

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

AUDIT REPORT

OF

NORTH SPENCER COUNTY SCHOOL CORPORATION

SPENCER COUNTY, INDIANA

July 1, 2004 to June 30, 2006



**FILED**  
03/05/2007



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	V. Reggie Huffman	07-01-04 to 06-30-07
Superintendent of Schools	Ginger Studebaker Michael Schriefer (Interim) Joan L. Keller	07-01-04 to 03-14-05 03-15-05 to 07-31-05 08-01-05 to 06-30-07
President of the School Board	Scott Elliott Pam Thompson	01-01-04 to 12-31-05 01-01-06 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE NORTH SPENCER COUNTY SCHOOL  
CORPORATION, SPENCER COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Spencer County School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, 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, 2005 and 2006, 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 January 11, 2007, 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 and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the School Corporation taken as a whole. 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.

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

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 Schedule of Capital Assets and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Schedule of Capital Assets and Schedule of Long-Term Debt have 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 them.

STATE BOARD OF ACCOUNTS

January 11, 2007



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE NORTH SPENCER COUNTY SCHOOL  
CORPORATION, SPENCER COUNTY, INDIANA

We have audited the financial statements of the North Spencer County School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated January 11, 2007. 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.

Compliance

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 grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the School Corporation's management 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

January 11, 2007

NORTH SPENCER COUNTY SCHOOL CORPORATION  
STATEMENT OF CASH AND INVESTMENTS  
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 3,289,261
Restricted assets:	
Cash and investments	<u>967,544</u>
Total assets	<u>\$ 4,256,805</u>
<u>Net Assets</u>	
Restricted for:	
Debt service	\$ 967,544
Unrestricted	<u>3,289,261</u>
Total net assets	<u>\$ 4,256,805</u>

The accompanying notes are an integral part of the financial statements.

NORTH SPENCER COUNTY SCHOOL CORPORATION  
STATEMENT OF CASH AND INVESTMENTS  
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 3,327,417
Restricted assets:	
Cash and investments	<u>1,035,296</u>
Total assets	<u>\$ 4,362,713</u>
<u>Net Assets</u>	
Restricted for:	
Debt service	\$ 1,035,296
Unrestricted	<u>3,327,417</u>
Total net assets	<u>\$ 4,362,713</u>

The accompanying notes are an integral part of the financial statements.

NORTH SPENCER COUNTY SCHOOL CORPORATION  
STATEMENT OF CASH ACTIVITIES  
For the Year Ended June 30, 2005

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 7,262,766	\$ -	\$ 82,865	\$ (7,179,901)
Support services	10,246,020	704,513	250,461	(9,291,046)
Community services	242,986	-	-	(242,986)
Nonprogrammed charges	1,909,744	-	-	(1,909,744)
Debt service	7,024,036	-	-	(7,024,036)
Total governmental activities	\$ 26,685,552	\$ 704,513	\$ 333,326	(25,647,713)
General receipts:				
Property taxes				11,143,102
Other local sources				1,551,846
State aid				7,908,640
Grants and contributions not restricted				572,376
Sale of property, adjustments, and refunds				999,755
Investment earnings				12,462
Intergovernmental transfers				1,829,955
Total general receipts and intergovernmental transfers				24,018,136
Change in cash and investments				(1,629,577)
Net assets - beginning				5,886,382
Net assets - ending				\$ 4,256,805

The accompanying notes are an integral part of the financial statements.

NORTH SPENCER COUNTY SCHOOL CORPORATION  
STATEMENT OF CASH ACTIVITIES  
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 7,553,224	\$ -	\$ 68,496	\$ (7,484,728)
Support services	10,326,073	732,338	241,109	(9,352,626)
Community services	237,117	-	-	(237,117)
Nonprogrammed charges	1,964,959	-	-	(1,964,959)
Debt service	1,979,034	-	-	(1,979,034)
Total governmental activities	\$ 22,060,407	\$ 732,338	\$ 309,605	(21,018,464)
General receipts:				
Property taxes				8,085,383
Other local sources				1,085,072
State aid				8,191,292
Grants and contributions not restricted				671,517
Sale of property, adjustments, and refunds				1,157,834
Investment earnings				29,476
Intergovernmental transfers				1,903,798
Total general receipts and intergovernmental transfers				21,124,372
Change in cash and investments				105,908
Net assets - beginning				4,256,805
Net assets - ending				\$ 4,362,713

The accompanying notes are an integral part of the financial statements.

