

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

AUDIT REPORT
OF
SHERIDAN COMMUNITY SCHOOLS
HAMILTON COUNTY, INDIANA
July 1, 2008 to June 30, 2010



FILED

01/21/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Robin Popejoy	07-01-08 to 06-30-11
Superintendent of Schools	Dr. Derek Arrowood	07-01-08 to 06-30-11
President of the School Board	Gregory Willett Alan Lyon	07-01-08 to 06-30-10 07-01-10 to 06-30-11



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE SHERIDAN COMMUNITY SCHOOLS, HAMILTON COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sheridan Community Schools (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial 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 audit provides a reasonable basis for our opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2009 and 2010, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated December 8, 2010, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the 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.

The Schedules of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The School Corporation has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Combining Schedules, as listed in the Table of Contents and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Long-Term Debt has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

December 8, 2010



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

TO: THE OFFICIALS OF THE SHERIDAN COMMUNITY SCHOOLS, HAMILTON COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sheridan Community Schools (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated December 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in item 2010-1 of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we consider item 2010-1 to be a material weakness.

Compliance and Other Matters

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

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

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

STATE BOARD OF ACCOUNTS

December 8, 2010

SHERIDAN COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 4,666,047	\$ -	\$ 97,070	\$ (4,568,977)
Support services	4,276,653	387,105	2,128,551	(1,760,997)
Noninstructional services	814,896	-	-	(814,896)
Facilities acquisition and construction	569,009	-	-	(569,009)
Debt service	2,021,140	-	-	(2,021,140)
Nonprogrammed charges	532,310	-	-	(532,310)
	<u>\$ 12,880,055</u>	<u>\$ 387,105</u>	<u>\$ 2,225,621</u>	<u>(10,267,329)</u>
General receipts:				
Property taxes				4,159,016
Other local sources				776,898
State aid				5,133,094
Grants and contributions not restricted to specific programs				796,288
Investment earnings				57,268
Other				271,258
				<u>11,193,822</u>
Change in net assets				926,493
Net assets - beginning				<u>2,339,096</u>
Net assets - ending				<u>\$ 3,265,589</u>
<u>Assets</u>				
Cash and investments				\$ 3,092,637
Restricted assets:				
Cash and investments				<u>172,952</u>
Total assets				<u>\$ 3,265,589</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 172,952
Unrestricted				<u>3,092,637</u>
Total net assets				<u>\$ 3,265,589</u>

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

SHERIDAN COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 4,843,864	\$ -	\$ 89,532	\$ (4,754,332)
Support services	6,048,804	401,758	270,092	(5,376,954)
Noninstructional services	805,716	-	-	(805,716)
Facilities acquisition and construction	247,718	-	-	(247,718)
Debt service	1,300,132	-	-	(1,300,132)
Nonprogrammed charges	420,569	-	-	(420,569)
Total Government	<u>\$ 13,666,803</u>	<u>\$ 401,758</u>	<u>\$ 359,624</u>	<u>(12,905,421)</u>
General receipts:				
Property taxes				4,339,880
Other local sources				561,445
State aid				6,704,579
Grants and contributions not restricted to specific programs				737,413
Sale of property				85,000
Investment earnings				26,971
Other				<u>41,357</u>
Total general receipts				<u>12,496,645</u>
Change in net assets				(408,776)
Net assets - beginning				<u>3,265,589</u>
Net assets - ending				<u>\$ 2,856,813</u>
<u>Assets</u>				
Cash and investments				\$ 1,945,582
Restricted assets:				
Cash and investments				<u>911,231</u>
Total assets				<u>\$ 2,856,813</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 911,231
Unrestricted				<u>1,945,582</u>
Total net assets				<u>\$ 2,856,813</u>

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

SHERIDAN COMMUNITY 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, 2009

	General	Rainy Day	Fiscal Stabilization	Debt Service	Capital Projects	Construction	Other	Totals
Receipts:								
Local sources	\$ 2,382,735	\$ -	\$ -	\$ 595,802	\$ 931,799	\$ 24,486	\$ 1,443,927	\$ 5,378,749
Intermediate sources	243	-	-	-	-	-	1,294	1,537
State sources	5,201,002	-	-	-	-	-	108,988	5,309,990
Federal sources	-	-	594,700	-	-	-	340,043	934,743
Interfund loans	855,000	-	-	-	139,341	-	181,954	1,176,295
Other	21,163	200,000	-	-	41,057	1,910,270	9,039	2,181,529
Total receipts	8,460,143	200,000	594,700	595,802	1,112,197	1,934,756	2,085,245	14,982,843
Disbursements:								
Current:								
Instruction	4,253,525	-	115,044	-	-	-	297,478	4,666,047
Support services	2,372,196	-	74,415	-	893,690	67,572	868,780	4,276,653
Noninstructional services	295,683	-	1,869	-	-	-	517,344	814,896
Facilities acquisition and construction	200,000	-	-	-	366,237	-	2,772	569,009
Debt services	1,400,182	-	-	522,061	-	-	98,897	2,021,140
Nonprogrammed charges	532,310	-	-	-	-	-	-	532,310
Interfund loans	139,341	-	-	-	405,000	-	631,954	1,176,295
Total disbursements	9,193,237	-	191,328	522,061	1,664,927	67,572	2,417,225	14,056,350
Excess (deficiency) of receipts over disbursements	(733,094)	200,000	403,372	73,741	(552,730)	1,867,184	(331,980)	926,493
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	3,339	3,339
Transfers out	-	-	-	-	-	-	(3,339)	(3,339)
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(733,094)	200,000	403,372	73,741	(552,730)	1,867,184	(331,980)	926,493
Cash and investments - beginning	971,242	182,282	-	88,420	552,730	-	544,422	2,339,096
Cash and investments - ending	\$ 238,148	\$ 382,282	\$ 403,372	\$ 162,161	\$ -	\$ 1,867,184	\$ 212,442	\$ 3,265,589
Cash and Investment Assets - Ending								
Cash and investments	\$ 238,148	\$ 382,282	\$ 403,372	\$ -	\$ -	\$ 1,867,184	\$ 201,651	\$ 3,092,637
Restricted assets:								
Cash and investments	-	-	-	162,161	-	-	10,791	172,952
Total cash and investment assets - ending	\$ 238,148	\$ 382,282	\$ 403,372	\$ 162,161	\$ -	\$ 1,867,184	\$ 212,442	\$ 3,265,589
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ 162,161	\$ -	\$ -	\$ 10,791	\$ 172,952
Unrestricted	238,148	382,282	403,372	-	-	1,867,184	201,651	3,092,637
Total cash and investment fund balance - ending	\$ 238,148	\$ 382,282	\$ 403,372	\$ 162,161	\$ -	\$ 1,867,184	\$ 212,442	\$ 3,265,589

