

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

AUDIT REPORT

OF

SOUTHEAST FOUNTAIN SCHOOL CORPORATION

FOUNTAIN COUNTY, INDIANA

July 1, 2005 to June 30, 2007



FILED

03/27/2008

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
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	5-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis	7-8
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds	9-10
Proprietary Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Proprietary Fund	11-12
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds	13-14
Notes to Financial Statements	15-25
Required Supplementary Information:	
Schedule of Funding Progress	26
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds.....	27-34
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Private–Purpose Trust Funds.....	35-36
Schedule of Long-Term Debt	37
Audit Results and Comments:	
Fund Sources and Uses	38
Average Daily Membership (ADM) – Incorrect Reporting to the State.....	38
Average Daily Membership (ADM) – Lack of Records.....	38-39
Timeliness of Deposits	39
Deposits.....	39
Supplemental Audit of Federal Awards:	
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.....	42-43
Schedule of Expenditures of Federal Awards	44-45
Notes to Schedule of Expenditures of Federal Awards.....	46
Schedule of Findings and Questioned Costs	47-48
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings	49
Corrective Action Plan.....	50
Exit Conference.....	51

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Cynthia C. Alward	07-01-05 to 06-30-07
Superintendent of Schools	Dr. Debra Barnes Dr. Robert J. Baker (Interim)	07-01-05 to 06-30-07 07-01-07 to 06-30-08
President of the School Board	Robert Corey Jeffrey L. Fishero Doug Davenport Daniel McGrady	01-01-05 to 12-31-05 01-01-06 to 12-31-06 01-01-07 to 12-31-07 01-01-08 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE SOUTHEAST FOUNTAIN SCHOOL
CORPORATION, FOUNTAIN COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeast Fountain 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 January 29, 2008, 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.

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

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.

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

STATE BOARD OF ACCOUNTS

January 29, 2008



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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 SOUTHEAST FOUNTAIN SCHOOL
CORPORATION, FOUNTAIN COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeast Fountain 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 January 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in item 2007-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

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

This report is intended solely for the information and use of the School Corporation's management, the School Board of Trustees, 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 29, 2008

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

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 4,191,613	\$ -	\$ 47,533	\$ (4,144,080)
Support services	5,246,703	416,290	246,737	(4,583,676)
Community services	103,188	-	-	(103,188)
Nonprogrammed charges	1,320,641	-	-	(1,320,641)
Debt service	<u>814,285</u>	<u>-</u>	<u>-</u>	<u>(814,285)</u>
Total governmental activities	<u>\$ 11,676,430</u>	<u>\$ 416,290</u>	<u>\$ 294,270</u>	<u>(10,965,870)</u>
General receipts:				
Property taxes				3,918,107
Other local sources				744,198
State aid				5,329,981
Grants and contributions not restricted to specific programs				512,432
Sale of property, adjustments, and refunds				131,396
Investment earnings				185,385
Transfers - internal activities				<u>515,157</u>
Total general receipts and transfers				<u>11,336,656</u>
Change in net assets				370,786
Net assets - beginning				<u>5,055,603</u>
Net assets - ending				<u>\$ 5,426,389</u>
<u>Assets</u>				
Cash and investments				\$ 4,460,896
Restricted assets:				
Cash and investments				<u>965,493</u>
Total assets				<u>\$ 5,426,389</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 427,358
Other purposes				538,135
Unrestricted				<u>4,460,896</u>
Total net assets				<u>\$ 5,426,389</u>

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

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

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 4,224,842	\$ -	\$ 49,090	\$ (4,175,752)
Support services	5,987,559	415,909	293,414	(5,278,236)
Community services	107,300	-	-	(107,300)
Nonprogrammed charges	1,400,700	-	-	(1,400,700)
Debt service	817,106	-	-	(817,106)
	<u>\$ 12,537,507</u>	<u>\$ 415,909</u>	<u>\$ 342,504</u>	<u>(11,779,094)</u>
General receipts:				
Property taxes				3,935,984
Other local sources				844,203
State aid				5,165,142
Grants and contributions not restricted to specific programs				506,304
Sale of property, adjustments, and refunds				103,339
Investment earnings				237,159
Transfers - internal activities				441,210
				<u>11,233,341</u>
Total general receipts and transfers				<u>11,233,341</u>
Change in net assets				(545,753)
Net assets - beginning				<u>5,426,389</u>
Net assets - ending				<u>\$ 4,880,636</u>
<u>Assets</u>				
Cash and investments				\$ 4,153,191
Restricted assets:				
Cash and investments				<u>727,445</u>
Total assets				<u>\$ 4,880,636</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 394,888
Other purposes				332,557
Unrestricted				<u>4,153,191</u>
Total net assets				<u>\$ 4,880,636</u>

