

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

AUDIT REPORT
OF
MACONAQUAH SCHOOL CORPORATION
MIAMI COUNTY, INDIANA
July 1, 2005 to June 30, 2007



FILED

01/07/2008

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Tina M. Bonifant	07-01-05 to 06-30-08
Superintendent of Schools	Carmine A. Gentile Dr. Debra L. Jones	07-01-05 to 06-30-07 07-01-07 to 06-30-08
President of the School Board	Richard G. Wood	07-01-05 to 06-30-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE MACONAQUAH SCHOOL CORPORATION, MIAMI COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Maconaquah School Corporation (School Corporation), as of and for the years ended June 30, 2006 and 2007, 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, 2006 and 2007, 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 November 5, 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 Schedule 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 Supplementary Information, as listed in the Table of Contents, was presented for additional analysis and is not a required part of the basic financial information. The Supplementary Information has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on the Supplementary Information.

STATE BOARD OF ACCOUNTS

November 5, 2007



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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 MACONAQUAH SCHOOL CORPORATION, MIAMI COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Maconaquah School Corporation (School Corporation), as of and for the years ended June 30, 2006 and 2007, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated November 5, 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.

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.

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.

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.

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

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)

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.

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

November 5, 2007

MACONAQUAH SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Totals
Governmental activities:				
Instruction	\$ 7,995,660	\$ -	\$ 72,561	\$ (7,923,099)
Support services	13,822,880	648,732	374,369	(12,799,779)
Community services	216,307	-	-	(216,307)
Nonprogrammed charges	2,296,782	-	-	(2,296,782)
Debt service	800,000	-	-	(800,000)
Total governmental activities	\$ 25,131,629	\$ 648,732	\$ 446,930	(24,035,967)
General receipts:				
Property taxes				6,247,455
Other local sources				1,067,393
State aid				12,897,657
Grants and contributions not restricted to specific programs				517,589
Sale of property, adjustments, and refunds				2,484,638
Investment earnings				159,805
Total general receipts				23,374,537
Change in net assets				(661,430)
Net assets - beginning				5,338,763
Net assets - ending				\$ 4,677,333
<u>Assets</u>				
Cash and investments				\$ 3,120,306
Restricted assets:				
Cash and investments				1,557,027
Total assets				\$ 4,677,333
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 102,625
Other purposes				1,454,402
Unrestricted				3,120,306
Total net assets				\$ 4,677,333

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

MACONAQUAH SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Totals
Governmental activities:				
Instruction	\$ 8,297,679	\$ -	\$ 74,309	\$ (8,223,370)
Support services	13,727,657	658,602	341,091	(12,727,964)
Community services	231,830	-	-	(231,830)
Nonprogrammed charges	2,419,980	-	-	(2,419,980)
Debt service	800,000	-	-	(800,000)
Total governmental activities	\$ 25,477,146	\$ 658,602	\$ 415,400	(24,403,144)
General receipts:				
Property taxes				5,986,081
Other local sources				1,177,271
State aid				12,798,046
Bonds and loans				2,000,003
Grants and contributions not restricted to specific programs				415,060
Sale of property, adjustments, and refunds				2,903,870
Investment earnings				232,298
Total general receipts items				25,512,629
Change in net assets				1,109,485
Net assets - beginning				4,677,333
Net assets - ending				\$ 5,786,818
<u>Assets</u>				
Cash and investments				\$ 1,772,625
Restricted assets:				
Cash and investments				2,464,550
Cash with fiscal agent				1,549,643
Total assets				\$ 5,786,818
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 106,444
Other purposes				3,907,749
Unrestricted				1,772,625
Total net assets				\$ 5,786,818

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

MACONAQUAH SCHOOL CORPORATION
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, 2006

