board and quotes/bids were not obtained. The vendor was selected because they are familiar*

with the facilities and have a reputation for quality work at a responsible cost. The administration's opinion, at the time, was that the work, although at the same site by the same vendor, was completed as different projects.

Any future Public Works Project will strictly adhere to the requirements of Indiana Code 36-1-12-4.7. A strategic plan will be developed to anticipate projects of this size so the untimely emergency work can be avoided.

**AVERAGE DAILY MEMBERSHIP (ADM)- INCORRECT REPORTING TO THE STATE**

Our records indicate the ADM reported for September 17, 2012 was, as the auditor stated, 2861. The auditor further stated our basic grant only funded 2848 students. This appears to short South Dearborn by 13 students. We will continue to investigate to determine if a claim for the additional funds from the state is justified and feasible.

**PAYROLL**

All payroll claims including those paid from Federal programs, will be reviewed by the Corporation Treasurer who will certify, review, and approve by signing the payroll register for each pay period.

Additional internal controls that are now being used include:

1. Building level supervisors are reviewing and signing payroll documents.
2. Payroll documents are reviewed for accuracy and initialed by the Secretary to the Superintendent.
3. The Deputy Treasurer verifies payroll claims and payments.
4. The Treasurer reviews payroll claims and payments.
5. The Business Manager gives final review and approval.
6. The Data Coordinator verifies direct deposit payments.

Jolita Masine  
(Name)

Supervisor  
(Title)

March 14, 2013  
(Date)

Rebecca Heller  
(Name)

Treasurer  
(Title)

March 14, 2013  
(Date)