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

SOUTHEAST FOUNTAIN 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	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 2,435,398	\$ 582,804	\$ -	\$ 824,051	\$ 730,630	\$ 164,078	\$ 526,250	\$ 5,263,211
Intermediate sources	412	-	-	-	-	-	356	768
State sources	5,364,684	-	-	-	-	-	78,174	5,442,858
Federal sources	-	-	-	-	-	-	693,825	693,825
Sale of property, adjustments and refunds	58,421	1,994	-	-	7,847	-	63,135	131,397
Total receipts	7,858,915	584,798	-	824,051	738,477	164,078	1,361,740	11,532,059
Disbursements:								
Current:								
Instruction	3,641,609	-	-	-	-	-	550,004	4,191,613
Support services	2,593,147	500,489	-	-	1,063,402	137,158	952,507	5,246,703
Community services	102,781	-	-	-	-	-	407	103,188
Nonprogrammed charges	775,058	8,072	-	-	-	-	66,526	849,656
Debt services	-	-	-	814,285	-	-	-	814,285
Total disbursements	7,112,595	508,561	-	814,285	1,063,402	137,158	1,569,444	11,205,445
Excess (deficiency) of receipts over disbursements	746,320	76,237	-	9,766	(324,925)	26,920	(207,704)	326,614
Other financing sources (uses):								
Transfers in	860	-	867,622	-	-	-	25,106	893,588
Transfers out	(766,000)	(101,622)	-	-	-	-	(25,966)	(893,588)
Total other financing sources (uses)	(765,140)	(101,622)	867,622	-	-	-	(860)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(18,820)	(25,385)	867,622	9,766	(324,925)	26,920	(208,564)	326,614
Cash and investments - beginning	899,611	73,991	2,036,608	417,592	419,410	59,207	655,221	4,561,640
Cash and investments - ending	\$ 880,791	\$ 48,606	\$ 2,904,230	\$ 427,358	\$ 94,485	\$ 86,127	\$ 446,657	4,888,254
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.								
								538,135
Net assets of governmental activities								\$ 5,426,389
Cash and Investment Assets - Ending								
Cash and investments	\$ 880,791	\$ 48,606	\$ 2,904,230	\$ -	\$ 94,485	\$ 86,127	\$ 446,657	\$ 4,460,896
Restricted assets:								
Cash and investments	-	-	-	427,358	-	-	-	427,358
Total cash and investment assets - ending	\$ 880,791	\$ 48,606	\$ 2,904,230	\$ 427,358	\$ 94,485	\$ 86,127	\$ 446,657	\$ 4,888,254
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ 427,358	\$ -	\$ -	\$ -	\$ 427,358
Unrestricted	880,791	48,606	2,904,230	-	94,485	86,127	446,657	4,460,896
Total cash and investment fund balance - ending	\$ 880,791	\$ 48,606	\$ 2,904,230	\$ 427,358	\$ 94,485	\$ 86,127	\$ 446,657	\$ 4,888,254

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

SOUTHEAST FOUNTAIN 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	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 2,541,353	\$ 660,673	\$ -	\$ 784,636	\$ 735,785	\$ 169,474	\$ 540,529	\$ 5,432,450
Intermediate sources	412	-	-	-	-	-	394	806
State sources	5,201,429	-	-	-	-	-	95,741	5,297,170
Federal sources	-	-	-	-	-	-	716,779	716,779
Sale of property, adjustments and refunds	84,844	13,599	-	-	-	-	4,896	103,339
Total receipts	7,828,038	674,272	-	784,636	735,785	169,474	1,358,339	11,550,544
Disbursements:								
Current:								
Instruction	3,689,170	-	-	-	-	-	535,672	4,224,842
Support services	2,760,111	529,007	1,053,899	-	690,229	199,853	754,460	5,987,559
Community services	107,005	-	-	-	-	-	295	107,300
Nonprogrammed charges	685,597	5,333	-	-	-	-	62,982	753,912
Debt services	-	-	-	817,106	-	-	-	817,106
Total disbursements	7,241,883	534,340	1,053,899	817,106	690,229	199,853	1,353,409	11,890,719
Excess (deficiency) of receipts over disbursements	586,155	139,932	(1,053,899)	(32,470)	45,556	(30,379)	4,930	(340,175)
Other financing sources (uses):								
Transfers in	406	-	970,000	-	-	-	16,368	986,774
Transfers out	(900,000)	(70,000)	-	-	-	-	(16,774)	(986,774)
Total other financing sources (uses)	(899,594)	(70,000)	970,000	-	-	-	(406)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(313,439)	69,932	(83,899)	(32,470)	45,556	(30,379)	4,524	(340,175)
Cash and investments - beginning	880,791	48,606	2,904,230	427,358	94,485	86,127	446,657	4,888,254
Cash and investments - ending	\$ 567,352	\$ 118,538	\$ 2,820,331	\$ 394,888	\$ 140,041	\$ 55,748	\$ 451,181	4,548,079
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.								
								332,557
Net assets of governmental activities								\$ 4,880,636
Cash and Investment Assets - Ending								
Cash and investments	\$ 567,352	\$ 118,538	\$ 2,820,331	\$ -	\$ 140,041	\$ 55,748	\$ 451,181	\$ 4,153,191
Restricted assets:								
Cash and investments	-	-	-	394,888	-	-	-	394,888
Total cash and investment assets - ending	\$ 567,352	\$ 118,538	\$ 2,820,331	\$ 394,888	\$ 140,041	\$ 55,748	\$ 451,181	4,548,079
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ 394,888	\$ -	\$ -	\$ -	\$ 394,888
Unrestricted	567,352	118,538	2,820,331	-	140,041	55,748	451,181	4,153,191
Total cash and investment fund balance - ending	\$ 567,352	\$ 118,538	\$ 2,820,331	\$ 394,888	\$ 140,041	\$ 55,748	\$ 451,181	\$ 4,548,079

