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May 30, 2014

Board of Directors
South Dearborn Schools Endowment Corp.
6109 Squire Place
Aurora, IN 47001

We have reviewed the audit report prepared by Sherman, Barber & Mullikin, for the period July 1, 2010 to June 30, 2011. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of South Dearborn Schools Endowment Corp., as of June 30, 2011, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

**SOUTH DEARBORN SCHOOLS
ENDOWMENT CORPORATION**

Audited Financial Statements
June 30, 2011 and June 30, 2010

**SHERMAN, BARBER & MULLIKIN
CERTIFIED PUBLIC ACCOUNTANTS
Madison, Indiana**

**SOUTH DEARBORN SCHOOLS
ENDOWMENT CORPORATION**

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SHERMAN, BARBER & MULLIKIN
— A PROFESSIONAL CORPORATION —
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Principals

Julia R. Barber, CPA
Kevin W. Mullikin, CPA
Ben M. Foley, CPA

Christine D. Dattilo, CPA
Tracy L. Wyne, CPA
Chrissy J. Stewart, CPA

To the Board of Directors of
South Dearborn Schools Endowment Corporation
Aurora, Indiana

We have audited the accompanying Statements of Financial Position of South Dearborn Schools Endowment Corporation (a nonprofit organization) as of June 30, 2011 and June 30, 2010, and the related Statements of Activities, Changes in Net Assets and Cash Flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Dearborn Schools Endowment Corporation as of June 30, 2011 and June 30, 2010, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedules of State and Local Financial Assistance on page 17 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sherman, Barber & Mullikin

Sherman, Barber & Mullikin

January 23, 2012

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

**Statements of Financial Position
June 30,**

	2011	2010
Assets		
Cash	\$ 393,002	\$ 710,067
Asset Held by Dearborn County Community Foundation	54,287	46,251
Other Receivables	656,000	-
Investment Securities Available-for-Sale	75,195	-
Total Assets	\$ 1,178,484	\$ 756,318
 Liabilities and Net Assets		
Grants Payable	\$ 934,280	\$ 432,173
 Net Assets		
Unrestricted	135,241	200,489
Temporarily Restricted	108,963	123,656
Total Net Assets	244,204	324,145
Total Liabilities and Net Assets	\$ 1,178,484	\$ 756,318

See Notes to Financial Statements.

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

**Statements of Activities and Changes in Net Assets
For the Years Ended June 30,**

	2011	2010
Unrestricted Net Assets		
Unrestricted Revenues		
Interest Income	\$ 2,935	\$ 9,963
Investment Return (Loss) on Endowment Funds	8,036	4,391
City of Lawrenceburg Revenue Sharing		
Admissions Income	111,058	119,800
Wagering Income	265,304	265,304
Grant Income	656,000	1,452,096
License Plate Fee Income	244	10,406
Total Unrestricted Revenues	1,043,577	1,861,960
Net Assets Released from Restrictions	16,000	-
Total Unrestricted Revenues and Other Support	1,059,577	1,861,960
Expenses		
Program Services		
Grants	1,101,395	1,819,826
Scholarship Awards	16,000	
Supporting Services		
Management and General	7,430	7,222
Total Expenses	1,124,825	1,827,048
Change in Unrestricted Net Assets	(65,248)	34,912

See Notes to Financial Statements.

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

**Statements of Activities and Changes in Net Assets
For the Years Ended June 30,
(Continued)**

	2011	2010
Temporarily Restricted Net Assets		
Contribution for Scholarships	-	4,600
Investment Income	2,983	4
Unrealized Loss on Available-for-Sale Securities	(1,676)	-
Net Assets Released from Restrictions	(16,000)	-
Change in Temporarily Restricted Net Assets	(14,693)	4,604
Change in Net Assets	(79,941)	39,516
Net Assets, Beginning of Period	324,145	284,629
Net Assets, End of Period	\$ 244,204	\$ 324,145

See Notes to Financial Statements.

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

**Statements of Cash Flows
For the Years Ended June 30,**

	2011	2010
Cash Flows from Operating Activities		
Change in Net Assets	\$ (79,941)	\$ 39,516
Add Back Noncash Items:		
Increase in Grants Payable	502,107	45,356
(Gain) Loss on Funds Invested with Dearborn County Community Foundation	(8,036)	(4,392)
Increase in Other Receivable	(656,000)	(4,203)
Earnings Reinvested in Certificate of Deposit	-	(379)
Unrealized Loss on Available-for-Sale Securities	1,676	-
Net Cash Flows from Operations	(240,194)	75,898
Cash Flows from Investing Activities		
Cash Received from (Transferred to) Certificate of Deposit	-	(12,615)
Purchase of Available-for-Sale Securities	(76,871)	-
Grant Payout from Dearborn County Community Foundation	-	1,698
Net Cash Flows from Investing Activities	(76,871)	(10,917)
Net Increase (Decrease) in Cash	(317,065)	64,981
Cash at Beginning of Year	710,067	645,086
Cash at End of Year	\$ 393,002	\$ 710,067

See Notes to Financial Statements.