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 5,403,528	\$ 517,004	\$ 849,248	\$ 452,659	\$ 226,192	\$ 666,783	\$ 8,115,414
Intermediate sources	445	-	-	-	-	938	1,383
State sources	12,955,487	-	-	-	-	139,773	13,095,260
Federal sources	52,969	-	-	-	-	713,948	766,917
Sale of property, adjustments and refunds	166,094	376	-	-	-	12,918	179,388
Interfund loans	119,049	-	-	-	-	-	119,049
Total receipts	18,697,572	517,380	849,248	452,659	226,192	1,534,360	22,277,411
Disbursements:							
Current:							
Instruction	7,568,041	-	-	-	-	427,619	7,995,660
Support services	11,195,231	463,119	-	368,455	209,725	1,586,350	13,822,880
Community services	215,404	-	-	-	-	903	216,307
Nonprogrammed charges	156,935	-	-	-	-	-	156,935
Debt services	-	-	800,000	-	-	-	800,000
Interfund loans	-	119,049	-	-	-	-	119,049
Total disbursements	19,135,611	582,168	800,000	368,455	209,725	2,014,872	23,110,831
Excess (deficiency) of receipts over disbursements	(438,039)	(64,788)	49,248	84,204	16,467	(480,512)	(833,420)
Other financing sources (uses):							
Transfers in	180,246	-	-	-	-	3,783	184,029
Transfers out	-	-	-	-	-	(184,029)	(184,029)
Total other financing sources (uses)	180,246	-	-	-	-	(180,246)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(257,793)	(64,788)	49,248	84,204	16,467	(660,758)	(833,420)
Cash and investments - beginning	3,378,099	9,487	53,377	82,219	41,829	1,074,524	4,639,535
Cash and investments - ending	<u>\$ 3,120,306</u>	<u>\$ (55,301)</u>	<u>\$ 102,625</u>	<u>\$ 166,423</u>	<u>\$ 58,296</u>	<u>\$ 413,766</u>	3,806,115
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:							
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.							
							871,218
Net assets of governmental activities							<u>\$ 4,677,333</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 3,120,306	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,120,306
Restricted assets:							
Cash and investments	-	(55,301)	102,625	166,423	58,296	413,766	685,809
Total cash and investment assets - ending	\$ 3,120,306	\$ (55,301)	\$ 102,625	\$ 166,423	\$ 58,296	\$ 413,766	\$ 3,806,115
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ 102,625	\$ -	\$ -	\$ -	\$ 102,625
Other purposes	-	(55,301)	-	166,423	58,296	413,766	583,184
Unrestricted	3,120,306	-	-	-	-	-	3,120,306
Total cash and investment fund balance - ending	\$ 3,120,306	\$ (55,301)	\$ 102,625	\$ 166,423	\$ 58,296	\$ 413,766	\$ 3,806,115

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

MACONAQUAH SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	General	Transportation Operating	Local Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Pipe Creek Bldg Project	Other	Totals
Receipts:									
Local sources	\$ 5,011,125	\$ 599,009	\$ -	\$ 803,819	\$ 682,845	\$ 271,720	\$ -	\$ 674,067	\$ 8,042,585
Intermediate sources	445	-	-	-	-	-	-	1,125	1,570
State sources	12,856,550	-	-	-	-	-	-	144,820	13,001,370
Federal sources	23,103	-	-	-	-	-	-	604,033	627,136
Bonds and loans	-	-	-	-	-	-	2,000,003	-	2,000,003
Sale of property, adjustments and refunds	382,551	805	-	-	-	91	36,451	11,169	431,067
Total receipts	18,273,774	599,814	-	803,819	682,845	271,811	2,036,454	1,435,214	24,103,731
Disbursements:									
Current:									
Instruction	7,838,806	-	-	-	-	-	-	458,873	8,297,679
Support services	10,663,323	570,068	-	-	626,713	277,959	486,811	1,102,783	13,727,657
Community services	230,990	-	-	-	-	-	-	840	231,830
Nonprogrammed charges	162,356	-	-	-	-	-	-	8,543	170,899
Debt services	-	-	-	800,000	-	-	-	-	800,000
Total disbursements	18,895,475	570,068	-	800,000	626,713	277,959	486,811	1,571,039	23,228,065
Excess (deficiency) of receipts over disbursements	(621,701)	29,746	-	3,819	56,132	(6,148)	1,549,643	(135,825)	875,666
Other financing sources (uses):									
Transfers in	20	26,000	700,000	-	-	-	-	-	726,020
Transfers out	(726,000)	-	-	-	-	-	-	(20)	(726,020)
Total other financing sources (uses)	(725,980)	26,000	700,000	-	-	-	-	(20)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,347,681)	55,746	700,000	3,819	56,132	(6,148)	1,549,643	(135,845)	875,666
Cash and investments - beginning	3,120,306	(55,301)	-	102,625	166,423	58,296	-	413,766	3,806,115
Cash and investments - ending	\$ 1,772,625	\$ 445	\$ 700,000	\$ 106,444	\$ 222,555	\$ 52,148	\$ 1,549,643	\$ 277,921	4,681,781
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:									
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.									
									1,105,037
Net assets of governmental activities									\$ 5,786,818
Cash and Investment Assets - Ending									
Cash and investments	\$ 1,772,625	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,772,625
Restricted assets:									
Cash and investments	-	445	700,000	106,444	222,555	52,148	-	277,921	1,359,513
Cash with fiscal agent	-	-	-	-	-	-	1,549,643	-	1,549,643
Total cash and investment assets - ending	\$ 1,772,625	\$ 445	\$ 700,000	\$ 106,444	\$ 222,555	\$ 52,148	\$ 1,549,643	\$ 277,921	\$ 4,681,781
Cash and Investment Fund Balance - Ending									
Restricted for:									
Debt service	\$ -	\$ -	\$ -	\$ 106,444	\$ -	\$ -	\$ -	\$ -	\$ 106,444
Other purposes	-	445	700,000	-	222,555	52,148	1,549,643	277,921	2,802,712
Unrestricted	1,772,625	-	-	-	-	-	-	-	1,772,625
Total cash and investment fund balance - ending	\$ 1,772,625	\$ 445	\$ 700,000	\$ 106,444	\$ 222,555	\$ 52,148	\$ 1,549,643	\$ 277,921	\$ 4,681,781