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

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

	Self-Insurance Fund
Operating receipts:	
Charges for services	\$ 206,647
Operating disbursements:	
Insurance claims and expense	677,632
Deficiency of operating receipts over operating disbursements	(470,985)
Transfers in	515,157
Change in net assets	44,172
Cash and investment fund balance - beginning	493,963
Cash and investment fund balance - ending	\$ 538,135
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	\$ 538,135
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	\$ 538,135

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

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

	Self-Insurance Fund
Operating receipts:	
Charges for services	\$ 163,138
Operating disbursements:	
Insurance claims and expense	809,926
Deficiency of operating receipts over operating disbursements	(646,788)
Transfers in	441,210
Change in net assets	(205,578)
Cash and investment fund balance - beginning	538,135
Cash and investment fund balance - ending	\$ 332,557
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	\$ 332,557
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	\$ 332,557

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

SOUTHEAST FOUNTAIN SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN
CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2006

	Postretirement/ Severance Future Benefit	Private-Purpose Trust Funds
Additions:		
Contributions:		
Other	\$ -	\$ 31,722
Investment earnings:		
Interest	-	3,806
Total additions	-	35,528
Deductions:		
Benefits	1,173,279	-
Administrative and general	-	42,684
Total deductions	1,173,279	42,684
Deficiency of total additions over total deductions	(1,173,279)	(7,156)
Cash and investment fund balance - beginning	1,250,000	132,532
Cash and investment fund balance - ending	\$ 76,721	\$ 125,376
Net assets:		
Cash and investments	\$ 76,721	\$ 125,376
Total net assets - cash and investment basis held in trust	\$ 76,721	\$ 125,376

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

SOUTHEAST FOUNTAIN SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN
CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2007

	Postretirement/ Severance Future Benefit	Private-Purpose Trust Funds
Additions:		
Contributions:		
Other	\$ -	\$ 33,447
Investment earnings:		
Interest	-	5,692
Total additions	-	39,139
Deductions:		
Benefits	52,440	-
Administrative and general	-	46,332
Total deductions	52,440	46,332
Deficiency of total additions over total deductions	(52,440)	(7,193)
Cash and investment fund balance - beginning	76,721	125,376
Cash and investment fund balance - ending	\$ 24,281	\$ 118,183
Net assets:		
Cash and investments	\$ 24,281	\$ 118,183
Total net assets - cash and investment basis held in trust	\$ 24,281	\$ 118,183

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

SOUTHEAST FOUNTAIN 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: Southeast Fountain 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 eight other school corporations in a joint venture to operate West Central Indiana Cooperative Services which was created to provide instruction and vocational programs for handicapped children. The Cooperative's continued existence depends on continued funding by the School Corporation. Costs for the programs are prorated between the participants. Complete financial statements for the West Central Indiana Cooperative Services can be obtained from Crawfordsville Community School Corporation.

The School Corporation is a participant with seven other school corporations to operate Vocational Cooperative Services which was created to provide vocational programs for students. The cooperative's continued existence depends on continued funding by the School Corporation. Administrative costs are divided equally among the participants, while program costs are based on the enrollment in the various programs. Complete financial statements for the vocational cooperative can be obtained from Crawfordsville Community School Corporation.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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,

SOUTHEAST FOUNTAIN SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

The School Corporation reports the following major governmental funds:

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

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

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

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

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

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

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for the self-insurance fund covering medical benefits to employees, retirees and dependents provided to other departments on a cost-reimbursement basis.

The pension trust funds account for the activities of the postretirement/severance future benefit, which accumulate resources for pension benefit payments.

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

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, 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. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

SOUTHEAST FOUNTAIN 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. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the internal service and governmental funds. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

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

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 December 31 of the year collected.

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 10 days per year. Unused sick leave may be accumulated to a maximum of 182 days. Accumulated sick leave is not paid to employees upon termination.

SOUTHEAST FOUNTAIN SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 5 days to 10 days 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 days per year. Personal leave does not accumulate from year to year.

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.

SOUTHEAST FOUNTAIN SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 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 Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are 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 Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

SOUTHEAST FOUNTAIN SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

II. Stewardship, Compliance and Accountability

Budgetary Information

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

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. 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.