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

**Statements of Cash Flows
For the Years Ended June 30,
(Continued)**

	<u>2011</u>	<u>2010</u>
<u>Non-Cash Investing Activities</u>		
Gain (Loss) on Funds Invested with Dearborn County Community Foundation	\$ <u>8,036</u>	\$ <u>4,392</u>
Dividends Reinvested on Available-for-Sale Securities	\$ <u>2,983</u>	\$ <u>-</u>
Interest Reinvested in Certificate of Deposit	\$ <u>-</u>	\$ <u>379</u>

See Notes to Financial Statements.

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

Notes to Financial Statements For the Years Ended June 30, 2011 and 2010

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of South Dearborn Schools Endowment Corporation is presented to assist in understanding the Corporation's financial statements. The financial statements and notes are representations of the Corporation's management, who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

The significant accounting policies of the Corporation are as follows:

Organization

South Dearborn Schools Endowment Corporation was incorporated in July of 1997. It is a nonprofit organization managed by a volunteer board of directors. No capital stock exists.

The main purpose of the Corporation is to enrich the educational experience of the students of the South Dearborn School Corporation by funding programs beyond the regular school budget and providing scholarships to individuals to further their education. The Corporation is substantially supported by revenue sharing amounts received from the City of Lawrenceburg from the taxes collected from riverboat gaming. Therefore, the discontinuation of the riverboat gaming operation would severely impact the operations of the Corporation.

Basis of Accounting

The Corporation prepares its financial statements using the accrual basis of accounting wherein revenue is recognized when earned rather than when received, and expenses are recognized when incurred rather than when cash is disbursed.

The Corporation recognizes the revenue from the City of Lawrenceburg as received since it has no ability to accrue its share of funding until a report of taxes assessed is generated by the City.

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

Notes to Financial Statements For the Years Ended June 30, 2011 and 2010

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Corporation currently has no permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities (and disclosures of contingent assets and liabilities, if any) at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, all cash on hand and on deposit with an original maturity of 90 days or less is included in cash and cash equivalents.

Assets Held by Dearborn County Community Foundation

The Corporation transferred \$65,000 of its assets to the Dearborn County Community Foundation prior to June 30, 2000. Variance power was granted to the Community Foundation in accordance with U.S. Treasury Regulation, Section 1.170A-9(e)(11)(v)(B). However, since the South Dearborn Schools Endowment Corporation specified itself as beneficiary, the asset has been recorded as an interest in the net assets of the Community Foundation.

The investment return on these endowment funds is not restricted. Any distribution of income received is included in operating funds. Included in the investment return is the fund's allocated portion of income from the endowment funds and unrealized gains or losses due to a change in market values. Fund administrative expenses of .4% of the market value of the fund at June 30 and December 31 are charged against the investment return.

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

Notes to Financial Statements For the Years Ended June 30, 2011 and 2010

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Income Tax Status

The Corporation has qualified under Internal Revenue Code Section 501(c)(3) and with the Indiana Department of Revenue as a tax-exempt organization for income tax purposes. An income tax return is filed in the US federal jurisdiction. The federal income tax returns of the Corporation for 2008, 2009 and 2010 are subject to examination by the IRS, generally for three years after they were filed.

Note 2. INVESTMENT RETURN ON ENDOWMENT FUNDS

The investment returns and losses on endowment funds are as follows at June 30:

	<u>2011</u>	<u>2010</u>
Investment Income	\$ 1,949	\$ 1,896
Fund Expenses	(836)	(863)
Net Unrealized Gains (Losses)	<u>6,923</u>	<u>3,358</u>
Investment Return (Loss)	<u>\$ 8,036</u>	<u>\$ 4,391</u>

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

Notes to Financial Statements
For the Years Ended June 30, 2011 and 2010

Note 3. INVESTMENT SECURITIES

The amortized cost and approximate fair values of investment securities available-for-sale were as follows at June 30, 2011:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
<u>Securities Available-for-Sale</u>				
Mutual Funds	\$ 63,669	\$ -	\$ 993	\$ 62,676
Equity Securities	13,202	-	683	12,519
Total Securities Available-for-Sale	<u>\$ 76,871</u>	<u>\$ -</u>	<u>\$ 1,676</u>	<u>\$ 75,195</u>

The amortized cost, unrealized loss and fair value of investment securities, aggregated by category and length of time that individual securities had been in a continuous loss position, were as follows on June 30, 2011:

	Amortized Cost	Unrealized Loss - Less than 12 Months	Fair Value
Mutual Funds	\$ 63,669	\$ 993	\$ 62,676
Equity Securities	13,202	683	12,519
Total Securities Available-for-Sale	<u>\$ 76,871</u>	<u>\$ 1,676</u>	<u>\$ 75,195</u>

The unrealized losses on the Corporation's investments in four mutual funds and three equity securities were caused by market fluctuations. Since the Corporation has the ability and intent to hold the investments until a recovery of fair value, the Corporation did not consider these investments to be other-than-temporarily impaired at June 30, 2011.

