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May 27, 2009

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

We have reviewed the audit report prepared by Sherman, Barber & Mullikin, Independent Public Accountants, for the period July 1, 2007 to June 30, 2008. 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 the South Dearborn Schools Endowment Corporation, as of June 30, 2008, 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.

STATE BOARD OF ACCOUNTS

**SOUTH DEARBORN SCHOOLS  
ENDOWMENT CORPORATION**

Audited Financial Statements  
June 30, 2008 and June 30, 2007

**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

Julia R. Barber, CPA  
Kevin W. Mullikin, CPA  
Christine D. Dattilo, CPA  
Benjamin M. Foley, CPA  
Heather M. Duvall, CPA

INDEPENDENT AUDITOR'S REPORT

Member:  
American Institute of  
Certified Public Accountants  
Indiana CPA Society  
Kentucky Society of CPAs

Board of Directors  
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, 2008 and June 30, 2007, and the related Statements of Activities 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, 2008 and June 30, 2007, 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 12 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  
Certified Public Accountants

December 9, 2008

**SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION**

**Statements of Financial Position**

**June 30**

<b>Assets</b>	<u>2008</u>	<u>2007</u>
Cash	\$ 415,485	\$ 537,029
Certificate of Deposit	-	12,059
Asset Held by Dearborn County Community Foundation	<u>56,142</u>	<u>63,821</u>
<b>Total Assets</b>	<u>\$ 471,627</u>	<u>\$ 612,909</u>
<b>Liabilities and Net Assets</b>		
Grants Payable	\$ 417,466	\$ 362,757
Net Assets - Unrestricted	<u>54,161</u>	<u>250,152</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 471,627</u>	<u>\$ 612,909</u>

See Notes to Financial Statements.

**SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION**

**Statements of Activities  
For the Years Ended June 30**

	<u>2008</u>	<u>2007</u>
<b>Revenue</b>		
Interest Income	\$ 15,134	\$ 21,943
Investment Return on Endowment Funds	(3,937)	7,974
City of Lawrenceburg Revenue Sharing		
Admissions Income	106,278	115,039
Wagering Income	265,304	265,304
License Plate Fee Income	<u>413</u>	<u>413</u>
<b>Total Revenue</b>	383,192	410,673
<b>Expenses</b>		
Program Services		
Grants	572,387	423,615
Supporting Services		
Management and General	<u>6,796</u>	<u>5,292</u>
<b>Total Expenses</b>	579,183	428,907
<b>Change in Net Assets</b>	(195,991)	(18,234)
<b>Net Assets, Beginning of Period</b>	<u>250,152</u>	<u>268,386</u>
<b>Net Assets, End of Period</b>	<u>\$ 54,161</u>	<u>\$ 250,152</u>

See Notes to Financial Statements.

**SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION**

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

	<u>2008</u>	<u>2007</u>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ (195,991)	\$ (18,234)
Add Back Noncash Items:		
Increase (Decrease) in Grants Payable	54,709	80,667
(Gain) Loss on Funds Invested with Dearborn County Community Foundation	3,937	(7,974)
Earnings Reinvested in Certificate of Deposit	<u>(556)</u>	<u>(554)</u>
<b>Net Cash Flows from Operations</b>	(137,901)	53,905
<b>Cash Flows from Investing Activities</b>		
Certificate of Deposit Cashed	12,615	-
Grant Payout from Dearborn County Community Foundation	<u>3,742</u>	<u>4,618</u>
<b>Net Cash Flows from Investing Activities</b>	<u>16,357</u>	<u>4,618</u>
<b>Net Increase (Decrease) in Cash</b>	(121,544)	58,523
<b>Cash at Beginning of Year</b>	<u>537,029</u>	<u>478,506</u>
<b>Cash at End of Year</b>	<u>\$ 415,485</u>	<u>\$ 537,029</u>
<b><u>Non-Cash Investing Activities</u></b>		
Gain (Loss) on Funds Invested with Dearborn County Community Foundation	<u>\$ (3,937)</u>	<u>\$ 7,974</u>
Interest Reinvested in Certificate of Deposit	<u>\$ 556</u>	<u>\$ 554</u>

See Notes to Financial Statements.

## SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

### Notes to Financial Statements For the Years Ended June 30, 2008 and 2007

#### 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, 2008 and 2007

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the organization 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 temporarily or permanently restricted net assets. Any Board imposed restrictions have been classified as payables and therefore are no longer included in 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 amounts transferred to the Dearborn County Community Foundation as endowment funds are being carried on the Statements of Financial Position at their fair values of \$56,142 at June 30, 2008 and \$63,821 at June 30, 2007.

# SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

## Notes to Financial Statements For the Years Ended June 30, 2008 and 2007

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The fair value is determined based on this Endowment's applicable share of the total market value of all endowment funds held by the Dearborn County Community Foundation. The market values are reported to the Foundation by asset managers.

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.

#### Reclassifications

Certain amounts in the 2007 financial statements have been reclassified to conform to the 2008 presentation.

#### Note 2. CASH AND CERTIFICATES OF DEPOSIT

Cash consists of a money market account only.

On February 2, 1999, the Corporation encumbered \$10,000 for scholarships for tech-prep students. This amount was transferred to a certificate of deposit. During June 2008, the certificate matured and was closed. The money was not re-deposited into a certificate of deposit until after year end.

#### Note 3. INVESTMENT RETURN ON ENDOWMENT FUNDS

The investment returns on endowment funds are as follows:

	June 30,	
	2008	2007
Investment Income	\$ 2,226	\$ 2,013
Fund Expenses	(1,286)	(1,288)
Net Unrealized Gains	(4,877)	7,249
Investment Return	<u>\$ (3,937)</u>	<u>\$ 7,974</u>

## SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

### Notes to Financial Statements For the Years Ended June 30, 2008 and 2007

#### Note 4. 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.

#### Note 5. 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, during 2006 and 2005, the Corporation received a distribution 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. The Community Foundation set aside an additional \$25,000 during the year ended June 30, 2000. The earnings from these amounts are available to the Corporation for its exempt purposes. The Corporation received a distribution of \$3,742 and \$4,618 from earnings for the years ended June 30, 2008 and 2007, respectively.

#### Note 6. GRANTS PAYABLE

At June 30, 2008 and June 30, 2007, there were grants awarded, but not yet disbursed, of \$417,466 and \$362,757, 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, 2008 and 2007**

### Note 7. CONCENTRATIONS OF CREDIT RISK

The Corporation maintains its cash at federally insured financial institutions. These institutions insure the organization's deposits up to \$100,000 per institution. At June 30, 2008, the Corporation maintained deposits in excess of the federally insured limit at one financial institution. The total amount at risk was \$302,870. The FDIC limit has recently been increased by another \$150,000.

**SUPPLEMENTAL INFORMATION**

SOUTH DEARBORN SCHOOLS ENDOWMENT CORPORATION

Schedules of State and Local Financial Assistance

	For the Year Ended <u>June 30, 2008</u>	For the Year Ended <u>June 30, 2007</u>
City of Lawrenceburg	<u>\$ 371,582</u>	<u>\$ 380,343</u>
Treasurer of Dearborn County	<u>\$ 413</u>	<u>\$ 413</u>

See Auditor's Report and Notes to Financial Statements.