III. Detailed Notes on All Funds

A. Deposits

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

B. Interfund Transfers

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

<u>Transfer From</u>	<u>Transfer To</u>	<u>2005</u>	<u>2006</u>
General Fund	Rainy Day Fund	\$ 766,000	\$ 900,000
Transportation Operating Fund	Rainy Day Fund	101,622	70,000
Other governmental funds	General Fund	860	406
Other governmental funds	Other governmental funds	25,106	16,368
Totals		<u>\$ 893,588</u>	<u>\$ 986,774</u>

SOUTHEAST FOUNTAIN SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

C. Restatements and Reclassifications

For the year ended June 30, 2005, certain changes have been made to the financial statements to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning balances by opinion unit. Prior period adjustments represent investment transaction eliminations not properly made.

Opinion Unit	Balance as Reported June 30, 2005	Prior Period Adjustments	Balance as Restated July 1, 2005
Private-Purpose Trust	\$ 132,400	\$ 132	\$ 132,532

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 five 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 medical benefits to employees, retirees and dependents. 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 \$40,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past five years. Interfund premiums are paid into the fund by all affected funds 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 affected fund and are reported as quasi-external interfund transactions.

SOUTHEAST FOUNTAIN SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Holding Corporations

The School Corporation has entered into a capital lease with Southeast Fountain Central School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the year totaled \$994,000.

The School Corporation has entered into a capital lease with Southeast Fountain Elementary School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of School Corporation. Lease payments during the year totaled \$417,000.

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health insurance 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, 4 retirees meet these eligibility requirements. The School Corporation and retirees provide 66% and 34%, 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 \$25,440 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:

SOUTHEAST FOUNTAIN SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 51,923
Interest on net pension obligation	(4,815)
Adjustment to annual required contribution	5,488
Annual pension cost	52,596
Contributions made	62,336
Decrease in net pension obligation	(9,740)
Net pension obligation, beginning of year	(66,420)
Net pension obligation, end of year	\$ (76,160)
Contribution rates:	
School Corporation	5.5%
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

SOUTHEAST FOUNTAIN SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions	PERF
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	\$ 57,472	117%	\$ (53,800)
	06-30-05	61,230	121%	(66,420)
	06-30-06	52,596	119%	(76,160)

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

SOUTHEAST FOUNTAIN 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 \$130,440, \$117,163, and \$113,656, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

SOUTHEAST FOUNTAIN 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	\$ 1,493,118	\$ 1,429,347	\$ 63,771	104%	\$ 1,312,098	5%
07-01-05	1,551,502	1,415,731	135,771	110%	1,212,253	11%
07-01-06	1,566,204	1,298,304	267,900	121%	1,070,679	25%

SOUTHEAST FOUNTAIN 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	2005-2006 Vocational Welding	2006-2007 Vocational Welding	Educational License Plates	Alternative Education
Receipts:							
Local sources	\$ 6,441	\$ 311,733	\$ 106,503	\$ 89,583	\$ 11,990	\$ -	\$ -
Intermediate sources	-	-	-	-	-	356	-
State sources	34,167	8,836	18,727	-	-	-	-
Federal sources	-	217,834	-	-	-	-	-
Sale of property, adjustments and refunds	-	2,223	912	-	-	-	-
Total receipts	40,608	540,626	126,142	89,583	11,990	356	-
Disbursements:							
Current:							
Instruction	67,818	-	-	71,159	8,628	-	10,805
Support services	-	595,941	168,289	5,345	905	1,390	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	9,740	1,944	-	-
Total disbursements	67,818	595,941	168,289	86,244	11,477	1,390	10,805
Excess (deficiency) of receipts over disbursements	(27,210)	(55,315)	(42,147)	3,339	513	(1,034)	(10,805)
Other financing sources (uses):							
Transfers in	-	-	-	2,130	-	-	-
Transfers out	(7,600)	-	-	(1,190)	(940)	-	-
Total other financing sources (uses)	(7,600)	-	-	940	(940)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(34,810)	(55,315)	(42,147)	4,279	(427)	(1,034)	(10,805)
Cash and investments - beginning	47,693	137,770	130,987	-	427	2,944	38,937
Cash and investments - ending	\$ 12,883	\$ 82,455	\$ 88,840	\$ 4,279	\$ -	\$ 1,910	\$ 28,132
Cash and Investment Assets - Ending							
Cash and investments	\$ 12,883	\$ 82,455	\$ 88,840	\$ 4,279	\$ -	\$ 1,910	\$ 28,132
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 12,883	\$ 82,455	\$ 88,840	\$ 4,279	\$ -	\$ 1,910	\$ 28,132

SOUTHEAST FOUNTAIN 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)

