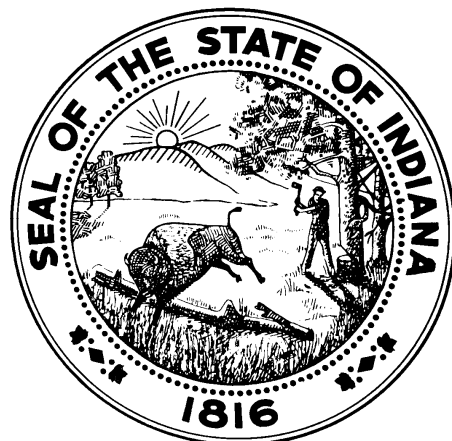


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF

NEW HARMONY TOWN AND TOWNSHIP
CONSOLIDATED SCHOOLS
POSEY COUNTY, INDIANA

July 1, 2006 to June 30, 2008



FILED

03/24/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Tamara L. Creek Paula Schmitt	07-01-06 to 10-31-06 11-01-06 to 06-30-09
Superintendent of Schools	Fran Thoele	07-01-06 to 06-30-09
President of the School Board	James R. Scarafia	01-01-06 to 12-31-09



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE NEW HARMONY TOWN AND TOWNSHIP
CONSOLIDATED SCHOOLS, POSEY COUNTY, INDIANA

We have examined the financial statements presented herein of the New Harmony Town and Township Consolidated Schools (School Corporation), for the period of July 1, 2006 to June 30, 2008. The School Corporation's management is responsible for the financial statements presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial statements presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial statements of the School Corporation for the years ended June 30, 2007 and 2008, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial statements. It has not been subjected to the examination procedures applied to the basic financial statements, and accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

February 18, 2009

NEW HARMONY TOWN AND TOWNSHIP CONSOLIDATED SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		Charges for Services	Operating Grants and Contributions	<u>Totals</u>
Governmental activities:				
Instruction	\$ 1,272,828	\$ -	\$ 17,401	\$ (1,255,427)
Support services	1,005,300	52,035	28,041	(925,224)
Community services	39	-	-	(39)
Nonprogrammed charges	14,453	-	-	(14,453)
Debt service	124,000	-	-	(124,000)
Total governmental activities	\$ 2,416,620	\$ 52,035	\$ 45,442	(2,319,143)
General receipts:				
Property taxes				1,127,802
Other local sources				201,538
State aid				646,986
Grants and contributions not restricted to specific programs				98,688
Investment earnings				22,396
Total general receipts				2,097,410
Change in net assets				(221,733)
Net assets - beginning				1,092,988
Net assets - ending				\$ 871,255
<u>Assets</u>				
Cash and investments				\$ 879,860
Restricted assets:				
Cash and investments				(8,605)
Total assets				\$ 871,255
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ (8,605)
Unrestricted				879,860
Total net assets				\$ 871,255

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

NEW HARMONY TOWN AND TOWNSHIP CONSOLIDATED SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				Net (Disbursement) Receipts and Changes in Net Assets
Instruction	\$ 1,227,171	\$ -	\$ 32,969	\$ (1,194,202)
Support services	1,258,883	56,087	32,746	(1,170,050)
Community services	461	-	-	(461)
Nonprogrammed charges	22,613	-	-	(22,613)
Debt service	191,627	-	-	(191,627)
Total governmental activities	<u>\$ 2,700,755</u>	<u>\$ 56,087</u>	<u>\$ 65,715</u>	<u>(2,578,953)</u>
General receipts:				
Property taxes				603,327
Other local sources				127,363
State aid				695,567
Bonds and loans				750,000
Grants and contributions not restricted to specific programs				118,365
Investment earnings				8,042
Total general receipts				<u>2,302,664</u>
Change in net assets				(276,289)
Net assets - beginning				<u>871,255</u>
Net assets - ending				<u>\$ 594,966</u>
 <u>Assets</u>				
Cash and investments				\$ 753,276
Restricted assets:				
Cash and investments				<u>(158,310)</u>
Total assets				<u>\$ 594,966</u>
 <u>Net Assets</u>				
Restricted for:				
Debt service				\$ (158,310)
Unrestricted				<u>753,276</u>
Total net assets				<u>\$ 594,966</u>