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

Notes to Financial Statements For the Years Ended June 30, 2011 and 2010

Note 4. FUNDING SOURCES

The Corporation receives funding as part of a Revenue Sharing Agreement with the City of Lawrenceburg and South Dearborn Community School Corporation. The Agreement was originally designed to share 50% of all admission and wagering taxes assessed against riverboat gaming operations with neighboring governmental units, including South Dearborn Schools, as well as other educational, training and library units of government and certain service organizations. Originally, three percent of the gaming-tax revenue received by Lawrenceburg was to be paid to the South Dearborn Schools Endowment Corporation for the purpose of funding educational programs for South Dearborn Schools.

During 2003 the wagering taxes were limited by Indiana Code 4-33-13-5(a)(2). The law limits the amounts distributed to cities and counties entitled to receive distributions to an amount equal to the total amount distributed during the fiscal year ended June 30, 2002.

In addition, the Corporation receives distributions from their fund with the Dearborn County Community Foundation representing earnings on \$65,000 of funds transferred to the Community Foundation on December 19, 1997 and April 16, 1999 and an additional \$25,000 set aside by the Community Foundation for the Corporation during the year ended June 30, 2000. The earnings from these funds are available to the Corporation for its exempt purposes.

During the years ended June 30, 2011 and 2010, the Corporation also received grants from the City of Lawrenceburg of \$656,000 and \$1,452,096 , respectively.

Note 5. GRANTS PAYABLE

At June 30, 2011 and June 30, 2010, there were grants awarded, but not yet disbursed, of \$934,280 and \$432,173 , respectively. The events requiring disbursement of the funds had not yet occurred.

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

Notes to Financial Statements
For the Years Ended June 30, 2011 and 2010

Note 6. CONCENTRATIONS OF CREDIT RISK

The Corporation maintains its cash at federally insured financial institutions. At times, such balances may be in excess of the FDIC insurance limit. At June 30, 2011, the Corporation's uninsured balance was \$99,015.

Note 7. TEMPORARILY RESTRICTED NET ASSETS

During the fiscal years ended June 30, 2010 and 2009, restricted donations totaling \$4,600 and \$122,052, respectively, were received to be used for college scholarships for graduating seniors at South Dearborn Schools. There were no temporarily restricted donations received during the year ended June 30, 2011. As of June 30, 2011 and 2010, \$108,963 and \$123,656, respectively, of these temporarily restricted assets remained.

Note 8. PRIOR PERIOD ADJUSTMENT

The following prior period adjustment was made to correct identified errors due to inappropriate application of generally accepted accounting principles:

During the fiscal year ended June 30, 2009, a donation to be used for scholarships was recorded as a payable. It was determined during the current year that all the events have not occurred requiring the recording of a payable, which resulted in a restatement of unrestricted net assets.

This correction resulted in a \$119,052 decrease to Grants Payable and a corresponding increase to Net Assets - Unrestricted as of June 30, 2009. Therefore, Net Assets, Beginning of Period on the Statement of Activities and Changes in Net Assets and Grants Payable on the Statement of Financial Position for the year ended June 30, 2010, have been restated.

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

Notes to Financial Statements For the Years Ended June 30, 2011 and 2010

Note 9. FAIR VALUE MEASUREMENTS

Determination of Fair Value:

The Corporation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the Fair Value Measurements and Disclosures topic FASB ASC, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted prices for the Corporation's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in a settlement of the instrument.

The recent fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

Fair Value Hierarchy

In accordance with the guidance, the Corporation groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine the fair value.

Level 1 - Valuation is based on quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

Notes to Financial Statements
For the Years Ended June 30, 2011 and 2010

FAIR VALUE MEASUREMENTS (Continued)

Level 2 - Valuation is based on inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 - Valuation is based on observable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis are summarized below:

Fair Value Measurements at Reporting Date Using

<u>6/30/2011</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investment Securities				
Available-for-Sale	<u>\$ 75,195</u>	<u>\$ 12,519</u>	<u>\$ 62,676</u>	<u>\$ -</u>

Note 10. **SUBSEQUENT EVENTS**

Management has evaluated events through January 23, 2012, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

Schedules of State and Local Financial Assistance

	<u>For the Year Ended June 30, 2011</u>	<u>For the Year Ended June 30, 2010</u>
City of Lawrenceburg	<u>\$ 1,032,362</u>	<u>\$ 1,837,200</u>
Treasurer of Dearborn County	<u>\$ 244</u>	<u>\$ 10,406</u>

See Auditors' Report and Notes to Financial Statements.