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

MACONAQUAH SCHOOL CORPORATION
 STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN FUND BALANCES - CASH AND INVESTMENTS BASIS
 PROPRIETARY FUNDS
 For the Year Ended June 30, 2006

	Internal Service Fund
Operating receipts:	
Miscellaneous	\$ 2,311,837
Operating disbursements:	
Insurance claims and expense	2,139,847
Excess of operating receipts over operating disbursements	171,990
Cash and investment fund balance - beginning	699,228
Cash and investment fund balance - ending	\$ 871,218
 <u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	\$ 871,218
 <u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	\$ 871,218

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

MACONAQUAH SCHOOL CORPORATION
 STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN FUND BALANCES - CASH AND INVESTMENTS BASIS
 PROPRIETARY FUNDS
 For the Year Ended June 30, 2007

	Internal Service Fund
Operating receipts:	
Miscellaneous	\$ 2,482,900
Operating disbursements:	
Insurance claims and expense	2,249,081
Excess of operating receipts over operating disbursements	233,819
Cash and investment fund balance - beginning	871,218
Cash and investment fund balance - ending	\$ 1,105,037
 <u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	\$ 1,105,037
 <u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	\$ 1,105,037

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

MACONAQUAH SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN
CASH AND INVESTMENT BALANCES - FIDUCIARY FUND
For the Year Ended June 30, 2006

	<u>Agency Funds</u>
Net Assets:	
Cash and investments	<u>\$ 43,386</u>
Total net assets - cash and investment basis held in trust	<u><u>\$ 43,386</u></u>

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

MACONAQUAH SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN
CASH AND INVESTMENT BALANCES - FIDUCIARY FUND
For the Year Ended June 30, 2007

	<u>Agency Funds</u>
Net Assets:	
Cash and investments	\$ <u>60,050</u>
Total net assets - cash and investment basis held in trust	\$ <u><u>60,050</u></u>

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

MACONAQUAH 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: Maconaquah 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 seven other schools in a joint venture to operate Kokomo Area Special Education Cooperative which was created to provide instruction to children with special needs. The Kokomo Area Special Education Cooperative's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Kokomo Area Special Education Cooperative can be obtained from their administrative office at 100 W. Lincoln Road, P.O. Box 2188, Kokomo, IN 46904-2188.

The School Corporation is a participant with eight other schools in a joint venture to operate Kokomo Area Career Center which was created to provide vocational instruction. The Kokomo Area Career Center's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Kokomo Area Career Center can be obtained from their administrative office at 100 W. Lincoln Road, P.O. Box 2188, Kokomo, IN 46904-2188.

The School Corporation is a participant with 42 other schools in a joint venture to operate Wabash Valley Education Center which was created operate and share certain programs and services. The Wabash Valley Education Center's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Wabash Valley Education Center can be obtained from their administrative office at 3601 Benton Street, West Lafayette, IN 47906-1129.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Cash and Investments and 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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

MACONAQUAH SCHOOL CORPORATION
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 receipts, and disbursements. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major 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 debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

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

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

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

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 the financial resources related to the school's self-insurance fund for employee health care.

Agency funds account for assets held by the School Corporation as an agent for other governmental agencies.

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.

MACONAQUAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, 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. 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

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. 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 may become delinquent if not paid by May 10 and November 10, respectively.

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 12 days per year based on months of service. Unused sick leave may be accumulated to a maximum of 150 days. Accumulated sick leave is paid to employees through cash payments upon termination of employment.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 5 days to 20 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

MACONAQUAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

MACONAQUAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide 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 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 Activities.