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

NEW HARMONY TOWN AND TOWNSHIP CONSOLIDATED SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	General	Transportation Operating	Rainy Day	Johnson Estate Scholarship	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:									
Local sources	\$ 792,954	\$ 54,196	\$ -	\$ 6,082	\$ 196,078	\$ 236,433	\$ 33,815	\$ 84,128	\$ 1,403,686
Intermediate sources	85	-	-	-	-	-	-	-	85
State sources	653,986	-	-	-	-	-	-	17,927	671,913
Federal sources	-	-	-	-	-	-	-	119,203	119,203
Total receipts	1,447,025	54,196	-	6,082	196,078	236,433	33,815	221,258	2,194,887
Disbursements:									
Current:									
Instruction	1,186,455	-	-	-	-	-	-	86,374	1,272,829
Support services	446,695	56,709	-	-	-	365,342	-	136,553	1,005,299
Community services	-	-	-	-	-	-	-	39	39
Nonprogrammed charges	9,762	-	-	2,006	-	-	-	2,685	14,453
Debt services	-	-	-	-	124,000	-	-	-	124,000
Total disbursements	1,642,912	56,709	-	2,006	124,000	365,342	-	225,651	2,416,620
Excess (deficiency) of receipts over disbursements	(195,887)	(2,513)	-	4,076	72,078	(128,909)	33,815	(4,393)	(221,733)
Other financing sources (uses):									
Transfers in	146,444	2,770	80,000	-	2,213	-	-	19,444	250,871
Transfers out	(9)	-	-	-	(147,587)	(80,000)	(2,770)	(20,505)	(250,871)
Total other financing sources (uses)	146,435	2,770	80,000	-	(145,374)	(80,000)	(2,770)	(1,061)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(49,452)	257	80,000	4,076	(73,296)	(208,909)	31,045	(5,454)	(221,733)
Cash and investments - beginning	64,475	52,894	160,000	162,678	64,691	482,682	10,539	95,029	1,092,988
Cash and investments - ending	<u>\$ 15,023</u>	<u>\$ 53,151</u>	<u>\$ 240,000</u>	<u>\$ 166,754</u>	<u>\$ (8,605)</u>	<u>\$ 273,773</u>	<u>\$ 41,584</u>	<u>\$ 89,575</u>	<u>\$ 871,255</u>
Cash and Investment Assets - Ending									
Cash and investments	\$ 15,023	\$ 53,151	\$ 240,000	\$ 166,754	\$ -	\$ 273,773	\$ 41,584	\$ 89,575	\$ 879,860
Restricted assets:									
Cash and investments	-	-	-	-	(8,605)	-	-	-	(8,605)
Total cash and investment assets - ending	<u>\$ 15,023</u>	<u>\$ 53,151</u>	<u>\$ 240,000</u>	<u>\$ 166,754</u>	<u>\$ (8,605)</u>	<u>\$ 273,773</u>	<u>\$ 41,584</u>	<u>\$ 89,575</u>	<u>\$ 871,255</u>
Cash and Investment Fund Balance - Ending									
Restricted for:									
Debt service	\$ -	\$ -	\$ -	\$ -	\$ (8,605)	\$ -	\$ -	\$ -	\$ (8,605)
Unrestricted	15,023	53,151	240,000	166,754	-	273,773	41,584	89,575	879,860
Total cash and investment fund balance - ending	<u>\$ 15,023</u>	<u>\$ 53,151</u>	<u>\$ 240,000</u>	<u>\$ 166,754</u>	<u>\$ (8,605)</u>	<u>\$ 273,773</u>	<u>\$ 41,584</u>	<u>\$ 89,575</u>	<u>\$ 871,255</u>

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

NEW HARMONY TOWN AND TOWNSHIP CONSOLIDATED SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	General	Transportation Operating	Rainy Day	Johnson Estate Scholarship	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:									
Local sources	\$ 436,068	\$ 30,563	\$ -	\$ 5,149	\$ 108,185	\$ 129,759	\$ 18,653	\$ 66,256	\$ 794,633
Intermediate sources	188	-	-	-	-	-	-	-	188
State sources	702,624	-	-	-	-	-	-	37,022	739,646
Federal sources	-	-	-	-	-	-	-	139,999	139,999
Bonds and loans	750,000	-	-	-	-	-	-	-	750,000
Interfund loans	-	-	-	-	-	-	-	7,300	7,300
Total receipts	1,888,880	30,563	-	5,149	108,185	129,759	18,653	250,577	2,431,766
Disbursements:									
Current:									
Instruction	1,123,107	-	-	-	-	-	-	104,064	1,227,171
Support services	489,532	61,206	-	-	-	466,652	65,610	175,883	1,258,883
Community services	-	-	-	-	-	-	-	461	461
Nonprogrammed charges	14,589	-	-	4,015	-	-	-	4,009	22,613
Debt services	-	-	-	-	191,627	-	-	-	191,627
Interfund loans	-	-	7,300	-	-	-	-	-	7,300
Total disbursements	1,627,228	61,206	7,300	4,015	191,627	466,652	65,610	284,417	2,708,055
Excess (deficiency) of receipts over disbursements	261,652	(30,643)	(7,300)	1,134	(83,442)	(336,893)	(46,957)	(33,840)	(276,289)
Other financing sources (uses):									
Transfers in	66,263	-	-	-	-	-	-	8	66,271
Transfers out	-	-	-	-	(66,263)	-	-	(8)	(66,271)
Total other financing sources (uses)	66,263	-	-	-	(66,263)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	327,915	(30,643)	(7,300)	1,134	(149,705)	(336,893)	(46,957)	(33,840)	(276,289)
Cash and investments - beginning	15,023	53,151	240,000	166,754	(8,605)	273,773	41,584	89,575	871,255
Cash and investments - ending	\$ 342,938	\$ 22,508	\$ 232,700	\$ 167,888	\$ (158,310)	\$ (63,120)	\$ (5,373)	\$ 55,735	\$ 594,966
Cash and Investment Assets - Ending									
Cash and investments	\$ 342,938	\$ 22,508	\$ 232,700	\$ 167,888	\$ -	\$ (63,120)	\$ (5,373)	\$ 55,735	\$ 753,276
Restricted assets:									
Cash and investments	-	-	-	-	(158,310)	-	-	-	(158,310)
Total cash and investment assets - ending	\$ 342,938	\$ 22,508	\$ 232,700	\$ 167,888	\$ (158,310)	\$ (63,120)	\$ (5,373)	\$ 55,735	\$ 594,966
Cash and Investment Fund Balance - Ending									
Restricted for:									
Debt service	\$ -	\$ -	\$ -	\$ -	\$ (158,310)	\$ -	\$ -	\$ -	\$ (158,310)
Unrestricted	342,938	22,508	232,700	167,888	-	(63,120)	(5,373)	55,735	753,276
Total cash and investment fund balance - ending	\$ 342,938	\$ 22,508	\$ 232,700	\$ 167,888	\$ (158,310)	\$ (63,120)	\$ (5,373)	\$ 55,735	\$ 594,966