	School Safe Haven	2006-2007 Gifted and Talented	Medicaid Reimbursement	Non-English Speaking Program	2005-2006 Title I	2006-2007 Title I	2006-2007 Title V
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	2,754	12,567	860	263	-	-	-
Federal sources	-	-	-	-	147,893	-	4,347
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	2,754	12,567	860	263	147,893	-	4,347
Disbursements:							
Current:							
Instruction	-	12,567	-	263	115,716	7,824	4,347
Support services	4,035	-	-	-	22,817	3,003	-
Community services	-	-	-	-	407	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	4,035	12,567	-	263	138,940	10,827	4,347
Excess (deficiency) of receipts over disbursements	(1,281)	-	860	-	8,953	(10,827)	-
Other financing sources (uses):							
Transfers in	-	-	-	-	15,376	-	-
Transfers out	-	-	(860)	-	-	(15,376)	-
Total other financing sources (uses)	-	-	(860)	-	15,376	(15,376)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,281)	-	-	-	24,329	(26,203)	-
Cash and investments - beginning	1,781	-	-	-	-	26,203	-
Cash and investments - ending	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,329</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,329</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,329</u>	<u>\$ -</u>	<u>\$ -</u>

SOUTHEAST FOUNTAIN 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)

	2005-2006 LD Fund	2006-2007 LD Fund	Sliver Fund	2005-2006 Federal Preschool Handicap	2006-2007 Federal Preschool Handicap	2007-2008 DFSC Title IV	2006-2007 DFSC Title IV
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	237,504	-	3,225	11,257	-	15	5,944
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	237,504	-	3,225	11,257	-	15	5,944
Disbursements:							
Current:							
Instruction	132,742	25,434	6,272	10,000	13,032	3,851	-
Support services	23,738	4,359	-	-	-	1,486	629
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	51,242	3,600	-	-	-	-	-
Total disbursements	207,722	33,393	6,272	10,000	13,032	5,337	629
Excess (deficiency) of receipts over disbursements	29,782	(33,393)	(3,047)	1,257	(13,032)	(5,322)	5,315
Other financing sources (uses):							
Transfers in	-	-	-	-	7,600	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	7,600	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	29,782	(33,393)	(3,047)	1,257	(5,432)	(5,322)	5,315
Cash and investments - beginning	-	33,393	3,167	-	5,432	6,193	-
Cash and investments - ending	\$ 29,782	\$ -	\$ 120	\$ 1,257	\$ -	\$ 871	\$ 5,315
Cash and Investment Assets - Ending							
Cash and investments	\$ 29,782	\$ -	\$ 120	\$ 1,257	\$ -	\$ 871	\$ 5,315
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 29,782	\$ -	\$ 120	\$ 1,257	\$ -	\$ 871	\$ 5,315

SOUTHEAST FOUNTAIN 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)

	Jump Kids Jump Grant	Medicaid Reimbursement	2006-2007 Title II Improving Teacher Quality	2005-2006 Title II Improving Teacher Quality	Title III Language Instruction	Construction	Totals
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 526,250
Intermediate sources	-	-	-	-	-	-	356
State sources	-	-	-	-	-	-	78,174
Federal sources	186	1,340	59,697	2,965	1,618	-	693,825
Sale of property, adjustments and refunds	-	-	-	-	-	60,000	63,135
Total receipts	186	1,340	59,697	2,965	1,618	60,000	1,361,740
Disbursements:							
Current:							
Instruction	-	2,509	52,412	3,007	1,618	-	550,004
Support services	-	136	16,586	979	-	102,869	952,507
Community services	-	-	-	-	-	-	407
Nonprogrammed charges	-	-	-	-	-	-	66,526
Total disbursements	-	2,645	68,998	3,986	1,618	102,869	1,569,444
Excess (deficiency) of receipts over disbursements	186	(1,305)	(9,301)	(1,021)	-	(42,869)	(207,704)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	25,106
Transfers out	-	-	-	-	-	-	(25,966)
Total other financing sources (uses)	-	-	-	-	-	-	(860)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	186	(1,305)	(9,301)	(1,021)	-	(42,869)	(208,564)
Cash and investments - beginning	-	12,282	61,618	3,914	-	142,480	655,221
Cash and investments - ending	\$ 186	\$ 10,977	\$ 52,317	\$ 2,893	\$ -	\$ 99,611	\$ 446,657
Cash and Investment Assets - Ending							
Cash and investments	\$ 186	\$ 10,977	\$ 52,317	\$ 2,893	\$ -	\$ 99,611	\$ 446,657
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 186	\$ 10,977	\$ 52,317	\$ 2,893	\$ -	\$ 99,611	\$ 446,657