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.

MACONAQUAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Cash and Investment Balance Deficits

At June 30, 2006 and 2007, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines authorized by state statute:

Fund	2006	2007
Transportation Operating	\$ 55,300	\$ -
Textbook Rental	55,106	82,595
SAFE School Haven	725	-

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

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

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

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of June 30, 2007, the School Corporation had the following investments:

Investment Type	Primary Government Market Value
Certificates of deposits	\$ <u>1,000,000</u>

Investment Policies

Indiana Code 5-13-9 authorizes the School Corporation to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the School Corporation to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

MACONAQUAH SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the School Corporation and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the School Corporation may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the School Corporation's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School Corporation must follow state statute and limit the stated final maturities of the investments to no more than two years.

Investment Type	Investment Maturities (in Years)		
	Less Than 1	1-2	More Than 2
Certificates of deposits	\$ 1,000,000	\$ -	\$ -

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School Corporation does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2006 and 2007, were as follows:

MACONAQUAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Transfer From</u>	<u>Transfer To</u>	<u>2006</u>	<u>2007</u>
General Fund	Major Fund	\$ -	\$ 726,000
Other governmental	General Fund	180,246	20
Other governmental	Other governmental	<u>3,783</u>	<u>-</u>
Totals		<u>\$ 184,029</u>	<u>\$ 726,020</u>

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

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

The School Corporation has chosen to establish a risk financing fund for risks associated with medical benefits to employees (excluding post employment benefits). 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 \$75,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Amounts are paid into the fund by all funds with payrolls and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each fund's gross wages, and are reported as quasi-external interfund transactions.

B. Holding Corporation

The School Corporation has entered into a capital lease with Maconaquah Elementary 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 totaled \$800,000.

MACONAQUAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health 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 10 years of service. Currently, 26 retirees meet these eligibility requirements. The School Corporation (and retirees) provides 80% and 20%, respectively, of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2007, disbursements of \$189,468 were recognized for postemployment benefits.

D. 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 and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the School Corporation and the Utilities is not available.

MACONAQUAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 58,605
Interest on net pension obligation	(10,629)
Adjustment to annual required contribution	12,112
Annual pension cost	60,088
Contributions made	68,239
Decrease in net pension obligation	(8,151)
Net pension obligation, beginning of year	(146,600)
Net pension obligation, end of year	\$ (154,751)
Contribution rates:	
School Corporation	4.625%
Plan members	3%
Actuarial valuation date	07-01-06
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 47,036	175%	\$ (129,013)
	06-30-05	55,820	132%	(146,600)
	06-30-06	60,088	122%	(154,751)

MACONAQUAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Costs

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

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, 2007, 2006, and 2005, were \$257,926, \$228,060, and \$207,240, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

MACONAQUAH SCHOOL CORPORATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 1,643,797	\$ 1,430,318	\$ 213,479	115%	\$ 1,451,111	15%
07-01-05	1,701,661	1,469,669	231,992	116%	1,505,356	15%
07-01-06	1,593,204	1,387,254	205,950	115%	1,462,716	14%

MACONAQUAH SCHOOL CORPORATION
 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, 2006

	Special Education Preschool	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	Alternative Education	SAFE School Haven
Receipts:							
Local sources	\$ 10,346	\$ 514,031	\$ 136,113	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	938	-	-
State sources	77,116	9,456	38,007	-	-	62	400
Federal sources	-	326,906	-	-	-	-	-
Sale of property, adjustments and refunds	15	9,124	3,779	-	-	-	-
Total receipts	87,477	859,517	177,899	-	938	62	400
Disbursements:							
Current:							
Instruction	89,488	-	-	-	1,808	-	1,125
Support services	4,753	773,212	235,198	-	-	-	-
Community services	-	-	-	-	-	-	-
Total disbursements	94,241	773,212	235,198	-	1,808	-	1,125
Excess (deficiency) of receipts over disbursements	(6,764)	86,305	(57,299)	-	(870)	62	(725)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	(180,246)	-	-	-
Total other financing sources (uses)	-	-	-	(180,246)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(6,764)	86,305	(57,299)	(180,246)	(870)	62	(725)
Cash and investments - beginning	116,420	51,693	2,193	180,246	3,062	-	-
Cash and investments - ending	<u>\$ 109,656</u>	<u>\$ 137,998</u>	<u>\$ (55,106)</u>	<u>\$ -</u>	<u>\$ 2,192</u>	<u>\$ 62</u>	<u>\$ (725)</u>
Cash and Investment Assets - Ending							
Restricted assets:							
Cash and investments	<u>\$ 109,656</u>	<u>\$ 137,998</u>	<u>\$ (55,106)</u>	<u>\$ -</u>	<u>\$ 2,192</u>	<u>\$ 62</u>	<u>\$ (725)</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Other purposes	<u>\$ 109,656</u>	<u>\$ 137,998</u>	<u>\$ (55,106)</u>	<u>\$ -</u>	<u>\$ 2,192</u>	<u>\$ 62</u>	<u>\$ (725)</u>