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

NEW HARMONY TOWN AND TOWNSHIP CONSOLIDATED SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2007

	Private-Purpose Trust Funds
Additions:	
Contributions:	
Other	\$ 65,662
Deductions:	
Administrative and general	83,775
Deficiency of total additions over total deductions	(18,113)
Cash and investment fund balance - beginning	60,489
Cash and investment fund balance - ending	\$ 42,376
Net assets:	
Cash and investments	\$ 42,376
Total net assets - cash and investment basis held in trust	\$ 42,376

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

NEW HARMONY TOWN AND TOWNSHIP CONSOLIDATED SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	Private-Purpose Trust Funds
Additions:	
Contributions:	
Other	\$ 42,507
Deductions:	
Administrative and general	46,809
Deficiency of total additions over total deductions	(4,302)
Cash and investment fund balance - beginning	42,376
Cash and investment fund balance - ending	\$ 38,074
Net assets:	
Cash and investments	\$ 38,074
Total net assets - cash and investment basis held in trust	\$ 38,074

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

NEW HARMONY TOWN AND TOWNSHIP CONSOLIDATED SCHOOLS
NOTES TO FINANCIAL STATEMENTS

I. 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 School Corporation's financial reporting entity is composed of the following:

Primary Government: New Harmony Town and Township Consolidated Schools

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Joint Venture

The School Corporation is a participant with Evansville-Vanderburgh School Corporation, Metropolitan School District of North Posey County, and Metropolitan School District of Mount Vernon in a joint venture to operate special education programs for children who have handicapping conditions as outlined in the Rules and Regulations of the Department of Education. The School Corporation is obligated by contract to remit payment to the General Fund of the Evansville-Vanderburgh School Corporation for transfer students from its district based upon the Evansville-Vanderburgh Corporation per pupil cost of the exceptionality area in which the student is enrolled. The per pupil cost for each service area shall be determined on the average daily attendance.

The School Corporation is a participant with Metropolitan School District of North Posey County and Metropolitan School District of Mount Vernon in a joint venture which created the Posey County Special Services to operate special education programs for children who have handicapping conditions as outlined in the Rules and Regulations of the Department of Education but are not covered under the joint venture described above. The School Corporation is obligated by contract to the administrative district (Metropolitan School District of Mount Vernon) for the joint provisions described in the contract. Transfer tuition costs are paid to the receiving corporation for students based on the average daily attendance for each district.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statements of Activities and Net Assets – Cash and Investment Basis display information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

NEW HARMONY TOWN AND TOWNSHIP CONSOLIDATED SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

The rainy day fund is used to account for funds in accordance with IC 36-1-8-5.1 and a locally adopted resolution.

The Johnson estate scholarship fund accounts for donated scholarship funds provided by an estate to be used for scholarships for students.

Additionally, the School Corporation reports the following fund types:

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the students of the school corporation.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, 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 cash and investment 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. Investment transactions are not presented on the financial statements.

NEW HARMONY TOWN AND TOWNSHIP CONSOLIDATED SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. 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% 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 become delinquent if not paid by May 10 and November 10, respectively.

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

5. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

NEW HARMONY TOWN AND TOWNSHIP CONSOLIDATED SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statements of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

- 1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
- 2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
- 3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

NEW HARMONY TOWN AND TOWNSHIP CONSOLIDATED SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Cash and Investment Balance Deficits

At June 30, 2007 and 2008, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2007	2008
Debt Service	\$ (8,605)	\$ (158,310)
School Lunch	(870)	-
Capital Projects	-	(63,120)
Transportation Bus Replacement	-	(5,373)

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the uncollected and undistributed tax revenue in tax-supported funds and an underestimate of current requirements in the school lunch fund. These deficits are to be repaid from future receipts.