SOUTHEAST FOUNTAIN 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	2005-2006 Vocational Welding	2006-2007 Vocational Welding	Educational License Plates	Alternative Education
Receipts:							
Local sources	\$ 6,776	\$ 313,756	\$ 106,687	\$ 8,162	\$ 105,148	\$ -	\$ -
Intermediate sources	-	-	-	-	-	394	-
State sources	33,992	10,007	38,534	-	-	-	-
Federal sources	-	243,839	-	-	-	-	-
Sale of property, adjustments and refunds	-	4,296	600	-	-	-	-
Total receipts	40,768	571,898	145,821	8,162	105,148	394	-
Disbursements:							
Current:							
Instruction	47,834	-	-	8,307	73,315	-	8,662
Support services	-	585,318	86,550	739	8,634	-	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	1,964	6,874	-	-
Total disbursements	47,834	585,318	86,550	11,010	88,823	-	8,662
Excess (deficiency) of receipts over disbursements	(7,066)	(13,420)	59,271	(2,848)	16,325	394	(8,662)
Other financing sources (uses):							
Transfers in	-	-	-	-	1,431	-	-
Transfers out	-	-	-	(1,431)	-	-	-
Total other financing sources (uses)	-	-	-	(1,431)	1,431	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(7,066)	(13,420)	59,271	(4,279)	17,756	394	(8,662)
Cash and investments - beginning	12,883	82,455	88,840	4,279	-	1,910	28,132
Cash and investments - ending	\$ 5,817	\$ 69,035	\$ 148,111	\$ -	\$ 17,756	\$ 2,304	\$ 19,470
Cash and Investment Assets - Ending							
Cash and investments	\$ 5,817	\$ 69,035	\$ 148,111	\$ -	\$ 17,756	\$ 2,304	\$ 19,470
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 5,817	\$ 69,035	\$ 148,111	\$ -	\$ 17,756	\$ 2,304	\$ 19,470

SOUTHEAST FOUNTAIN 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)

	School Safe Haven	2006-2007 Gifted and Talented	Medicaid Reimbursement	Non-English Speaking Program	2005-2006 Title I	2006-2007 Title I	2006-2007 Title V
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	12,567	406	235	-	-	-
Federal sources	-	-	-	-	-	137,078	2,118
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	-	12,567	406	235	-	137,078	2,118
Disbursements:							
Current:							
Instruction	-	10,253	-	235	7,268	113,780	2,118
Support services	500	-	-	-	2,124	22,700	-
Community services	-	-	-	-	-	295	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	500	10,253	-	235	9,392	136,775	2,118
Excess (deficiency) of receipts over disbursements	(500)	2,314	406	-	(9,392)	303	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	14,937	-
Transfers out	-	-	(406)	-	(14,937)	-	-
Total other financing sources (uses)	-	-	(406)	-	(14,937)	14,937	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(500)	2,314	-	-	(24,329)	15,240	-
Cash and investments - beginning	500	-	-	-	24,329	-	-
Cash and investments - ending	\$ -	\$ 2,314	\$ -	\$ -	\$ -	\$ 15,240	\$ -
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 2,314	\$ -	\$ -	\$ -	\$ 15,240	\$ -
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ -	\$ 2,314	\$ -	\$ -	\$ -	\$ 15,240	\$ -

SOUTHEAST FOUNTAIN 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)

	2005-2006 LD Fund	2006-2007 LD Fund	Sliver Fund	2005-2006 Federal Preschool Handicap	2006-2007 Federal Preschool Handicap	2007-2008 DFSC Title IV	2006-2007 DFSC Title IV
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	19,791	253,219	-	938	13,145	4,505	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	19,791	253,219	-	938	13,145	4,505	-
Disbursements:							
Current:							
Instruction	21,259	157,110	120	2,195	13,145	1,581	4,281
Support services	1,854	32,793	-	-	-	1,134	771
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	26,460	27,684	-	-	-	-	-
Total disbursements	49,573	217,587	120	2,195	13,145	2,715	5,052
Excess (deficiency) of receipts over disbursements	(29,782)	35,632	(120)	(1,257)	-	1,790	(5,052)
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	(29,782)	35,632	(120)	(1,257)	-	1,790	(5,052)
Cash and investments - beginning	29,782	-	120	1,257	-	871	5,315
Cash and investments - ending	\$ -	\$ 35,632	\$ -	\$ -	\$ -	\$ 2,661	\$ 263
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 35,632	\$ -	\$ -	\$ -	\$ 2,661	\$ 263
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ -	\$ 35,632	\$ -	\$ -	\$ -	\$ 2,661	\$ 263

SOUTHEAST FOUNTAIN 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)

	Jump Kids Jump Grant	Medicaid Reimbursement	2006-2007 Title II Improving Teacher Quality	2005-2006 Title II Improving Teacher Quality	Title III Language Instruction	Construction	Totals
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 540,529
Intermediate sources	-	-	-	-	-	-	394
State sources	-	-	-	-	-	-	95,741
Federal sources	-	628	38,067	-	3,451	-	716,779
Sale of property, adjustments and refunds	-	-	-	-	-	-	4,896
Total receipts	-	628	38,067	-	3,451	-	1,358,339
Disbursements:							
Current:							
Instruction	-	4,444	54,162	2,152	3,451	-	535,672
Support services	186	46	10,370	741	-	-	754,460
Community services	-	-	-	-	-	-	295
Nonprogrammed charges	-	-	-	-	-	-	62,982
Total disbursements	186	4,490	64,532	2,893	3,451	-	1,353,409
Excess (deficiency) of receipts over disbursements	(186)	(3,862)	(26,465)	(2,893)	-	-	4,930
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	16,368
Transfers out	-	-	-	-	-	-	(16,774)
Total other financing sources (uses)	-	-	-	-	-	-	(406)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(186)	(3,862)	(26,465)	(2,893)	-	-	4,524
Cash and investments - beginning	186	10,977	52,317	2,893	-	99,611	446,657
Cash and investments - ending	\$ -	\$ 7,115	\$ 25,852	\$ -	\$ -	\$ 99,611	\$ 451,181
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 7,115	\$ 25,852	\$ -	\$ -	\$ 99,611	\$ 451,181
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ -	\$ 7,115	\$ 25,852	\$ -	\$ -	\$ 99,611	\$ 451,181