MACONAQUAH SCHOOL CORPORATION
 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, 2006
 (Continued)

	PC Teacher of Year Award	PSI IOTA XI Sorority Donation	Knights of Columbus Donation	Dukes Health Care Foundation	Instruction Support	Non-English Speaking Programs	School Technology
Receipts:							
Local sources	\$ -	\$ -	\$ 1,293	\$ 5,000	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	14,535	197	-
Federal sources	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	-	-	1,293	5,000	14,535	197	-
Disbursements:							
Current:							
Instruction	847	-	993	-	14,743	-	-
Support services	-	-	-	354	-	-	-
Community services	-	-	-	-	-	-	-
Total disbursements	847	-	993	354	14,743	-	-
Excess (deficiency) of receipts over disbursements	(847)	-	300	4,646	(208)	197	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(847)	-	300	4,646	(208)	197	-
Cash and investments - beginning	847	400	-	-	1,354	81	17,150
Cash and investments - ending	<u>\$ -</u>	<u>\$ 400</u>	<u>\$ 300</u>	<u>\$ 4,646</u>	<u>\$ 1,146</u>	<u>\$ 278</u>	<u>\$ 17,150</u>
Cash and Investment Assets - Ending							
Restricted assets:							
Cash and investments	<u>\$ -</u>	<u>\$ 400</u>	<u>\$ 300</u>	<u>\$ 4,646</u>	<u>\$ 1,146</u>	<u>\$ 278</u>	<u>\$ 17,150</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Other purposes	<u>\$ -</u>	<u>\$ 400</u>	<u>\$ 300</u>	<u>\$ 4,646</u>	<u>\$ 1,146</u>	<u>\$ 278</u>	<u>\$ 17,150</u>

MACONAQUAH SCHOOL CORPORATION
 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, 2006
 (Continued)

	Technology Grants	Library Endowment	IASA Title I FY05	IASA Title I FY06	Title V FY04	Title V FY05	Serve America
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	272,393	-	11,298	2,400
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	-	-	-	272,393	-	11,298	2,400
Disbursements:							
Current:							
Instruction	-	6,201	48,694	167,692	-	-	1,455
Support services	92,444	14,087	8,119	28,592	6,877	6,298	-
Community services	-	-	-	903	-	-	-
Total disbursements	92,444	20,288	56,813	197,187	6,877	6,298	1,455
Excess (deficiency) of receipts over disbursements	(92,444)	(20,288)	(56,813)	75,206	(6,877)	5,000	945
Other financing sources (uses):							
Transfers in	-	-	-	3,783	-	-	-
Transfers out	-	-	(3,783)	-	-	-	-
Total other financing sources (uses)	-	-	(3,783)	3,783	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(92,444)	(20,288)	(60,596)	78,989	(6,877)	5,000	945
Cash and investments - beginning	92,698	118,874	60,596	-	6,877	-	-
Cash and investments - ending	<u>\$ 254</u>	<u>\$ 98,586</u>	<u>\$ -</u>	<u>\$ 78,989</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 945</u>
Cash and Investment Assets - Ending							
Restricted assets:							
Cash and investments	<u>\$ 254</u>	<u>\$ 98,586</u>	<u>\$ -</u>	<u>\$ 78,989</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 945</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Other purposes	<u>\$ 254</u>	<u>\$ 98,586</u>	<u>\$ -</u>	<u>\$ 78,989</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 945</u>

MACONAQUAH SCHOOL CORPORATION
 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, 2006
 (Continued)