NEW HARMONY TOWN AND TOWNSHIP CONSOLIDATED SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2008, the School Corporation had deposit balances in the amount of \$633,041. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2007 and 2008, were as follows:

Transfer From	Transfer To	2007	2008
General Fund	Other governmental funds	\$ 9	\$ -
Debt Service Fund	General Fund	143,569	66,263
	Other governmental funds	4,018	-
Capital Projects Fund	Rainy Day Fund	80,000	-
Transportation Bus Replacement Fund	Transportation Operating Fund	2,770	-
Other governmental funds	General Fund	2,875	-
	Debt Service Fund	2,213	-
	Other governmental funds	15,417	8
Totals		<u>\$ 250,871</u>	<u>\$ 66,271</u>

The School Corporation typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. Other Information

A. Holding Corporation

The School Corporation has entered into a capital lease with the New Harmony-Harmony Township 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 each year totaled \$124,000.

B. Subsequent Event

The School Corporation is implementing procedures to correct the pricing for the reduced lunches and breakfasts for the students in the National School Lunch program.

NEW HARMONY TOWN AND TOWNSHIP CONSOLIDATED SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Pension Plan

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), 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 TRF 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 member's contributions, set by state statute at 3% 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.

TRF 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:

Teachers' Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

Funding Policy and Annual Pension Costs

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.

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2008, 2007, and 2006, were \$65,400, \$62,939, and \$59,846, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

NEW HARMONY TOWN AND TOWNSHIP CONSOLIDATED SCHOOL
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	Preschool	School Lunch	Textbook Rental	Ropp Scholarship	Amanda McKaig Martin Scholarship	Gifted and Talented 2005-2006	Gifted and Talented 2006-2007
Receipts:							
Local sources	\$ 9,675	\$ 52,298	\$ 20,769	\$ 720	\$ 666	\$ -	\$ -
State sources	2,991	1,258	3,277	-	-	-	10,401
Federal sources	-	23,506	-	-	-	-	-
Total receipts	12,666	77,062	24,046	720	666	-	10,401
Disbursements:							
Current:							
Instruction	14,628	-	-	-	-	2,010	8,661
Support services	-	81,146	19,717	100	-	-	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	1,385	-	-	1,000	300	-	-
Total disbursements	16,013	81,146	19,717	1,100	300	2,010	8,661
Excess (deficiency) of receipts over disbursements	(3,347)	(4,084)	4,329	(380)	366	(2,010)	1,740
Other financing sources (uses):							
Transfers in	-	-	4,018	-	-	10	-
Transfers out	-	-	(5,088)	-	-	-	(10)
Total other financing sources (uses)	-	-	(1,070)	-	-	10	(10)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,347)	(4,084)	3,259	(380)	366	(2,000)	1,730
Cash and investments - beginning	17,343	3,214	6,353	27,853	7,838	2,000	-
Cash and investments - ending	\$ 13,996	\$ (870)	\$ 9,612	\$ 27,473	\$ 8,204	\$ -	\$ 1,730
Cash and Investment Assets - Ending							
Cash and investments	\$ 13,996	\$ (870)	\$ 9,612	\$ 27,473	\$ 8,204	\$ -	\$ 1,730
Total cash and investment assets - ending	\$ 13,996	\$ (870)	\$ 9,612	\$ 27,473	\$ 8,204	\$ -	\$ 1,730
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 13,996	\$ (870)	\$ 9,612	\$ 27,473	\$ 8,204	\$ -	\$ 1,730
Total cash and investment fund balance - ending	\$ 13,996	\$ (870)	\$ 9,612	\$ 27,473	\$ 8,204	\$ -	\$ 1,730

NEW HARMONY TOWN AND TOWNSHIP CONSOLIDATED SCHOOL
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	School Technology Fund	Vision Athena Grant	Title I 2006-2007	Title I 2005-2006	Title V Part A 2005-2006	PL 105-17 2004-2005
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	-	-	18,562	1,400	295	19,618
Total receipts	-	-	18,562	1,400	295	19,618
Disbursements:						
Current:						
Instruction	-	-	14,034	1,704	-	25,191
Support services	-	-	479	-	948	-
Community services	-	-	39	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	-	-	14,552	1,704	948	25,191
Excess (deficiency) of receipts over disbursements	-	-	4,010	(304)	(653)	(5,573)
Other financing sources (uses):						
Transfers in	-	-	9	370	-	15,037
Transfers out	-	-	(370)	-	-	-
Total other financing sources (uses)	-	-	(361)	370	-	15,037
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	3,649	66	(653)	9,464
Cash and investments - beginning	7,092	1,694	-	(66)	653	-
Cash and investments - ending	<u>\$ 7,092</u>	<u>\$ 1,694</u>	<u>\$ 3,649</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,464</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 7,092</u>	<u>\$ 1,694</u>	<u>\$ 3,649</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,464</u>
Total cash and investment assets - ending	<u>\$ 7,092</u>	<u>\$ 1,694</u>	<u>\$ 3,649</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,464</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 7,092</u>	<u>\$ 1,694</u>	<u>\$ 3,649</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,464</u>
Total cash and investment fund balance - ending	<u>\$ 7,092</u>	<u>\$ 1,694</u>	<u>\$ 3,649</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,464</u>