NORTH SPENCER COUNTY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended June 30, 2005

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
<b>Receipts:</b>							
Local sources	\$ 6,556,865	\$ 1,344,969	\$ 2,619,240	\$ 1,774,216	\$ 62,792	\$ 1,051,020	\$ 13,409,102
Intermediate sources	279	-	-	-	-	1,141	1,420
State sources	7,979,475	-	-	-	-	124,341	8,103,816
Federal sources	-	-	-	-	-	710,525	710,525
Sale of property, adjustments and refunds	86,526	73	805	4,080	-	-	91,484
Intergovernmental transfers	76,048	-	-	-	-	340,395	416,443
<b>Total receipts</b>	<b>14,699,193</b>	<b>1,345,042</b>	<b>2,620,045</b>	<b>1,778,296</b>	<b>62,792</b>	<b>2,227,422</b>	<b>22,732,790</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	6,894,819	-	-	-	-	367,947	7,262,766
Support services	3,918,108	967,109	-	1,756,143	147,135	1,110,907	7,899,402
Community services	206,965	-	-	-	-	36,021	242,986
Nonprogrammed charges	1,632,601	37,133	71,697	36,546	-	131,767	1,909,744
Debt services	3,310,315	-	2,725,721	800,000	-	188,000	7,024,036
<b>Total disbursements</b>	<b>15,962,808</b>	<b>1,004,242</b>	<b>2,797,418</b>	<b>2,592,689</b>	<b>147,135</b>	<b>1,834,642</b>	<b>24,338,934</b>
Excess (deficiency) of total receipts over (under) total disbursements	(1,263,615)	340,800	(177,373)	(814,393)	(84,343)	392,780	(1,606,144)
Cash and investments - beginning	2,414,362	(340,800)	1,075,995	1,533,333	57,851	523,629	5,264,370
Cash and investments - ending	<u>\$ 1,150,747</u>	<u>\$ -</u>	<u>\$ 898,622</u>	<u>\$ 718,940</u>	<u>\$ (26,492)</u>	<u>\$ 916,409</u>	<u>\$ 3,658,226</u>

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF CASH ACTIVITIES

Net change in fund balances - total governmental funds	\$ (1,606,144)
Amounts reported for governmental activities in the statement of cash activities are different because:	
Internal service funds are not reported as a part of governmental funds.	<u>(23,433)</u>
Change in cash and investments of governmental activities	<u>\$ (1,629,577)</u>

NORTH SPENCER COUNTY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended June 30, 2006

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 4,295,979	\$ 997,559	\$ 1,805,733	\$ 1,825,323	\$ 78,535	\$ 924,730	\$ 9,927,859
Intermediate sources	557	-	-	-	-	938	1,495
State sources	8,243,892	-	-	-	-	170,617	8,414,509
Federal sources	-	-	-	-	-	757,905	757,905
Sale of property, adjustments and refunds	84,858	931	-	-	-	-	85,789
Intergovernmental transfers	341,478	39,300	-	-	-	7,909	388,687
<b>Total receipts</b>	<b><u>12,966,764</u></b>	<b><u>1,037,790</u></b>	<b><u>1,805,733</u></b>	<b><u>1,825,323</u></b>	<b><u>78,535</u></b>	<b><u>1,862,099</u></b>	<b><u>19,576,244</u></b>
Disbursements:							
Current:							
Instruction	7,052,097	-	-	-	-	501,127	7,553,224
Support services	3,982,289	990,166	-	1,727,217	-	1,168,511	7,868,183
Community services	220,673	-	-	-	-	16,444	237,117
Nonprogrammed charges	1,560,021	-	45,712	-	-	359,226	1,964,959
Debt services	163,860	-	1,688,637	-	-	126,537	1,979,034
<b>Total disbursements</b>	<b><u>12,978,940</u></b>	<b><u>990,166</u></b>	<b><u>1,734,349</u></b>	<b><u>1,727,217</u></b>	<b><u>-</u></b>	<b><u>2,171,845</u></b>	<b><u>19,602,517</u></b>
Excess (deficiency) of total receipts over (under) total disbursements	(12,176)	47,624	71,384	98,106	78,535	(309,746)	(26,273)
Cash and investments - beginning	1,150,747	-	898,622	718,940	(26,492)	916,409	3,658,226
Cash and investments - ending	<b><u>\$ 1,138,571</u></b>	<b><u>\$ 47,624</u></b>	<b><u>\$ 970,006</u></b>	<b><u>\$ 817,046</u></b>	<b><u>\$ 52,043</u></b>	<b><u>\$ 606,663</u></b>	<b><u>\$ 3,631,953</u></b>