	Drug Free Schools FY05	Drug Free Schools FY04	Special Projects Impact Aid	Improving Teaching Quality No Child Left Behind Title II	Improving Teaching Quality Enhanced Education Through Technology Title II	Language Instruction Title III	Totals
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 666,783
Intermediate sources	-	-	-	-	-	-	938
State sources	-	-	-	-	-	-	139,773
Federal sources	9,442	-	-	83,770	6,480	1,259	713,948
Sale of property, adjustments and refunds	-	-	-	-	-	-	12,918
Total receipts	9,442	-	-	83,770	6,480	1,259	1,534,360
Disbursements:							
Current:							
Instruction	5,903	4,762	-	83,908	-	-	427,619
Support services	-	-	411,014	-	5,063	339	1,586,350
Community services	-	-	-	-	-	-	903
Total disbursements	5,903	4,762	411,014	83,908	5,063	339	2,014,872
Excess (deficiency) of receipts over disbursements	3,539	(4,762)	(411,014)	(138)	1,417	920	(480,512)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	3,783
Transfers out	-	-	-	-	-	-	(184,029)
Total other financing sources (uses)	-	-	-	-	-	-	(180,246)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,539	(4,762)	(411,014)	(138)	1,417	920	(660,758)
Cash and investments - beginning	-	4,762	411,014	769	5,063	425	1,074,524
Cash and investments - ending	<u>\$ 3,539</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 631</u>	<u>\$ 6,480</u>	<u>\$ 1,345</u>	<u>\$ 413,766</u>
Cash and Investment Assets - Ending							
Restricted assets:							
Cash and investments	<u>\$ 3,539</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 631</u>	<u>\$ 6,480</u>	<u>\$ 1,345</u>	<u>\$ 413,766</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Other purposes	<u>\$ 3,539</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 631</u>	<u>\$ 6,480</u>	<u>\$ 1,345</u>	<u>\$ 413,766</u>

MACONAQUAH SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	Special Education Preschool	School Lunch	Textbook Rental	Educational License Plates	Alternative Education	SAFE School Haven	PSI IOTA XI Sorority Donation
Receipts:							
Local sources	\$ 9,451	\$ 521,523	\$ 138,356	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	1,125	-	-	-
State sources	78,491	9,087	39,221	-	491	725	-
Federal sources	-	292,783	-	-	-	-	-
Sale of property, adjustments and refunds	15	6,241	4,913	-	-	-	-
Total receipts	<u>87,957</u>	<u>829,634</u>	<u>182,490</u>	<u>1,125</u>	<u>491</u>	<u>725</u>	<u>-</u>
Disbursements:							
Current:							
Instruction	113,784	-	-	476	-	-	400
Support services	4,558	820,730	209,979	-	-	-	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	62	-	-
Total disbursements	<u>118,342</u>	<u>820,730</u>	<u>209,979</u>	<u>476</u>	<u>62</u>	<u>-</u>	<u>400</u>
Excess (deficiency) of receipts over disbursements	<u>(30,385)</u>	<u>8,904</u>	<u>(27,489)</u>	<u>649</u>	<u>429</u>	<u>725</u>	<u>(400)</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(30,385)</u>	<u>8,904</u>	<u>(27,489)</u>	<u>649</u>	<u>429</u>	<u>725</u>	<u>(400)</u>
Cash and investments - beginning	<u>109,657</u>	<u>137,997</u>	<u>(55,106)</u>	<u>2,192</u>	<u>62</u>	<u>(725)</u>	<u>400</u>
Cash and investments - ending	<u>\$ 79,272</u>	<u>\$ 146,901</u>	<u>\$ (82,595)</u>	<u>\$ 2,841</u>	<u>\$ 491</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Assets - Ending							
Restricted assets:							
Cash and investments	<u>\$ 79,272</u>	<u>\$ 146,901</u>	<u>\$ (82,595)</u>	<u>\$ 2,841</u>	<u>\$ 491</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Other purposes	<u>\$ 79,272</u>	<u>\$ 146,901</u>	<u>\$ (82,595)</u>	<u>\$ 2,841</u>	<u>\$ 491</u>	<u>\$ -</u>	<u>\$ -</u>

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

	Knights of Columbus Donation	Dukes Health Care Foundation	Instruction Support	Economic Education Mini Grant	Non-English Speaking Programs	School Technology	Technology Grants
Receipts:							
Local sources	\$ 1,587	\$ 3,150	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	14,535	1,000	1,270	-	-
Federal sources	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	1,587	3,150	14,535	1,000	1,270	-	-
Disbursements:							
Current:							
Instruction	999	-	15,661	333	1,549	-	-
Support services	-	3,400	-	-	-	-	254
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	999	3,400	15,661	333	1,549	-	254
Excess (deficiency) of receipts over disbursements	588	(250)	(1,126)	667	(279)	-	(254)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	(20)	-	-	-	-
Total other financing sources (uses)	-	-	(20)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	588	(250)	(1,146)	667	(279)	-	(254)
Cash and investments - beginning	300	4,646	1,146	-	278	17,150	254
Cash and investments - ending	\$ 888	\$ 4,396	\$ -	\$ 667	\$ (1)	\$ 17,150	\$ -
Cash and Investment Assets - Ending							
Restricted assets:							
Cash and investments	\$ 888	\$ 4,396	\$ -	\$ 667	\$ (1)	\$ 17,150	\$ -
Cash and Investment Fund Balance - Ending							
Restricted for:							
Other purposes	\$ 888	\$ 4,396	\$ -	\$ 667	\$ (1)	\$ 17,150	\$ -