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

SHERIDAN COMMUNITY 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, 2010

	General	Rainy Day	Fiscal Stabilization	Debt Service	Capital Projects	Construction	Other	Totals
Receipts:								
Local sources	\$ 144,525	\$ -	\$ -	\$ 1,897,122	\$ 1,284,047	\$ 13,482	\$ 1,985,085	\$ 5,324,261
Intermediate sources	5,303	-	-	-	-	-	488	5,791
State sources	6,773,633	-	-	-	-	-	114,455	6,888,088
Federal sources	-	-	229,504	-	-	-	684,024	913,528
Interfund loans	148,262	-	-	-	-	-	190,874	339,136
Other	12,277	-	-	-	1,877	22,456	4,747	41,357
Total receipts	7,084,000	-	229,504	1,897,122	1,285,924	35,938	2,979,673	13,512,161
Disbursements:								
Current:								
Instruction	3,999,069	-	475,989	-	-	-	368,804	4,843,862
Support services	2,510,783	-	140,490	-	694,199	1,292,993	1,410,339	6,048,804
Noninstructional services	285,920	-	16,397	-	-	-	503,399	805,716
Facilities acquisition and construction	-	-	-	-	245,237	-	2,481	247,718
Debt services	-	-	-	1,198,590	-	-	101,542	1,300,132
Nonprogrammed charges	420,569	-	-	-	-	-	-	420,569
Interfund loans	8,921	-	-	-	139,341	-	190,874	339,136
Total disbursements	7,225,262	-	632,876	1,198,590	1,078,777	1,292,993	2,577,439	14,005,937
Excess (deficiency) of receipts over disbursements	(141,262)	-	(403,372)	698,532	207,147	(1,257,055)	402,234	(493,776)
Other financing sources (uses):								
Sale of capital assets	-	85,000	-	-	-	-	-	85,000
Transfers in	15,963	99,011	-	-	-	-	-	114,974
Transfers out	-	-	-	-	-	-	(114,974)	(114,974)
Total other financing sources (uses)	15,963	184,011	-	-	-	-	(114,974)	85,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(125,299)	184,011	(403,372)	698,532	207,147	(1,257,055)	287,260	(408,776)
Cash and investments - beginning	238,148	382,282	403,372	162,161	-	1,867,184	212,442	3,265,589
Cash and investments - ending	<u>\$ 112,849</u>	<u>\$ 566,293</u>	<u>\$ -</u>	<u>\$ 860,693</u>	<u>\$ 207,147</u>	<u>\$ 610,129</u>	<u>\$ 499,702</u>	<u>\$ 2,856,813</u>
Cash and Investment Assets - Ending								
Cash and investments	\$ 112,849	\$ 566,293	\$ -	\$ -	\$ 207,147	\$ 610,129	\$ 449,164	\$ 1,945,582
Restricted assets:								
Cash and investments	-	-	-	860,693	-	-	50,538	911,231
Total cash and investment assets - ending	<u>\$ 112,849</u>	<u>\$ 566,293</u>	<u>\$ -</u>	<u>\$ 860,693</u>	<u>\$ 207,147</u>	<u>\$ 610,129</u>	<u>\$ 499,702</u>	<u>\$ 2,856,813</u>
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ 860,693	\$ -	\$ -	\$ 50,538	\$ 911,231
Unrestricted	112,849	566,293	-	-	207,147	610,129	449,164	1,945,582
Total cash and investment fund balance - ending	<u>\$ 112,849</u>	<u>\$ 566,293</u>	<u>\$ -</u>	<u>\$ 860,693</u>	<u>\$ 207,147</u>	<u>\$ 610,129</u>	<u>\$ 499,702</u>	<u>\$ 2,856,813</u>

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

SHERIDAN COMMUNITY SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2009

	Private-Purpose Trust Funds	Agency Funds
Additions:		
Contributions:		
Other	\$ 51,033	
Total additions	51,033	
Deductions:		
Administrative and general	62,446	
Total deductions	62,446	
Deficiency of total additions over total deductions	(11,413)	
Cash and investment fund balance - beginning	49,228	
Cash and investment fund balance - ending	\$ 37,815	\$ -
Net assets:		
Cash and investments	\$ 37,815	\$ -
Total net assets - cash and investment basis held in trust	\$ 37,815	\$ -

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

SHERIDAN COMMUNITY SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2010

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Additions:		
Contributions:		
Other	\$ <u>38,780</u>	
Total additions	<u>38,780</u>	
Deductions:		
Administrative and general	<u>53,910</u>	
Total deductions	<u>53,910</u>	
Deficiency of total additions over total deductions	(15,130)	
Cash and investment fund balance - beginning	<u>37,815</u>	
Cash and investment fund balance - ending	<u>\$ 22,685</u>	<u>\$ 8,131</u>
Net assets:		
Cash and investments	<u>\$ 22,685</u>	<u>\$ 8,131</u>
Total net assets - cash and investment basis held in trust	<u>\$ 22,685</u>	<u>\$ 8,131</u>

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

SHERIDAN COMMUNITY 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: Sheridan Community 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 in a joint venture with 35 other school corporations to operate the Wabash Valley Education Center which was created to purchase supplies. The School Corporation is obligated by contract to remit \$3,990 annually to supplement the Wabash Valley Education Center. Complete financial statements for the Wabash Valley Education Center can be obtained from Wabash Valley Education Center at 3061 Benton Street, West Lafayette, IN 47906.