NEW HARMONY TOWN AND TOWNSHIP CONSOLIDATED SCHOOL
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	PL 105-17 Special Education 2005-2006	Drug Free 2005-2006	Title IV Part A 2006-2007	Title II Part A	REAP Grant 2005-2006	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84,128
State sources	-	-	-	-	-	17,927
Federal sources	19,618	-	579	7,241	28,384	119,203
Total receipts	19,618	-	579	7,241	28,384	221,258
Disbursements:						
Current:						
Instruction	20,146	-	-	-	-	86,374
Support services	-	437	289	5,053	28,384	136,553
Community services	-	-	-	-	-	39
Nonprogrammed charges	-	-	-	-	-	2,685
Total disbursements	20,146	437	289	5,053	28,384	225,651
Excess (deficiency) of receipts over disbursements	(528)	(437)	290	2,188	-	(4,393)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	19,444
Transfers out	(15,037)	-	-	-	-	(20,505)
Total other financing sources (uses)	(15,037)	-	-	-	-	(1,061)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(15,565)	(437)	290	2,188	-	(5,454)
Cash and investments - beginning	15,565	437	-	5,053	-	95,029
Cash and investments - ending	\$ -	\$ -	\$ 290	\$ 7,241	\$ -	\$ 89,575
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ 290	\$ 7,241	\$ -	\$ 89,575
Total cash and investment assets - ending	\$ -	\$ -	\$ 290	\$ 7,241	\$ -	\$ 89,575
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ -	\$ -	\$ 290	\$ 7,241	\$ -	\$ 89,575
Total cash and investment fund balance - ending	\$ -	\$ -	\$ 290	\$ 7,241	\$ -	\$ 89,575

NEW HARMONY TOWN AND TOWNSHIP CONSOLIDATED SCHOOL
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008

	Preschool	School Lunch	Textbook Rental	Ropp Scholarship	Amanda McKaig Martin Scholarship	Gifted and Talented 2007-2008	Gifted and Talented 2006-2007
Receipts:							
Local sources	\$ 3,031	\$ 44,673	\$ 17,332	\$ 609	\$ 611	\$ -	\$ -
State sources	2,020	1,420	7,671	-	-	25,911	-
Federal sources	-	23,654	-	-	-	-	-
Interfund loans	-	5,800	1,500	-	-	-	-
Total receipts	5,051	75,547	26,503	609	611	25,911	-
Disbursements:							
Current:							
Instruction	11,069	-	-	-	-	25,911	1,730
Support services	-	74,575	36,019	-	-	-	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	1,409	-	-	2,000	600	-	-
Total disbursements	12,478	74,575	36,019	2,000	600	25,911	1,730
Excess (deficiency) of receipts over disbursements	(7,427)	972	(9,516)	(1,391)	11	-	(1,730)
Other financing sources (uses):							
Transfers in	-	-	-	-	8	-	-
Transfers out	-	-	-	(8)	-	-	-
Total other financing sources (uses)	-	-	-	(8)	8	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(7,427)	972	(9,516)	(1,399)	19	-	(1,730)
Cash and investments - beginning	13,996	(870)	9,612	27,473	8,204	-	1,730
Cash and investments - ending	\$ 6,569	\$ 102	\$ 96	\$ 26,074	\$ 8,223	\$ -	\$ -
Cash and Investment Assets - Ending							
Cash and investments	\$ 6,569	\$ 102	\$ 96	\$ 26,074	\$ 8,223	\$ -	\$ -
Total cash and investment assets - ending	\$ 6,569	\$ 102	\$ 96	\$ 26,074	\$ 8,223	\$ -	\$ -
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 6,569	\$ 102	\$ 96	\$ 26,074	\$ 8,223	\$ -	\$ -
Total cash and investment fund balance - ending	\$ 6,569	\$ 102	\$ 96	\$ 26,074	\$ 8,223	\$ -	\$ -

NEW HARMONY TOWN AND TOWNSHIP CONSOLIDATED SCHOOL
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	School Technology Fund	Vision Athena Grant	Title I 2006-2007	Title I 2005-2006	Title V Part A 2006-2007	PL 105-17 2004-2005
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	-	-	1,600	23,509	291	-
Interfund loans	-	-	-	-	-	-
Total receipts	-	-	1,600	23,509	291	-
Disbursements:						
Current:						
Instruction	-	-	4,888	21,917	-	9,464
Support services	4,857	276	-	600	291	-
Community services	-	-	361	100	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	4,857	276	5,249	22,617	291	9,464
Excess (deficiency) of receipts over disbursements	(4,857)	(276)	(3,649)	892	-	(9,464)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,857)	(276)	(3,649)	892	-	(9,464)
Cash and investments - beginning	7,092	1,694	3,649	-	-	9,464
Cash and investments - ending	<u>\$ 2,235</u>	<u>\$ 1,418</u>	<u>\$ -</u>	<u>\$ 892</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 2,235</u>	<u>\$ 1,418</u>	<u>\$ -</u>	<u>\$ 892</u>	<u>\$ -</u>	<u>\$ -</u>
Total cash and investment assets - ending	<u>\$ 2,235</u>	<u>\$ 1,418</u>	<u>\$ -</u>	<u>\$ 892</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 2,235</u>	<u>\$ 1,418</u>	<u>\$ -</u>	<u>\$ 892</u>	<u>\$ -</u>	<u>\$ -</u>
Total cash and investment fund balance - ending	<u>\$ 2,235</u>	<u>\$ 1,418</u>	<u>\$ -</u>	<u>\$ 892</u>	<u>\$ -</u>	<u>\$ -</u>