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF CASH ACTIVITIES

Net change in fund balances - total governmental funds	\$ (26,273)
Amounts reported for governmental activities in the statement of cash activities are different because:	
Internal service funds are not reported as a part of governmental funds.	<u>132,181</u>
Change in cash and investments of governmental activities	<b><u>\$ 105,908</u></b>

NORTH SPENCER COUNTY SCHOOL CORPORATION  
 STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CHANGES IN CASH AND INVESTMENTS  
 PROPRIETARY FUND  
 For The Year Ended June 30, 2005

	Internal Service Fund
Receipts:	
Local sources	\$ 1,402
Sale of property, adjustments and refunds	908,271
Transfers	1,413,512
Total receipts	2,323,185
Disbursements:	
Support services	2,346,618
Changes in cash and investments	(23,433)
Cash and investments - beginning	622,012
Cash and investments - ending	\$ 598,579

The accompanying notes are an integral part of the financial statements.

NORTH SPENCER COUNTY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH AND INVESTMENTS  
PROPRIETARY FUND  
For The Year Ended June 30, 2006

	Internal Service Fund
Receipts:	
Local sources	\$ 2,914
Sale of property, adjustments and refunds	1,072,046
Transfers	1,515,111
Total receipts	2,590,071
Disbursements:	
Support services	2,457,890
Changes in cash and investments	132,181
Cash and investments - beginning	598,579
Cash and investments - ending	\$ 730,760

The accompanying notes are an integral part of the financial statements.

NORTH SPENCER COUNTY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH AND INVESTMENTS  
FIDUCIARY FUNDS  
For The Year Ended June 30, 2005

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Local sources	\$ 1,885	\$ 97,751
Bonds and loans	<u>23,924</u>	<u>-</u>
Total additions	<u>25,809</u>	<u>97,751</u>
Deductions:		
Instruction	-	74,926
Support services	384,266	74,145
Nonprogrammed charges	<u>-</u>	<u>1,350</u>
Total deductions	<u>384,266</u>	<u>150,421</u>
Deficiency of total additions under total deductions	(358,457)	(52,670)
Cash and investments - beginning	<u>900,854</u>	<u>102,766</u>
Cash and investments - ending	<u>\$ 542,397</u>	<u>\$ 50,096</u>

The accompanying notes are an integral part of the financial statements.

NORTH SPENCER COUNTY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH AND INVESTMENTS  
FIDUCIARY FUNDS  
For The Year Ended June 30, 2006

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Local sources	\$ 6,316	\$ 53,647
Bonds and loans	<u>16,934</u>	<u>-</u>
Total additions	<u>23,250</u>	<u>53,647</u>
Deductions:		
Instruction	-	38,893
Support services	<u>209,576</u>	<u>43,282</u>
Total deductions	<u>209,576</u>	<u>82,175</u>
Deficiency of total additions under total deductions	(186,326)	(28,528)
Cash and investments - beginning	<u>542,397</u>	<u>50,096</u>
Cash and investments - ending	<u><u>\$ 356,071</u></u>	<u><u>\$ 21,568</u></u>

The accompanying notes are an integral part of the financial statements.

NORTH SPENCER COUNTY SCHOOL CORPORATION  
 STATEMENT OF CASH AND INVESTMENTS  
 FIDUCIARY FUNDS  
 June 30, 2005

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 542,397	\$ 50,096	\$ 10,079
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	\$ 542,397	\$ 50,096	

The accompanying notes are an integral part of the financial statements.