The School Corporation is also a participant in a joint venture with Carmel-Clay Schools, Frankton-Lapel Community Schools, Hamilton Heights School Corporation, Hamilton Southeastern School District, Noblesville School District, and Westfield Washington Schools to operate the Hamilton-Madison-Boone Special Services Cooperative which was created to provide alternative schooling for troubled students. The School Corporation is obligated by contract to remit \$450,000 annually to supplement the Hamilton-Madison-Boone Special Services Cooperative. Complete financial statements can be obtained from Hamilton Madison Boone Special Services Cooperative at 400 South Gilford, Carmel, IN 46032.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

SHERIDAN COMMUNITY 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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

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

The fiscal stabilization fund accounts for receipts and disbursements of cash received from the federal government to be used to supplement funding of local, state and federal programs.

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 construction fund is used to account for disbursements for capital outlay from receipts derived from the sale of general obligation bonds or other outside sources.

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 various activities at the schools.

Agency funds account for assets held by the School Corporation as an agent for employee payroll withholdings and serve as control of accounts for certain cash transactions during the time they are a liability to 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.

SHERIDAN COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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, while the fund financial statements for proprietary fund types would use the 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.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds.

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. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. 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.

3. Property Taxes

Normally, 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. 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 may become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to December 31 of the year collected.

4. Capital Assets

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

SHERIDAN COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

5. Long-Term Debt

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

6. 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.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

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.

F. Internal and Interfund Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity 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.

SHERIDAN COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

Government-Wide Financial Statements

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

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 except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund loans and 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

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 January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. Prior to November 1, 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 or highway use taxes 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.

III. Detailed Notes on All Funds

A. Deposits and Investments

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. IC 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

SHERIDAN COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

political subdivision. The School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2010, the School Corporation had deposit balances in the amount of \$2,887,629.

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, 2009 and 2010, were as follows:

Transfer From	Transfer To	2009	2010
Other Governmental Funds	Rainy Day Fund	\$ -	\$ 99,011
Other Governmental Funds	General Fund	-	15,963
Other Governmental Funds	Other Governmental Funds	<u>3,339</u>	<u>-</u>
Totals		<u>\$ 3,339</u>	<u>\$ 114,974</u>

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

The School Bus Replacement Fund transferred their excess of funds in the amount of \$99,011 to the Rainy Day Fund approved by resolution.

IV. Other Information

A. Risk Management

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

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters are covered by commercial insurance from independent third parties.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Holding Corporation

The School Corporation has entered into a capital lease with Sheridan Community School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the year 2010 totaled \$635,000.

SHERIDAN COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the School Corporation during the period were \$142,089.

2. 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.

SHERIDAN COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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's contributions to the plan during the period were \$566,232.

D. Voluntary Employees' Benefit Association (VEBA) Trust

The School Corporation established a Voluntary Employees' Benefit Association (VEBA) trust, with an independent trustee, for the purpose of providing retiree medical benefits for retired employees and their dependents who become eligible upon accruing the required years of service. Approval from the IRS for the tax-exempt status of the trust was received on September 18, 2007.

The trust is funded from reserves set aside in previous years for this purpose, corporation contributions, and employee payroll deductions for post-retirement benefits and reinvested net earnings.

These funds cannot under any circumstances revert to the School Corporation; therefore, the financial statements of the School Corporation do not include the value of these assets.

SHERIDAN COMMUNITY SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-07	\$ 1,037,442	\$ 1,108,886	\$ (71,444)	94%	\$ 771,469	(9%)
07-01-08	735,306	822,952	(87,646)	89%	708,384	(12%)
07-01-09	800,380	867,439	(67,059)	92%	747,590	(9%)

SHERIDAN COMMUNITY SCHOOLS
 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, 2009

	School Transportation	Special Education Preschool	School Lunch	Textbook Rental	Education License Plates	Safe School Haven	Instruction Support
Receipts:							
Local sources	\$ 660,579	\$ 5,235	\$ 307,003	\$ 73,932	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	1,294	-	-
State sources	-	44,540	-	28,458	-	2,807	-
Federal sources	-	-	186,802	-	-	-	-
Interfund loans	181,954	-	-	-	-	-	-
Other	439	-	3,880	4,150	-	-	-
Total receipts	842,972	49,775	497,685	106,540	1,294	2,807	-
Disbursements:							
Current:							
Instruction	-	66,776	-	-	-	2,807	-
Support services	694,372	-	222	153,559	-	-	-
Noninstructional services	-	-	516,295	-	-	-	-
Facilities acquisition and construction	-	-	2,772	-	-	-	-
Debt services	-	-	-	-	-	-	-
Interfund loans	285,000	-	-	-	-	-	-
Total disbursements	979,372	66,776	519,289	153,559	-	2,807	-
Excess (deficiency) of receipts over disbursements	(136,400)	(17,001)	(21,604)	(47,019)	1,294	-	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(1,370)
Total other financing sources (uses)	-	-	-	-	-	-	(1,370)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(136,400)	(17,001)	(21,604)	(47,019)	1,294	-	(1,370)
Cash and investments - beginning	136,400	35,792	56,916	138,240	3,655	-	1,370
Cash and investments - ending	\$ -	\$ 18,791	\$ 35,312	\$ 91,221	\$ 4,949	\$ -	\$ -
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 18,791	\$ 35,312	\$ 91,221	\$ 4,949	\$ -	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 18,791	\$ 35,312	\$ 91,221	\$ 4,949	\$ -	\$ -
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	18,791	35,312	91,221	4,949	-	-
Total cash and investment fund balance - ending	\$ -	\$ 18,791	\$ 35,312	\$ 91,221	\$ 4,949	\$ -	\$ -