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

	Library Endowment	IASA Title I FY06	Title I	Title V FY05	Title V Part A	Serve America
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	240,498	-	7,735	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	-	-	240,498	-	7,735	-
Disbursements:						
Current:						
Instruction	6,998	66,156	193,185	-	-	945
Support services	-	12,298	39,730	-	4,254	-
Community services	-	535	305	-	-	-
Nonprogrammed charges	-	-	-	5,000	3,481	-
Total disbursements	6,998	78,989	233,220	5,000	7,735	945
Excess (deficiency) of receipts over disbursements	(6,998)	(78,989)	7,278	(5,000)	-	(945)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(6,998)	(78,989)	7,278	(5,000)	-	(945)
Cash and investments - beginning	98,586	78,989	-	5,000	-	945
Cash and investments - ending	\$ 91,588	\$ -	\$ 7,278	\$ -	\$ -	\$ -
Cash and Investment Assets - Ending						
Restricted assets:						
Cash and investments	\$ 91,588	\$ -	\$ 7,278	\$ -	\$ -	\$ -
Cash and Investment Fund Balance - Ending						
Restricted for:						
Other purposes	\$ 91,588	\$ -	\$ 7,278	\$ -	\$ -	\$ -

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

	Drug Free Schools FY05	Drug Free Schools FY05	Improving Teaching Quality No Child Left Behind Title II	Improving Teaching Quality Enhanced Education Through Technology Title II	Language Instruction Title III	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 674,067
Intermediate sources	-	-	-	-	-	1,125
State sources	-	-	-	-	-	144,820
Federal sources	-	10,135	45,378	4,916	2,588	604,033
Sale of property, adjustments and refunds	-	-	-	-	-	11,169
Total receipts	-	10,135	45,378	4,916	2,588	1,435,214
Disbursements:						
Current:						
Instruction	3,539	6,672	46,009	-	2,167	458,873
Support services	-	-	-	6,480	1,100	1,102,783
Community services	-	-	-	-	-	840
Nonprogrammed charges	-	-	-	-	-	8,543
Total disbursements	3,539	6,672	46,009	6,480	3,267	1,571,039
Excess (deficiency) of receipts over disbursements	(3,539)	3,463	(631)	(1,564)	(679)	(135,825)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(20)
Total other financing sources (uses)	-	-	-	-	-	(20)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,539)	3,463	(631)	(1,564)	(679)	(135,845)
Cash and investments - beginning	3,539	-	631	6,480	1,345	413,766
Cash and investments - ending	\$ -	\$ 3,463	\$ -	\$ 4,916	\$ 666	\$ 277,921
Cash and Investment Assets - Ending						
Restricted assets:						
Cash and investments	-	3,463	-	4,916	666	277,921
Cash and Investment Fund Balance - Ending						
Restricted for:						
Other purposes	-	3,463	-	4,916	666	277,921

MACONAQUAH SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2006

	<u>Prepaid Food</u>	<u>State W/H</u>	<u>County W/H</u>	<u>TERF</u>	<u>PERF</u>	<u>Group Insurance</u>	<u>Totals</u>
Net Assets:							
Cash and investments	\$ 693	\$ 28,632	\$ 8,868	\$ 2,527	\$ 93	\$ 2,573	\$ 43,386
Total net assets - cash and investment basis held in trust	<u>\$ 693</u>	<u>\$ 28,632</u>	<u>\$ 8,868</u>	<u>\$ 2,527</u>	<u>\$ 93</u>	<u>\$ 2,573</u>	<u>\$ 43,386</u>