NEW HARMONY TOWN AND TOWNSHIP CONSOLIDATED SCHOOL
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	PL 105-17 Special Education 2005-2006	Drug Free 2005-2006	Title IV Part A 2006-2007	Title II Part A	REAP Grant 2005-2006	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,256
State sources	-	-	-	-	-	37,022
Federal sources	38,636	586	-	7,512	44,211	139,999
Interfund loans	-	-	-	-	-	7,300
Total receipts	38,636	586	-	7,512	44,211	250,577
Disbursements:						
Current:						
Instruction	29,085	-	-	-	-	104,064
Support services	-	11	290	14,753	44,211	175,883
Community services	-	-	-	-	-	461
Nonprogrammed charges	-	-	-	-	-	4,009
Total disbursements	29,085	11	290	14,753	44,211	284,417
Excess (deficiency) of receipts over disbursements	9,551	575	(290)	(7,241)	-	(33,840)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	8
Transfers out	-	-	-	-	-	(8)
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	9,551	575	(290)	(7,241)	-	(33,840)
Cash and investments - beginning	-	-	290	7,241	-	89,575
Cash and investments - ending	<u>\$ 9,551</u>	<u>\$ 575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,735</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 9,551</u>	<u>\$ 575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,735</u>
Total cash and investment assets - ending	<u>\$ 9,551</u>	<u>\$ 575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,735</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 9,551</u>	<u>\$ 575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,735</u>
Total cash and investment fund balance - ending	<u>\$ 9,551</u>	<u>\$ 575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,735</u>

NEW HARMONY TOWN AND TOWNSHIP CONSOLIDATED SCHOOL
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007

	<u>Gift</u>	<u>Posey County Adult Literacy</u>	<u>Posey County Adult Literacy</u>	<u>Jr. Docent</u>	<u>Kidz Klub 02-03</u>	<u>Indiana Next</u>
Additions:						
Contributions:						
Other	\$ 3,377	\$ 107	\$ 62,178	\$ -	\$ -	\$ -
Deductions:						
Administrative and general	3,425	32,855	45,742	-	-	863
Excess (deficiency) of total additions over total deductions	(48)	(32,748)	16,436	-	-	(863)
Cash and investment fund balance - beginning	20,523	32,141	-	2,317	172	1,131
Cash and investments - June 30	<u>\$ 20,475</u>	<u>\$ (607)</u>	<u>\$ 16,436</u>	<u>\$ 2,317</u>	<u>\$ 172</u>	<u>\$ 268</u>
Net assets:						
Cash and investments	\$ 20,475	\$ (607)	\$ 16,436	\$ 2,317	\$ 172	\$ 268
Total net assets - cash and investment basis held in trust	<u>\$ 20,475</u>	<u>\$ (607)</u>	<u>\$ 16,436</u>	<u>\$ 2,317</u>	<u>\$ 172</u>	<u>\$ 268</u>

NEW HARMONY TOWN AND TOWNSHIP CONSOLIDATED SCHOOL
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	<u>Sine Student Success Grant</u>	<u>Sine Grant</u>	<u>Sine Mini Grant</u>	<u>Since Model School Grant</u>	<u>Totals</u>
Additions:					
Contributions:					
Other	\$ -	\$ -	\$ -	\$ -	\$ 65,662
Deductions:					
Administrative and general	347	299	244	-	83,775
Excess (deficiency) of total additions over total deductions	(347)	(299)	(244)	-	(18,113)
Cash and investment fund balance - beginning	347	1,702	1,280	876	60,489
Cash and investments - June 30	<u>\$ -</u>	<u>\$ 1,403</u>	<u>\$ 1,036</u>	<u>\$ 876</u>	<u>\$ 42,376</u>
Net assets:					
Cash and investments	\$ -	\$ 1,403	\$ 1,036	\$ 876	\$ 42,376
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ 1,403</u>	<u>\$ 1,036</u>	<u>\$ 876</u>	<u>\$ 42,376</u>

NEW HARMONY TOWN AND TOWNSHIP CONSOLIDATED SCHOOL
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2008

	<u>Gift</u>	<u>Posey County Adult Literacy</u>	<u>Posey County Adult Literacy</u>	<u>Jr. Docent</u>	<u>Kidz Klub 02-03</u>
Additions:					
Contributions:					
Other	\$ 7,309	\$ 35,198	\$ -	\$ -	\$ -
Deductions:					
Administrative and general	6,417	20,373	16,436	-	-
Excess (deficiency) of total additions over total deductions	892	14,825	(16,436)	-	-
Cash and investment fund balance - beginning	20,475	(607)	16,436	2,317	172
Cash and investments - June 30	<u>\$ 21,367</u>	<u>\$ 14,218</u>	<u>\$ -</u>	<u>\$ 2,317</u>	<u>\$ 172</u>
Net assets:					
Cash and investments	\$ 21,367	\$ 14,218	\$ -	\$ 2,317	\$ 172
Total net assets - cash and investment basis held in trust	<u>\$ 21,367</u>	<u>\$ 14,218</u>	<u>\$ -</u>	<u>\$ 2,317</u>	<u>\$ 172</u>