SHERIDAN COMMUNITY SCHOOLS
 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, 2009
 (Continued)

	High Ability Grant 2009-2010	Instructional Support	Economic Education Grant	Hamilton County Alcohol and Drugs	Non-English Speaking Program	Non-English Speaking Grant	Title I 2008-2009
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ 25,000	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	30,384	1,000	-	-	1,799	-
Federal sources	-	-	-	-	-	-	99,362
Interfund loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	30,384	1,000	25,000	-	1,799	99,362
Disbursements:							
Current:							
Instruction	1,370	30,213	1,000	23,669	221	1,799	85,156
Support services	-	-	-	-	-	-	4,209
Noninstructional services	-	-	-	-	-	-	915
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	1,370	30,213	1,000	23,669	221	1,799	90,280
Excess (deficiency) of receipts over disbursements	(1,370)	171	-	1,331	(221)	-	9,082
Other financing sources (uses):							
Transfers in	1,370	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(1,969)
Total other financing sources (uses)	1,370	-	-	-	-	-	(1,969)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	171	-	1,331	(221)	-	7,113
Cash and investments - beginning	-	-	-	-	221	-	1,969
Cash and investments - ending	\$ -	\$ 171	\$ -	\$ 1,331	\$ -	\$ -	\$ 9,082
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 171	\$ -	\$ 1,331	\$ -	\$ -	\$ 9,082
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 171	\$ -	\$ 1,331	\$ -	\$ -	\$ 9,082
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	171	-	1,331	-	-	9,082
Total cash and investment fund balance - ending	\$ -	\$ 171	\$ -	\$ 1,331	\$ -	\$ -	\$ 9,082

SHERIDAN COMMUNITY SCHOOLS
 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, 2009
 (Continued)

	PL 107-110 Title I	Title V Part A	IDEA P.L. 101-476	Federal Grant Part B 2008-2009	Early Childhood	Drug Free Title IV	Title IV Part A Safe and Drug Free
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	48,026	2,335	-	1,926
Interfund loans	-	-	-	-	-	-	-
Other	495	-	75	-	-	-	-
Total receipts	495	-	75	48,026	2,335	-	1,926
Disbursements:							
Current:							
Instruction	1,744	-	1,446	46,845	2,335	-	-
Support services	586	1,519	-	-	-	3,131	-
Noninstructional services	134	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	2,464	1,519	1,446	46,845	2,335	3,131	-
Excess (deficiency) of receipts over disbursements	(1,969)	(1,519)	(1,371)	1,181	-	(3,131)	1,926
Other financing sources (uses):							
Transfers in	1,969	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	1,969	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(1,519)	(1,371)	1,181	-	(3,131)	1,926
Cash and investments - beginning	-	1,764	1,371	-	-	3,131	-
Cash and investments - ending	\$ -	\$ 245	\$ -	\$ 1,181	\$ -	\$ -	\$ 1,926
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 245	\$ -	\$ 1,181	\$ -	\$ -	\$ 1,926
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 245	\$ -	\$ 1,181	\$ -	\$ -	\$ 1,926
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	245	-	1,181	-	-	1,926
Total cash and investment fund balance - ending	\$ -	\$ 245	\$ -	\$ 1,181	\$ -	\$ -	\$ 1,926

SHERIDAN COMMUNITY SCHOOLS
 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, 2009
 (Continued)

	Title II Part A	Title III, Language Instruction	Title III Limited English	Retirement Severance Bond	School Bus Replacement	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 109,647	\$ 262,531	\$ 1,443,927
Intermediate sources	-	-	-	-	-	1,294
State sources	-	-	-	-	-	108,988
Federal sources	-	-	1,592	-	-	340,043
Interfund loans	-	-	-	-	-	181,954
Other	-	-	-	-	-	9,039
Total receipts	-	-	1,592	109,647	262,531	2,085,245
Disbursements:						
Current:						
Instruction	29,395	1,110	1,592	-	-	297,478
Support services	11,182	-	-	-	-	868,780
Noninstructional services	-	-	-	-	-	517,344
Facilities acquisition and construction	-	-	-	-	-	2,772
Debt services	-	-	-	98,897	-	98,897
Interfund loans	-	-	-	55,000	291,954	631,954
Total disbursements	40,577	1,110	1,592	153,897	291,954	2,417,225
Excess (deficiency) of receipts over disbursements	(40,577)	(1,110)	-	(44,250)	(29,423)	(331,980)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	3,339
Transfers out	-	-	-	-	-	(3,339)
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(40,577)	(1,110)	-	(44,250)	(29,423)	(331,980)
Cash and investments - beginning	40,577	1,110	-	55,041	66,865	544,422
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,791</u>	<u>\$ 37,442</u>	<u>\$ 212,442</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 37,442	\$ 201,651
Restricted assets:						
Cash and investments	-	-	-	10,791	-	10,791
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,791</u>	<u>\$ 37,442</u>	<u>\$ 212,442</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ 10,791	\$ -	\$ 10,791
Unrestricted	-	-	-	-	37,442	201,651
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,791</u>	<u>\$ 37,442</u>	<u>\$ 212,442</u>

SHERIDAN COMMUNITY SCHOOLS
 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, 2010