NORTH SPENCER COUNTY SCHOOL CORPORATION  
 STATEMENT OF CASH AND INVESTMENTS  
 FIDUCIARY FUNDS  
 June 30, 2006

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 356,071	\$ 21,568	\$ 9,149
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	<u>\$ 356,071</u>	<u>\$ 21,568</u>	

The accompanying notes are an integral part of the financial statements.

NORTH SPENCER COUNTY SCHOOL CORPORATION  
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: North Spencer County School Corporation

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

Joint Venture

The School Corporation is a participant with Greater Jasper Consolidated School Corporation, Pike County School Corporation, Southwest Dubois County School Corporation, and Northeast Dubois County School Corporation in a joint venture to operate Patoka Valley Vocational Cooperative, which was created to provide for the vocational education of students. The Cooperative's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Cooperative can be obtained from the Greater Jasper Consolidated School Corporation, 1520 St. Charles Street, Jasper, Indiana, 47576.

The School Corporation is a participant with Cannelton City School Corporation, Greater Jasper Consolidated School Corporation, Northeast Dubois County School Corporation, Southeast Dubois County School Corporation, Southwest Dubois County School Corporation, South Spencer County School Corporation, Tell City-Troy Township School Corporation, and Perry Central Community School Corporation in a joint venture to operate the Dubois-Spencer-Perry Exceptional Children's Cooperative, which was created to provide programs and services for the exceptional children. The Cooperative's continued existence depends on the continued funding by the member school corporations. Complete financial statements for the Cooperative can be obtained from the Greater Jasper Consolidated Schools, 1520 St. Charles Street, Jasper, Indiana, 47576.

The School Corporation is a participant in a joint venture to operate the Southern Indiana Education Center (SIEC). The SIEC was created to operate and maintain an educational service center in order to allow participating school corporations to cooperate and share certain programs and services. The School Corporation is obligated by contract to remit a proportionate share semi-annually to supplement the Education Center. The SIEC's continued existence depends on continued funding by the member School Corporations. The member School Corporations are obligated for the debts of the SIEC. Complete financial statements for the Southern Indiana Education Center can be obtained from Mr. Scott Turney, 1102 Tree Lane Drive, Jasper, Indiana, 47547.

NORTH SPENCER COUNTY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Cash and Investments and the Statement of Cash Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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, liabilities, 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.

The School Corporation reports the following major governmental funds:

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

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

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

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for self-insurance provided to other departments on a cost-reimbursement basis.

The pension trust funds account for the activities of the retirement/severance bond fund, which accumulates resources for pension benefit payments.

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the individuals residing within the school corporation district limits.

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

NORTH SPENCER COUNTY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary 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.

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).

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

NORTH SPENCER COUNTY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 8 to 10 days per year based on months of service. Unused sick leave may be accumulated to a maximum of 215 days for certified employees and 40 to 90 days based upon the number of years of service for noncertified employees. Accumulated sick leave is not paid to employees upon termination.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 1 to 4 weeks per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 2 to 3 days per year. Unused personal leave may be accumulated to a maximum of 4 days. Unused personal leave over 4 days, if any, will be transferred to the accumulated sick leave balance. Accumulated personal leave is not paid to employees upon termination.

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.

5. Long-Term Debt

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

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."

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

NORTH SPENCER COUNTY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

1. Program Receipts

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

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

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

Fund Financial Statements

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

Government-Wide Financial Statements

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

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Cash and Investment and the Statement of Cash Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Cash and Investment and the Statement of Cash Activities.

NORTH SPENCER COUNTY SCHOOL CORPORATION  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied 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.

B. Cash and Investment Balance Deficits

At June 30, 2005 and 2006, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as referenced in state statute:

Fund	2004-2005
School Bus Replacement	\$ <u>26,492</u>

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits and Investments

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The 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.