SOUTHEAST FOUNTAIN SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2006

	Extra-Curricular Activities Fund	D'Arlier	Exchange Program	Evan McTaggart Memorial Scholarship	David Sanders Scholarship	Elementary Needy Children Fund	Elementary Pond	Songer Scholarship	Totals
Additions:									
Contributions:									
Other	\$ 4,804	\$ 5,000	\$ 20,522	\$ -	\$ 1,396	\$ -	\$ -	\$ -	\$ 31,722
Investment earnings:									
Interest	-	-	-	-	-	-	-	3,806	3,806
Total additions	4,804	5,000	20,522	-	1,396	-	-	3,806	35,528
Deductions:									
Administrative and general	4,804	11,976	18,732	1,409	1,501	-	562	3,700	42,684
Excess (deficiency) of total additions over total deductions	-	(6,976)	1,790	(1,409)	(105)	-	(562)	106	(7,156)
Cash and investment fund balance - beginning	-	14,821	1,688	6,409	7,881	668	837	100,228	132,532
Cash and investments - June 30	\$ -	\$ 7,845	\$ 3,478	\$ 5,000	\$ 7,776	\$ 668	\$ 275	\$ 100,334	\$ 125,376
Net assets:									
Cash and investments	\$ -	\$ 7,845	\$ 3,478	\$ 5,000	\$ 7,776	\$ 668	\$ 275	\$ 100,334	\$ 125,376
Total net assets - cash and investment basis held in trust	\$ -	\$ 7,845	\$ 3,478	\$ 5,000	\$ 7,776	\$ 668	\$ 275	\$ 100,334	\$ 125,376

SOUTHEAST FOUNTAIN SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007

	Extra-Curricular Activities Fund	D'Arier	Exchange Program	Evan McTaggart Memorial Scholarship	David Sanders Scholarship	Elementary Needy Children Fund	Recycled Product Purchasing Grant	Elementary Pond	Songer Scholarship	Totals
Additions:										
Contributions:										
Other	\$ 4,663	\$ 5,000	\$ 16,896	\$ 227	\$ 1,941	\$ 1,100	\$ 3,620	\$ -	\$ -	\$ 33,447
Investment earnings:										
Interest	-	-	-	-	-	-	-	-	5,692	5,692
Total additions	4,663	5,000	16,896	227	1,941	1,100	3,620	-	5,692	39,139
Deductions:										
Administrative and general	4,663	6,495	18,920	5,227	2,000	217	3,620	190	5,000	46,332
Excess (deficiency) of total additions over total deductions	-	(1,495)	(2,024)	(5,000)	(59)	883	-	(190)	692	(7,193)
Cash and investment fund balance - beginning	-	7,845	3,478	5,000	7,776	668	-	275	100,334	125,376
Cash and investments - June 30	\$ -	\$ 6,350	\$ 1,454	\$ -	\$ 7,717	\$ 1,551	\$ -	\$ 85	\$ 101,026	\$ 118,183
Net assets:										
Cash and investments	\$ -	\$ 6,350	\$ 1,454	\$ -	\$ 7,717	\$ 1,551	\$ -	\$ 85	\$ 101,026	\$ 118,183
Total net assets - cash and investment basis held in trust	\$ -	\$ 6,350	\$ 1,454	\$ -	\$ 7,717	\$ 1,551	\$ -	\$ 85	\$ 101,026	\$ 118,183

SOUTHEAST FOUNTAIN SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For the Year Ended June 30, 2007

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Elementary	\$ 3,725,000	\$ 215,000
High School	2,665,000	493,500
Guaranteed Energy Savings	1,452,012	302,000
Notes and loans payable	<u>337,500</u>	<u>90,938</u>
Total governmental activities debt	<u>\$ 8,179,512</u>	<u>\$ 1,101,438</u>

SOUTHEAST FOUNTAIN SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

FUND SOURCES AND USES

Funds were disbursed from the Capital Projects Fund for extra-curricular athletic equipment in the amount of \$9,380. The equipment consisted of football sleds, discus cages, and wrestling mats.

Indiana Code 20-40-8-11 states in part: ". . . money in the fund may not be used to pay for the purchase, lease, repair, or maintenance of . . . equipment to be used primarily for interscholastic or extracurricular activities."