	School Transportation	Special Education Preschool	School Lunch	Textbook Rental	Education License Plates	Safe School Haven	Instructional Support
Receipts:							
Local sources	\$ 1,048,614	\$ -	\$ 293,018	\$ 79,437	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	488	-	-
State sources	-	22,000	6,949	29,923	-	15,000	30,000
Federal sources	-	-	222,318	-	-	-	-
Interfund loans	-	-	-	-	-	-	7,162
Other	95	-	-	3,975	-	-	-
Total receipts	1,048,709	22,000	522,285	113,335	488	15,000	37,162
Disbursements:							
Current:							
Instruction	-	24,828	-	-	-	15,000	30,000
Support services	671,099	-	-	192,846	-	-	-
Noninstructional services	-	-	503,399	-	-	-	-
Facilities acquisition and construction	-	-	2,481	-	-	-	-
Debt services	-	-	-	-	-	-	-
Interfund loans	181,954	-	-	-	-	-	7,162
Total disbursements	853,053	24,828	505,880	192,846	-	15,000	37,162
Excess (deficiency) of receipts over disbursements	195,656	(2,828)	16,405	(79,511)	488	-	-
Other financing sources (uses):							
Transfers out	-	(15,963)	-	-	-	-	-
Total other financing sources (uses)	-	(15,963)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	195,656	(18,791)	16,405	(79,511)	488	-	-
Cash and investments - beginning	-	18,791	35,312	91,221	4,949	-	-
Cash and investments - ending	\$ 195,656	\$ -	\$ 51,717	\$ 11,710	\$ 5,437	\$ -	\$ -
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 195,656	\$ -	\$ 51,717	\$ 11,710	\$ 5,437	\$ -	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 195,656	\$ -	\$ 51,717	\$ 11,710	\$ 5,437	\$ -	\$ -
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	195,656	-	51,717	11,710	5,437	-	-
Total cash and investment fund balance - ending	\$ 195,656	\$ -	\$ 51,717	\$ 11,710	\$ 5,437	\$ -	\$ -

SHERIDAN COMMUNITY SCHOOLS
 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, 2010
 (Continued)

	Instructional Support	Drug Free Communities	Non-English Speaking Program	Levy Excess Distribution	Title I P.L. 107-110 IASA	PL 107-110 Title I
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	1,380	9,203	-	-
Federal sources	-	-	-	-	-	134,981
Interfund loans	-	-	1,367	-	-	-
Other	-	-	-	-	-	-
Total receipts	-	-	2,747	9,203	-	134,981
Disbursements:						
Current:						
Instruction	171	1,331	1,380	-	9,082	106,157
Support services	-	-	-	-	-	8,666
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Interfund loans	-	-	1,367	-	-	-
Total disbursements	171	1,331	2,747	-	9,082	114,823
Excess (deficiency) of receipts over disbursements	(171)	(1,331)	-	9,203	(9,082)	20,158
Other financing sources (uses):						
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(171)	(1,331)	-	9,203	(9,082)	20,158
Cash and investments - beginning	171	1,331	-	-	9,082	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 9,203	\$ -	\$ 20,158
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ -	\$ -	\$ 9,203	\$ -	\$ 20,158
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ -	\$ -	\$ 9,203	\$ -	\$ 20,158
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	-	-	9,203	-	20,158
Total cash and investment fund balance - ending	\$ -	\$ -	\$ -	\$ 9,203	\$ -	\$ 20,158

SHERIDAN COMMUNITY SCHOOLS
 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, 2010
 (Continued)

	Innovative Education Prog Strategies Title V	Serve America	PL 101-476 IDEA	PL 101-476 IDEA	Title I Amendment P.L. 95-561	Title IV Part A Safe and Drug Free
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	688	12,000	-	46,337	2,559	-
Interfund loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	688	12,000	-	46,337	2,559	-
Disbursements:						
Current:						
Instruction	-	-	1,181	43,232	-	-
Support services	933	7,980	-	-	-	1,926
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	933	7,980	1,181	43,232	-	1,926
Excess (deficiency) of receipts over disbursements	(245)	4,020	(1,181)	3,105	2,559	(1,926)
Other financing sources (uses):						
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(245)	4,020	(1,181)	3,105	2,559	(1,926)
Cash and investments - beginning	245	-	1,181	-	-	1,926
Cash and investments - ending	\$ -	\$ 4,020	\$ -	\$ 3,105	\$ 2,559	\$ -
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ 4,020	\$ -	\$ 3,105	\$ 2,559	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 4,020	\$ -	\$ 3,105	\$ 2,559	\$ -
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	4,020	-	3,105	2,559	-
Total cash and investment fund balance - ending	\$ -	\$ 4,020	\$ -	\$ 3,105	\$ 2,559	\$ -

SHERIDAN COMMUNITY SCHOOLS
 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, 2010
 (Continued)

	Title IV Safe and Drug Free	Drug Free Schools Title IV PL 95-166	Other Federal Programs	Title Part A 2009-2010	Improving Teacher Quality Title II Part A	Title III English Proficiency Migrant
Receipts:						
Local sources	\$ -	\$ -	\$ 6,000	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	2,000	74,299	-	36,414	40,302	1,496
Interfund loans	-	391	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	2,000	74,690	6,000	36,414	40,302	1,496
Disbursements:						
Current:						
Instruction	-	-	6,000	24,755	-	1,223
Support services	-	72,608	-	10,686	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Interfund loans	-	391	-	-	-	-
Total disbursements	-	72,999	6,000	35,441	-	1,223
Excess (deficiency) of receipts over disbursements	2,000	1,691	-	973	40,302	273
Other financing sources (uses):						
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,000	1,691	-	973	40,302	273
Cash and investments - beginning	-	-	-	-	-	-
Cash and investments - ending	\$ 2,000	\$ 1,691	\$ -	\$ 973	\$ 40,302	\$ 273
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 2,000	\$ 1,691	\$ -	\$ 973	\$ 40,302	\$ 273
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 2,000	\$ 1,691	\$ -	\$ 973	\$ 40,302	\$ 273
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	2,000	1,691	-	973	40,302	273
Total cash and investment fund balance - ending	\$ 2,000	\$ 1,691	\$ -	\$ 973	\$ 40,302	\$ 273