NORTH SPENCER COUNTY SCHOOL CORPORATION  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2005 and 2006, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2004-2005</u>	<u>2005-2006</u>
General Fund	Other governmental	\$ 186,500	\$ 1,496
	Internal Service	1,413,512	1,515,111
Major fund	Major fund	-	39,300
	Other governmental	145,376	-
	All others	-	6,412
Other governmental	General Fund	76,048	341,479
All others	Other governmental	7,882	-
	All others	<u>637</u>	<u>-</u>
Totals		<u>\$ 1,829,955</u>	<u>\$ 1,903,798</u>

The School Corporation typically uses transfers for cash flow purposes according to various statutes.

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 (excluding postemployment benefits); 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; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees, Retirees and Dependents

The School Corporation has chosen to establish a risk financing fund for risks associated with employee health claims. The risk financing fund is accounted for in the self-insurance fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$25,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. A premium is charged to each fund that accounts for employee payroll. The total charge allocated to each of the funds is calculated using trends in actual claims experience. Provisions are also made for unexpected and unusual claims.

NORTH SPENCER COUNTY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Holding Corporation

The School Corporation has entered into capital leases with the North Spencer County Elementary School Building Corporation and the North Spencer County Middle School Building Corporation (the lessors). The lessors were organized as a not-for-profit corporations 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 audit period totaled \$1,500,000.

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health insurance and bridge-to-retirement benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55 with at least 15 years of service or 10 years of service with a master's degree at top salary. Currently, 23 retirees meet these eligibility requirements. The School Corporation pays the full cost of the elected level of health coverage (i.e., family versus single) of the retiree at the time of retirement. For the health insurance premium portion of the post retirement benefits, this is all the corporation will ever pay. The retiree only pays any increase in the health insurance premium since the time of their retirement. As such, no specific employee or employer percentage could be provided. This health insurance premium portion of the postemployment benefits is paid out on a case-by-case basis. The bridge-to-retirement portion of the postemployment benefits is paid out to retirees at \$7,100 per retiree, per year, over a period of ten years. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2006, disbursements of \$275,431 were recognized for post-employment benefits.

D. Pension Plan

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

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

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

NORTH SPENCER COUNTY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Funding Policy and Annual Pension Costs

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

Plan members are required to contribute 3% of their salary and the School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2006, 2005, and 2004, were \$297,540, \$264,946, and \$219,810, respectively. The School Corporation actually contributed 100% of the required contributions for each of the fiscal years.

NORTH SPENCER COUNTY SCHOOL CORPORATION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 June 30, 2006

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 294,875
Buildings	24,639,400
Improvements other than buildings	282,500
Machinery and equipment	<u>7,362,485</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 32,579,260</u>

NORTH SPENCER COUNTY SCHOOL CORPORATION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 June 30, 2006

The North Spencer County School Corporation has entered into the following debt obligations:

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Middle School Building	\$ 11,205,000	\$ 260,000
Elementary School Buildings	5,320,000	605,000
Common School loans payable	671,903	74,656
Bonds payable:		
General obligation bonds:		
457(b) Bridge to Retirement	<u>3,270,000</u>	<u>120,000</u>
Total governmental activities long-term debt	<u>\$ 20,466,903</u>	<u>\$ 1,059,656</u>

NORTH SPENCER COUNTY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCE (Applies to Heritage Hills High School)

The cash balance of the Hacky Sack Club Fund, and Varsity Cheer Fund was overdrawn in the 2005-2006 school year.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

OVERDRAWN CASH BALANCE

The cash balance of the School Bus Replacement Fund was overdrawn in the 2004-2005 school year.

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

AVERAGE DAILY MEMBERSHIP COUNTS

School Principals were not always certifying the Average Daily Membership (ADM) counts reported to the School Corporation Central Office.

The Principal responsible for reporting ADM to the School Corporation Central Office should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used to substantiate ADM claimed. (The School Administrator and Uniform Compliance Guidelines Volume 163, Page 5)

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://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 NORTH SPENCER COUNTY SCHOOL  
CORPORATION, SPENCER COUNTY, INDIANA

Compliance

We have audited the compliance of the North Spencer County School Corporation (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, 2005 and 2006. 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; 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, 2005 and 2006.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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 the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the School Corporation's management 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

January 11, 2007

NORTH SPENCER COUNTY SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2005 and 2006