NEW HARMONY TOWN AND TOWNSHIP CONSOLIDATED SCHOOL
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	<u>Indiana Next</u>	<u>Sine Grant</u>	<u>Sine Mini Grant</u>	<u>Since Model School Grant</u>	<u>Totals</u>
Additions:					
Contributions:					
Other	\$ -	\$ -	\$ -	\$ -	\$ 42,507
Deductions:					
Administrative and general	268	1,403	1,036	876	46,809
Excess (deficiency) of total additions over total deductions	(268)	(1,403)	(1,036)	(876)	(4,302)
Cash and investment fund balance - beginning	268	1,403	1,036	876	42,376
Cash and investments - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,074</u>
Net assets:					
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 38,074
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,074</u>

NEW HARMONY TOWN AND TOWNSHIP CONSOLIDATED SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 JUNE 30, 2008

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
School Building Corporation	\$ 115,000	\$ 124,000
Loans Payable	750,000	750,000
 Total governmental activities debt	 \$ 865,000	 \$ 874,000

The amount of interest due within one year on the temporary loan is unknown at the date of this report.

NEW HARMONY TOWN AND TOWNSHIP CONSOLIDATED SCHOOLS
EXAMINATION RESULTS AND COMMENTS

PRESCRIBED FORMS

The following prescribed forms were not always in use:

Fund Ledger and Ledger of Receipts, Form 508
Ledger of Appropriations, Allotments, Encumbrances,
Disbursements and Balances, Form 512
Teacher's Service Record, Form 514
Employee's Service Record, Form 99A
Employee's Earnings Record, Form 99B
Register of Investments, Form 350
Mileage Claim, Form 101
Capital Assets Ledger, Form 369
Financial Report (School Extra-Curricular Account), Form SA-5-1
Cash Reconciliation and Outstanding Check List, Form SA-5-2
Detail of Receipts and Expenditures by Funds, Form SA-5-3
Report Certificate, Form SA-5-4
Extra-Curricular Ledger, Form SA-6
Official Receipt - Individual Textbook Rental List, Form TBR-2
Certification of Meals Provided Per Home Rule, Form SF-1
Daily Record of Cash Received, Form SF-2
Daily Record of Meals/Milk Served, Form SF-2A
Cash Disbursements and Fund Balance, Form, SF-3
Ledger of Receipts, Disbursements and Balances, Form SF-4
Equipment Inventory, Form SF-6
Food Inventory, Form SF-7

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

Records were not presented for examination to support the ADM claimed by the School Corporation.

IC 5-15-6-3(f) concerning destruction of public records, states in part:

"Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Officials should maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM. The building level official (Principal, Assistant Principal, etc.) 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. (The School Administrator and Uniform Compliance Guidelines, Volume 163, September 2003)

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OVERDRAWN CASH BALANCES

The cash balances of the Debt Service Fund and School Lunch Fund were overdrawn at June 30, 2007. The cash balances of the Debt Service Fund, the Capital Projects Fund, and the Transportation Bus Replacement Fund were overdrawn at June 30, 2008.

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

CAPITAL PROJECTS FUND USES

Funds were disbursed from the Capital Projects Fund for mowing and general cleaning supplies and services, etc.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Maintenance does not include janitorial or comparable routine services normally provided in the daily operation of the facilities or equipment. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 3)

CAPITAL ASSET RECORDS

Information presented for examination did not indicate an inventory or record of capital assets using Form 369.

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

OFFICIAL BOND

The following official bond was not filed in the Office of the County Recorder:

Position bond that covers the school treasurer, superintendent, board members, school lunch treasurer and the ECA treasurer for the periods October 15, 2007 to October 15, 2008, and October 15, 2008 to October 15, 2009.

IC 5-4-1-5.1(b) states in part:

"Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder . . .

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TEXTBOOK RENTAL CHARGES

Information supporting charges for textbook rental were unavailable for the examination period. The Textbook Fund has required transfers from other funds to maintain a positive fund balance because charges have been too low to provide funding for needed textbook purchases.

IC 20-26-12-2 states in part:

"(a) A governing body may purchase from a contracting publisher, at a price equal to or less than the net contract price, any textbook adopted by the state board and selected by the proper local officials. The governing body may rent these textbooks to students enrolled in any public or nonpublic school that is:

- (1) in compliance with the minimum certification standards of the state board; and
- (2) located within the attendance unit served by the governing body. The annual rental rate may not exceed twenty-five percent (25%) of the retail price of the textbook."