SHERIDAN COMMUNITY SCHOOLS
 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, 2010
 (Continued)

	Title I Stimulus	Special Ed Stimulus	Special Ed Preschool Stimulus	Retirement Severance Bond	School Bus Replacement	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 141,289	\$ 416,727	\$ 1,985,085
Intermediate sources	-	-	-	-	-	488
State sources	-	-	-	-	-	114,455
Federal sources	57,272	47,150	6,208	-	-	684,024
Interfund loans	-	-	-	-	181,954	190,874
Other	-	677	-	-	-	4,747
Total receipts	57,272	47,827	6,208	141,289	598,681	2,979,673
Disbursements:						
Current:						
Instruction	68,575	31,949	3,940	-	-	368,804
Support services	-	10,000	-	-	433,595	1,410,339
Noninstructional services	-	-	-	-	-	503,399
Facilities acquisition and construction	-	-	-	-	-	2,481
Debt services	-	-	-	101,542	-	101,542
Interfund loans	-	-	-	-	-	190,874
Total disbursements	68,575	41,949	3,940	101,542	433,595	2,577,439
Excess (deficiency) of receipts over disbursements	(11,303)	5,878	2,268	39,747	165,086	402,234
Other financing sources (uses):						
Transfers out	-	-	-	-	(99,011)	(114,974)
Total other financing sources (uses)	-	-	-	-	(99,011)	(114,974)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(11,303)	5,878	2,268	39,747	66,075	287,260
Cash and investments - beginning	-	-	-	10,791	37,442	212,442
Cash and investments - ending	<u>\$ (11,303)</u>	<u>\$ 5,878</u>	<u>\$ 2,268</u>	<u>\$ 50,538</u>	<u>\$ 103,517</u>	<u>\$ 499,702</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ (11,303)	\$ 5,878	\$ 2,268	\$ -	\$ 103,517	\$ 449,164
Restricted assets:						
Cash and investments	-	-	-	50,538	-	50,538
Total cash and investment assets - ending	<u>\$ (11,303)</u>	<u>\$ 5,878</u>	<u>\$ 2,268</u>	<u>\$ 50,538</u>	<u>\$ 103,517</u>	<u>\$ 499,702</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ 50,538	\$ -	\$ 50,538
Unrestricted	(11,303)	5,878	2,268	-	103,517	449,164
Total cash and investment fund balance - ending	<u>\$ (11,303)</u>	<u>\$ 5,878</u>	<u>\$ 2,268</u>	<u>\$ 50,538</u>	<u>\$ 103,517</u>	<u>\$ 499,702</u>

SHERIDAN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2009

	Donations Coca-Cola	Moore Foundation	Community Foundation Boone County	Cultural Arts	Welfare Activities	Scholarships and Awards
Additions:						
Contributions:						
Other	\$ 9,083	\$ 15,000	\$ 878	\$ -	\$ 1,925	\$ 17,816
Total additions	<u>9,083</u>	<u>15,000</u>	<u>878</u>	<u>-</u>	<u>1,925</u>	<u>17,816</u>
Deductions:						
Administrative and general	<u>19,524</u>	<u>8,814</u>	<u>878</u>	<u>-</u>	<u>913</u>	<u>21,000</u>
Excess (deficiency) of total additions over total deductions	(10,441)	6,186	-	-	1,012	(3,184)
Cash and investment fund balance - beginning	<u>17,675</u>	<u>3,014</u>	<u>-</u>	<u>1,197</u>	<u>-</u>	<u>20,750</u>
Cash and investments - June 30	<u>\$ 7,234</u>	<u>\$ 9,200</u>	<u>\$ -</u>	<u>\$ 1,197</u>	<u>\$ 1,012</u>	<u>\$ 17,566</u>
Net assets:						
Cash and investments	<u>\$ 7,234</u>	<u>\$ 9,200</u>	<u>\$ -</u>	<u>\$ 1,197</u>	<u>\$ 1,012</u>	<u>\$ 17,566</u>
Total net assets - cash and investment basis held in trust	<u>\$ 7,234</u>	<u>\$ 9,200</u>	<u>\$ -</u>	<u>\$ 1,197</u>	<u>\$ 1,012</u>	<u>\$ 17,566</u>

SHERIDAN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Biddle Memorial	St. Vincent Donation	Hamilton County Alliance	Olweus Bullying Prevention Program	Totals
Additions:					
Contributions:					
Other	\$ 5,000	\$ -	\$ 450	\$ 881	\$ 51,033
Total additions	<u>5,000</u>	<u>-</u>	<u>450</u>	<u>881</u>	<u>51,033</u>
Deductions:					
Administrative and general	5,000	4,968	468	881	62,446
Excess (deficiency) of total additions over total deductions	-	(4,968)	(18)	0	(11,413)
Cash and investment fund balance - beginning	-	6,574	18	-	49,228
Cash and investments - June 30	<u>\$ -</u>	<u>\$ 1,606</u>	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ 37,815</u>
Net assets:					
Cash and investments	\$ -	\$ 1,606	\$ -	\$ 0	\$ 37,815
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ 1,606</u>	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ 37,815</u>