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 06-30-05	Total Federal Awards Expended 06-30-06
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 25,764	\$ 32,852
National School Lunch Program	10.555		<u>150,619</u>	<u>209,042</u>
Total for federal grantor agency			<u>176,383</u>	<u>241,894</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Dubois-Spencer-Perry Cooperative				
Special Education Cluster				
Special Education - Grants to States	84.027		<u>33,627</u>	<u>18,471</u>
Pass-Through Evansville Vanderburgh School Corporation				
Adult Education - State Grant Program	84.002			
Comprehensive Program - ABE Workforce			-	12,433
Pass-Through Indiana Department of Education				
Adult Education - State Grant Program				
Comprehensive Program				
FY 03-04		2004-8043	3,756	-
FY 04-05		2005-8043	101,163	15,619
FY 05-06		2006-8043	-	109,024
Outreach Program				
FY 04-05		2005-8131	26,273	1,209
FY 05-06		2006-8131	-	27,898
English Literacy/Civics Program				
FY 05-06		2006-8406	-	31,726
Total for program			<u>131,192</u>	<u>197,909</u>
Title I Grants to Local Educational Agencies	84.010			
FY 03-04		04-7385	10,818	-
FY 04-05		05-7385	176,743	32,114
FY 05-06		06-7385	-	174,933
Total for program			<u>187,561</u>	<u>207,047</u>
Vocational Education - Basic Grants to States	84.048			
High Schools That Work				
FY 03-04		03-1303-7385	2,246	-
FY 04-05		04-1303-7385	2,500	3,337
FY 05-06		05-1303-7385	220	-
Total for program			<u>4,966</u>	<u>3,337</u>
Safe and Drug Free Schools and Communities - State Grants	84.186			
FY 03-04		02-228	2,443	-
FY 04-05		03-125	8,698	225
FY 05-06		04-069	-	8,696
Total for program			<u>11,141</u>	<u>8,921</u>
Pass-Through Indiana Department of Workforce Development				
Tech-Prep Education	84.243			
FY 04-05		TP3150	5,172	65,353

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

NORTH SPENCER COUNTY SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2005 and 2006  
(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 06-30-05	Total Federal Awards Expended 06-30-06
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education State Grants for Innovative Programs	84.298			
FY 02-03		02-120	4,182	-
FY 03-04		03-181	6,705	5,101
FY 04-05		04-157	-	7,806
Total for program			<u>10,887</u>	<u>12,907</u>
Education Technology State Grants	84.318			
FY 03-04			1,034	-
FY 04-05			2,682	2,297
FY 05-06			-	1,405
Total for program			<u>3,716</u>	<u>3,702</u>
English Language Acquisition Grants	84.365			
FY 04-05			<u>8,428</u>	<u>15,245</u>
Improving Teacher Quality State Grants	84.367			
FY 02-03		02-143	24,521	-
FY 03-04		03-113	61,845	15,105
FY 04-05		04-156	-	52,095
Total for program			<u>86,366</u>	<u>67,200</u>
Total for federal grantor agency			<u>483,056</u>	<u>600,092</u>
<u>U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>				
Pass-Through Indiana Department of Education Learn and Serve America - School and Community Based Programs	94.004			
FY 03-04			3,184	-
FY 04-05			5,000	-
Total for federal grantor agency			<u>8,184</u>	<u>-</u>
Total federal awards expended			<u>\$ 667,623</u>	<u>\$ 841,986</u>

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

NORTH SPENCER COUNTY SCHOOL CORPORATION  
 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 North Spencer County School Corporation (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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 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, 2005 and 2006. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	2005	2006
Child Nutrition Cluster	<u>\$ 35,042</u>	<u>\$ 32,178</u>

NORTH SPENCER COUNTY SCHOOL CORPORATION  
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? no  
 Reportable conditions identified that are not considered to be material weaknesses? none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:  
 Material weaknesses identified? no  
 Reportable conditions identified that are not considered to be material weaknesses? none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.002	Adult Education - State Grant Program
84.010	Title 1 Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

NORTH SPENCER COUNTY SCHOOL CORPORATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

NORTH SPENCER COUNTY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on January 29, 2007, with Joan L. Keller, Superintendent of Schools; and V. Reggie Huffman, Treasurer. The officials concurred with our audit findings.