MACONAQUAH SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2007

	Prepaid Food	Federal WH	FICA W/H	State W/H	County W/H	TERF	PERF	Group Insurance	Totals
Net Assets:									
Cash and investments	\$ 2,821	\$ (579)	\$ (216)	\$ 31,370	\$ 11,273	\$ 1,655	\$ 11,406	\$ 2,320	\$ 60,050
Total net assets - cash and investment basis held in trust	<u>\$ 2,821</u>	<u>\$ (579)</u>	<u>\$ (216)</u>	<u>\$ 31,370</u>	<u>\$ 11,273</u>	<u>\$ 1,655</u>	<u>\$ 11,406</u>	<u>\$ 2,320</u>	<u>\$ 60,050</u>

MACONAQUAH SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2007

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	\$ 116,900
Buildings	28,825,078
Improvements other than buildings	4,680,350
Machinery and equipment	<u>7,643,066</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 41,265,394</u>

MACONAQUAH SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2007

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Maconaquah Elementary Building	\$ 3,520,000	\$ 640,000
Energy Savings Contract	1,931,997	241,622
Bonds payable:		
General obligation bonds:		
Pipe Creek Elementary Addition	<u>2,000,000</u>	<u>-</u>
Total governmental activities long-term debt	<u>\$ 7,451,997</u>	<u>\$ 881,622</u>

MACONAQUAH SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

OVERDRAWN FUND BALANCE

The Transportation Operating Fund and SAFE School Haven Fund were overdrawn in 2005-2006. The Textbook Rental Fund was overdrawn in 2005-2006 and 2006-2007.

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

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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

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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 MACONAQUAH SCHOOL CORPORATION, MIAMI COUNTY, INDIANA

Compliance

We have audited the compliance of the Maconaquah 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, 2006 and 2007. 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 non-compliance 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, 2006 and 2007.

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)

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.

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.

Our consideration of the internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

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

November 5, 2007

MOCONAQUAH SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2006 and 2007

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 06-30-06	Total Federal Awards Expended 06-30-07
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 56,139	\$ 58,018
National School Lunch Program	10.555		<u>296,924</u>	<u>298,200</u>
Total for cluster			<u>353,063</u>	<u>356,218</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Direct Grant				
Impact Aid	84.041	FY 06-30-05	411,014	-
		FY 06-30-06	52,969	-
		FY 06-30-07	<u>-</u>	<u>23,103</u>
Total for program			<u>463,983</u>	<u>23,103</u>
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies	84.010	FY 06-30-05	60,596	-
		FY 06-30-06	197,187	-
		FY 06-30-07	<u>-</u>	<u>233,220</u>
Total for program			<u>257,783</u>	<u>233,220</u>
Migrant Education State Grant Program	84.011	FY 06-30-06	339	-
		FY 06-30-07	<u>-</u>	<u>3,267</u>
Total for program			<u>339</u>	<u>3,267</u>
Safe and Drug Free Schools and Communities State Grants	84.186	FY 06-30-04	4,762	-
		FY 06-30-05	5,903	3,539
		FY 06-30-06	<u>-</u>	<u>6,672</u>
Total for program			<u>10,665</u>	<u>10,211</u>
State Grants for Innovative Programs	84.298	FY 06-30-04	6,877	-
		FY 06-30-05	6,298	-
		FY 06-30-06	<u>-</u>	<u>7,735</u>
Total for program			<u>13,175</u>	<u>7,735</u>
Education Technology State Grants	84.318	FY 06-30-04	5,063	-
		FY 06-30-05	<u>-</u>	<u>6,480</u>
Total for program			<u>5,063</u>	<u>6,480</u>
Improving Teacher Quality State Grants	84.367	FY 06-30-04	83,908	-
		FY 06-30-05	<u>-</u>	<u>46,009</u>
Total for program			<u>83,908</u>	<u>46,009</u>
Total for federal grantor agency			<u>834,916</u>	<u>330,025</u>
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>				
Pass-Through Indiana Department of Education				
Learn and Serve America - School and Community Based Programs	94.004		<u>1,455</u>	<u>945</u>
Total federal awards expended			<u>\$ 1,189,434</u>	<u>\$ 687,188</u>

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

MACONAQUAH 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 Maconaquah 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 of School Corporations 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, 2006 and 2007. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2005-2006	2006-2007
School Breakfast Program	10.553	\$ 3,515	\$ 10,332
National School Lunch Program	10.555	19,642	47,687

MACONAQUAH 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
84.010	Child Nutrition Cluster
84.041	Title I Grants to Local Educational Agencies Impact Aid

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.

MACONAQUAH SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

MACONAQUAH SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on November 5, 2007, with Tina M. Bonifant, Treasurer; Dr. Debra L. Jones, Superintendent of Schools; Richard G. Wood, President of the School Board; and Cori Armes, Deputy Treasurer. The officials concurred with our audit finding.