SHERIDAN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2010

	Donations Coca-Cola	Moore Foundation	Community Foundation Boone County	Donations Adam, PTO	Cultural Arts	WVWCI Wellness Program	Sheridan Schools Education Foundation
Additions:							
Contributions:							
Other	\$ -	\$ 9,500	\$ 600	\$ 9,050	\$ -	\$ 830	\$ 2,000
Total additions	<u>-</u>	<u>9,500</u>	<u>600</u>	<u>9,050</u>	<u>-</u>	<u>830</u>	<u>2,000</u>
Deductions:							
Administrative and general	<u>7,234</u>	<u>10,064</u>	<u>600</u>	<u>9,000</u>	<u>-</u>	<u>1,600</u>	<u>17,500</u>
Excess (deficiency) of total additions over total deductions	(7,234)	(564)	-	50	-	(770)	(15,500)
Cash and investment fund balance - beginning	<u>7,234</u>	<u>9,200</u>	<u>-</u>	<u>-</u>	<u>1,197</u>	<u>1,012</u>	<u>17,566</u>
Cash and investments - June 30	<u>\$ -</u>	<u>\$ 8,636</u>	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 1,197</u>	<u>\$ 242</u>	<u>\$ 2,066</u>
Net assets:							
Cash and investments	<u>\$ -</u>	<u>\$ 8,636</u>	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 1,197</u>	<u>\$ 242</u>	<u>\$ 2,066</u>
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ 8,636</u>	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 1,197</u>	<u>\$ 242</u>	<u>\$ 2,066</u>

SHERIDAN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2010
 (Continued)

	Biddle Memorial	St. Vincent Donation	Common Goal Graduation Coach	Olweus Bullying Prevention Program	Indiana Cares Project	Totals
Additions:						
Contributions:						
Other	\$ 2,500	\$ -	\$ 12,500	\$ 1,193	\$ 607	\$ 38,780
Total additions	<u>2,500</u>	<u>-</u>	<u>12,500</u>	<u>1,193</u>	<u>607</u>	<u>38,780</u>
Deductions:						
Administrative and general	<u>1,007</u>	<u>1,606</u>	<u>3,353</u>	<u>1,193</u>	<u>753</u>	<u>53,910</u>
Excess (deficiency) of total additions over total deductions	1,493	(1,606)	9,147	-	(146)	(15,130)
Cash and investment fund balance - beginning	<u>-</u>	<u>1,606</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,815</u>
Cash and investments - June 30	<u>\$ 1,493</u>	<u>\$ -</u>	<u>\$ 9,147</u>	<u>\$ -</u>	<u>\$ (146)</u>	<u>\$ 22,685</u>
Net assets:						
Cash and investments	<u>\$ 1,493</u>	<u>\$ -</u>	<u>\$ 9,147</u>	<u>\$ -</u>	<u>\$ (146)</u>	<u>\$ 22,685</u>
Total net assets - cash and investment basis held in trust	<u>\$ 1,493</u>	<u>\$ -</u>	<u>\$ 9,147</u>	<u>\$ -</u>	<u>\$ (146)</u>	<u>\$ 22,685</u>

SHERIDAN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2009

	<u>Payroll Clearing Fund</u>
Additions:	
Agency fund additions	\$ <u>1,744,692</u>
Deductions:	
Agency fund deductions	<u>1,744,692</u>
Excess of total additions over total deductions	-
Cash and investment fund balance - beginning	<u>-</u>
Cash and investment fund balance - ending	<u><u>\$ -</u></u>

SHERIDAN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2010

	<u>Payroll Clearing Fund</u>
Additions:	
Agency fund additions	<u>\$ 1,794,989</u>
Deductions:	
Agency fund deductions	<u>1,786,858</u>
Deficiency of total additions over total deductions	8,131
Cash and investment fund balance - beginning	<u>-</u>
Cash and investment fund balance - ending	<u><u>\$ 8,131</u></u>

SHERIDAN COMMUNITY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2010

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:		
Sheridan Community School Building Corporation - Sheridan Elementary	\$ 25,000,000	\$ 1,015,000
Notes and loans payable	411,302	423,195
Bonds payable:		
General obligation bonds:		
Series 2005	1,190,000	1,664,815
Pension Series 2003	340,000	415,246
Pension Series 2006	435,000	690,081
Total governmental activities debt	<u>\$ 27,376,302</u>	<u>\$ 4,208,337</u>

SHERIDAN COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

Information presented for audit did not indicate an inventory or record of capital assets was maintained.

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 Assets 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)

ACADEMIC HONORS DIPLOMA (ADM) - INCORRECT REPORTING TO THE STATE

The information presented for audit indicates honors diplomas awarded were over reported by one for the school year ending June 30, 2009.

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

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted a deficiency in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiency constitutes material weakness:

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

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.

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

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE SHERIDAN COMMUNITY SCHOOLS, HAMILTON COUNTY, INDIANA

Compliance

We have audited the compliance of the Sheridan Community Schools (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2009 and 2010. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2009 and 2010.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in item 2010-2 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider item 2010-2 to be a material weakness.

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

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

STATE BOARD OF ACCOUNTS

December 8, 2010

SHERIDAN COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2009 and 2010

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-09	Total Federal Awards Expended 06-30-10
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education Child Nutrition Cluster National School Lunch Program	10.555	FY 08-09 FY 09-10	\$ 208,370 -	\$ - 246,422
Total for federal grantor agency			<u>208,370</u>	<u>246,422</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education Title I, Part A Cluster Title I Grants to Local Educational Agencies	84.010	#08-3055 #09-3055 #10-3055	90,279 2,465 -	- 9,082 114,823
Total for program			<u>92,744</u>	<u>123,905</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2009-2010	-	68,575
Total for cluster			<u>92,744</u>	<u>192,480</u>
Pass-Through Hamilton-Boone - Madison Special Services Cooperative Special Education Cluster (IDEA) Special Education - Grants to States	84.027	2007-2008 2008-2009 2009-2010	1,446 49,180 -	- 1,181 43,232
Total for program			<u>50,626</u>	<u>44,413</u>
ARRA - Special Education Grants to States, Recovery Act	84.391	2009-2010	-	41,949
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	2009-2010	-	3,940
Total for cluster			<u>50,626</u>	<u>90,302</u>
Pass-Through Wabash Valley Education Center Higher Education - Institutional Aid Title III, Limited English	84.031	2007-2008 2008-2009 2009-2010	1,110 1,592 -	- - 1,223
Total for program			<u>2,702</u>	<u>1,223</u>