Therefore, we are of the audit position that up to twenty-five (25%) percent of the retail price of a textbook may be collected annually (which could include actual shipping and handling) for each year of the original six year adoption period. A textbook costing twelve dollars (\$12.00) (which includes shipping and handling) could be recovered at a maximum of eighteen dollars (\$18.00) over the six year period ($\$12.00/4, \times 6$). (The School Administrator and Uniform Compliance Guidelines Volume 185, March 2009)

EDUCATIONAL FEES

Some educational fees were retained in the Textbook Rental Fund for the 2007-2008 school year and not transferred to the General Fund of the School Corporation.

IC 26-4-1 concerning duties of the School Corporation Treasurer, states in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for all the funds . . ." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

All educational functions are the specific responsibility of the governing body (board of school trustees, etc.) of the school corporation acting on its behalf (IC 20-26-5-4), including providing the facilities and equipment therefore. All monies received for educational purposes, including those related to educational programs or facilities must be receipted to school corporation funds. . . . Accounting for them (educational fees) should be in the general fund of the school corporation. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

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TEXTBOOK RENTAL INTERNAL CONTROLS

The controls over the receipting and accounting for the financial activities for the Textbook Rental Fund were insufficient. Documentation supporting the claim for State reimbursement for 2007-2008 was not accurate. Fees collected do not cover the expenses for the textbooks, and no listing is available of uncollected balances at fiscal year end. Additionally, weaknesses exist in the receipting cycle because prescribed or approved forms are not used. Audit trails are not complete in some instances. Complete and accurate inventories of textbooks are not performed. The software system used for the textbook accounting yields reports that do not agree. The Textbook Rental Fund would have a deficit balance if transfers from other funds were not made.

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. 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. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

SCHOOL LUNCH INTERNAL CONTROLS

Several control deficiencies were noted during the examination period in the School Lunch Fund. The deficiencies include:

- (1) The School Lunch Director collected fees, posted records, and prepared the meal count.
- (2) Daily postings to student accounts did not include totals to verify charges were posted correctly.
- (3) Reconcilements of the prepaid food clearing account were not always performed.
- (4) Numerous unauthorized adjustments were made to student accounts without documentation in order to make the subsidiary listing reconcile to the control account.
- (5) Supporting documentation was missing for some of the CND-1 reports.
- (6) Documentation for students who had made cash payments was not available.
- (7) Clear audit trails for transactions were not available because prescribed or approved forms were not used nor were proper accounting procedures followed.
- (8) Student accounts were deleted from the system even though they had transactions during the current period.

All methods to account for the cafeteria operation require that the person responsible for collecting and reporting the money received for meals be different from the person responsible for counting and reporting the number of meals served. Under no circumstances should all duties be vested in the treasurer or any other single individual. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 3)

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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) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Compliance is required, as applicable, with generally accepted accounting principles, and standards issued by the Governmental Accounting Standards Board, Financial Accounting Standards Board, and other standards setting bodies and also with various accounting guides, manuals and other publications. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 9)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The School Corporation did not comply properly with school lunch eligibility verifications for free and reduced price meals and other benefits. Additionally, during the 2008-2009 school year, the price charged for reduced lunches has been changed to \$0.65 and price for reduced breakfasts has been changed to \$0.55. The National School Lunch prescribed maximum charge is \$0.40 for reduced lunches and \$0.30 for reduced breakfasts.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

OPTICAL IMAGES OF CHECKS (Applies to Extra-Curricular Account)

The financial institution did not return the actual cancelled checks with the monthly bank statements, nor did they return an optical image of the checks.

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

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

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

Furthermore, IC 26-2-8-111 states in part:

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

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

USE OF FORM SA-5, FINANCIAL REPORT (Applies to Extra-Curricular Account)

Financial Reports (Form SA-5) were not presented for examination. The receipts, disbursements and fund balances as presented reflect the financial activity of the Extra-Curricular Account, but the required signatures and certifications were missing.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

INTERNAL CONTROLS - SOFTWARE DEFICIENCIES (Applies to Extra-Curricular Account)

Controls for records generated by the ECA software system are insufficient.

- (1) A check that was not voided until August was not on the July outstanding check list produced by the software. No audit trail existed to determine what happened to the check until the transaction in August.
- (2) Vendor has 24 hour on-line access and makes changes to the system without the school's knowledge.
- (3) No authorization is provided by the school for the changes made and no log of changes or updates are maintained.
- (4) User passwords are not changed because the software does not require that to occur.
- (5) No manual is available to provide instructions to the users to ensure accurate input, processing and reporting of information in the system

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- (6) Audit trails do not exist for all information entered into the system; that is, beginning balances do not always equal prior month ending balances, detailed receipts do not agree to the control account, accuracy and completeness of transactions cannot be determined.
- (7) Output forms have not been approved and most contain insufficient information.
- (8) Reconciliation cycle on the software omits some items. It verifies that the bank transactions agree to the transactions in the reconciliation report, but does not produce an complete, reliable reconciliation.

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 Extra-Curricular Accounts, Chapter 7)

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EXIT CONFERENCE

The contents of this report were discussed on February 18, 2009, with Fran Thoele, Superintendent of Schools; Paula Schmitt, Treasurer; and Brenda S. Butman, School Board member. The officials concurred with our findings.