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

SHERIDAN COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2009 and 2010
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-09	Total Federal Awards Expended 06-30-10
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through Indiana Department of Education Safe and Drug-Free Schools and Communities - State Grants Title IV, Safe and Drug Free Schools	84.186	3055-6 3055-7 3055-8	1,213 1,918 -	- - <u>1,926</u>
Total for program			<u>3,131</u>	<u>1,926</u>
State Grants for Innovative Programs Title V, Innovative Programs	84.298	2008-2009	<u>1,519</u>	<u>933</u>
Improving Teacher Quality State Grants Title II, Part A	84.367	#06-3055 #07-3055 #08-3055	7,852 32,725 -	- - <u>35,441</u>
Total for program			<u>40,577</u>	<u>35,441</u>
State Fiscal Stabilization Fund Cluster ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2008-2009 2009-2010	191,328 -	- <u>632,877</u>
Total for cluster			<u>191,328</u>	<u>632,877</u>
Total for federal grantor agency			<u>525,997</u>	<u>1,123,500</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Direct Grant Drug-Free Communities Support Program Grants	93.276	1H79SPO15657-01	-	<u>72,608</u>
Pass-Through Hamilton County Health Department Public Health Emergency Preparedness	93.069	2009-2010	-	<u>6,000</u>
Total for federal grantor agency			-	<u>78,608</u>
Total federal awards expended			<u>\$ 590,997</u>	<u>\$ 1,280,212</u>

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

SHERIDAN COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

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

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

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2009 and 2010. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2009	2010
National School Lunch Program	10.555	\$ 21,569	\$ 24,105

SHERIDAN COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	no

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	no

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
	Child Nutrition Cluster
	State Fiscal Stabilization Fund Cluster

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2010-1, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted a deficiency in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiency constitutes material weakness:

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

SHERIDAN COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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

Section III – Federal Award Findings and Questioned Costs

FINDING 2010-2, INTERNAL CONTROL

Federal Agency: U.S. Department of Education
Pass-Through: Indiana Department of Education
Federal Program: ARRA - State Fiscal Stabilization Fund (SFSF) -
Education State Grants, Recovery Act
CFDA Number: 84.394
Auditee Contact Person: Robin Popejoy
Title of Contact Person: Treasurer
Phone Number: 317-758-4172

ARRA State Fiscal Stabilization funds were received in place of the School Corporation's Basic Grant. These funds were to be used in the same manner as the Basic Grant, i.e., for any general fund expenditures, which are mostly payroll and vendor claims. Financial accounting records for these ARRA funds are maintained in the School Corporation Administration Office. Currently, due to the limited personnel in the School Corporation Administration Office the School Corporation has not separated incompatible activities related to the recording of receipts, disbursements, payroll transactions and cash balances. The failure to establish these controls could enable material misstatements to go undetected.

Circular A133 Subpart C section .300 states in part:

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

We recommended the School Corporation develop internal control procedures properly segregating accounting activities in the School Corporation Administration Office.

SHERIDAN COMMUNITY SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

Sheridan Community Schools

Home of the Sheridan Blackhawks

24795 N. Hinesley Road • Sheridan, Indiana 46069 • 317-758-4172

Dr. Derek Arrowood, Superintendent

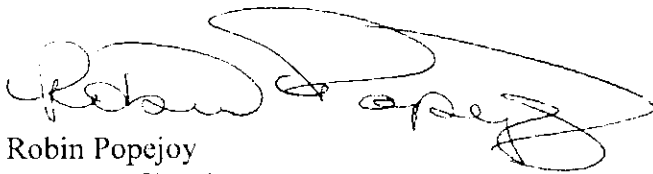
Corrective Action Plan

FEDERAL FINDING 2010-1, INTERNAL CONTROL OVER FINANCIAL TRANSACTIONS AND REPORTING

Auditee Contact Person: Robin Popejoy
Contact Person Title: Director of Business
Contact Phone Number: 317-758-4172

Sheridan Community Schools will assess their procedure and attempt to institute processes that would involve, at least on a sample basis, reviews of the duties being performed by the Treasurer, including, but not limited to preparing financial statements. Sheridan Community Schools will also monitor the system of internal control in the future to determine the effectiveness and efficiency of the systems in place.

Sheridan Community Schools is a very small governmental unit and management has determined that the cost associated with employing additional staff necessary to properly segregate the duties would outweigh the benefits of additional internal control structure. The School Corporation acknowledges and assumes the risk inherent with the current design of the School Corporation Treasurer.



Robin Popejoy
Director of Business
Sheridan Community Schools

Sheridan Community Schools

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Dr. Derek Arrowood, Superintendent

Corrective Action Plan

FEDERAL FINDING 2010-2, INTERNAL CONTROL.

Federal Agency: U.S. Department of Education

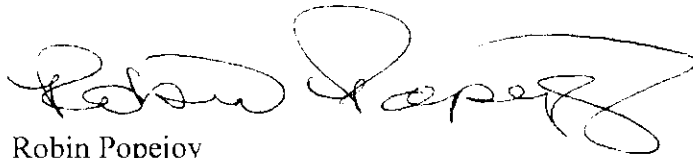
Pass-Through: Indiana Department of Education

Federal Program: ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act

CFDA Number: 84.394

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Robin Popejoy

Director of Business

Sheridan Community Schools

SHERIDAN COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on December 8, 2010, with Dr. Derek Arrowood, Superintendent of Schools; Robin Popejoy, Treasurer; and Alan Lyon, President of the School Board. The officials concurred with our audit findings.