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

AVERAGE DAILY MEMBERSHIP (ADM) - INCORRECT REPORTING TO THE STATE

The information presented for audit indicates enrollment figures on Form 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for the school year ending June 30, 2006.

The enrollment count date for 2005 was September 16, 2005. The difference between the count reported on the ADM and the verified figures are shown below:

<u>School Year</u>	<u>Grade</u>	<u>Count as Reported on Form 30A</u>	<u>Actual Enrollment Figures</u>	<u>Difference</u>
2005	1 Through 12	1297	1304	(7)

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

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

Records presented for audit to support the ADM claimed by the School Corporation were not adequate. The ADM file did not include class lists. The high school class lists were held in electronic file that had not been reviewed or approved by the building level official. The elementary class lists were kept in the elementary office but had not been reviewed or approved by the building level official.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

SOUTHEAST FOUNTAIN SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Officials should maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM. The building level official (Principal, Assistant Principal, etc.) responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (The School Administrator and Uniform Compliance Guidelines, Volume 123, September 1993, and Volume 142, June 1998)

TIMELINESS OF DEPOSITS

One of ten elementary extra-curricular receipts examined was held for seven days prior to deposit.

One of six elementary textbook rental receipts examined was not deposited within a reasonable amount of time. The receipt was dated seven days prior to the deposit.

Two of nine high school textbook rental receipts examined were not deposited within a reasonable amount of time. One deposit consisting of \$5,182.03 was made thirteen days after the date of the receipt.

Indiana Code 20-41-1-9 states in part: ". . . receipts shall be deposited without unreasonable delay."

DEPOSITS

The amount of cash and checks shown on the deposit slip for 50% of the items examined, did not match the amount of cash and checks shown on the extra-curricular and textbook rental receipts for Southeast Fountain Elementary School.

The amount of cash and checks shown on the deposit slip 56% of the items examined of textbook rental receipts and 20% of the items examined for extra-curricular receipts, did not match the amount of cash and checks shown on the receipts examined for Fountain Central High School.

A similar comment was included in the prior report.

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

(This page intentionally left blank.)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE SOUTHEAST FOUNTAIN SCHOOL
CORPORATION, FOUNTAIN COUNTY, INDIANA

Compliance

We have audited the compliance of the Southeast Fountain 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 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, 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

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)

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.

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.

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

This report is intended solely for the information and use of the School Corporation's management, School Board of Trustees, 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 29, 2008

SOUTHEAST FOUNTAIN 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			
		FY 05-06	\$ 41,542	\$ -
		FY 06-07	-	47,614
Total for program			<u>41,542</u>	<u>47,614</u>
National School Lunch Program				
	10.555			
		FY 05-06	197,590	-
		FY 06-07	-	229,055
Total for program			<u>197,590</u>	<u>229,055</u>
Total for federal grantor agency			<u>239,132</u>	<u>276,669</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Crawfordsville Community School Corporation				
Special Education Cluster				
Special Education Grants to States	84.027			
		14205-62-PN01	33,393	-
		14206-62-PN01	213,994	49,693
		14207-62-PN01	-	217,587
Total for program			<u>247,387</u>	<u>267,280</u>
Special Education Preschool Grants				
	84.173			
		45705-062-PN01	12,195	-
		45706-062-PN01	-	13,145
Total for program			<u>12,195</u>	<u>13,145</u>
Total for cluster			<u>259,582</u>	<u>280,425</u>
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies	84.010			
		05-2455	26,204	-
		06-2455	138,940	24,329
		07-2455	-	136,775
Total for program			<u>165,144</u>	<u>161,104</u>

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

SOUTHEAST FOUNTAIN SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2006 and 2007
(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 06-30-06	Total Federal Awards Expended 06-30-07
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through Indiana Department of Education (continued)				
Title IV - Safe and Drug Free Schools and Communities State Grants				
	84.186			
		SY 04-05	629	-
		SY 05-06	5,337	2,715
		SY 06-07	-	5,052
Total for program			<u>5,966</u>	<u>7,767</u>
Pass-Through Indiana Department of Education State Grants for Innovative Programs				
	84.298			
		05-010	4,347	-
		06-2455	-	2,118
Total for program			<u>4,347</u>	<u>2,118</u>
Pass-Through Indiana Department of Education Education Technology State Grants				
	84.318			
		05-2455	2,965	-
Pass-Through Wabash Valley Education Center English Language Acquisition Grants				
	84.365			
		FY 05-06	1,618	-
		FY 06-07	-	3,451
Total for program			<u>1,618</u>	<u>3,451</u>
Pass-Through Indiana Department of Education Improving Teacher Quality State Grants				
	84.367			
		05-2455	68,998	-
		06-2455	-	64,532
Total for program			<u>68,998</u>	<u>64,532</u>
Total for federal grantor agency			<u>508,620</u>	<u>519,397</u>
Total federal awards expended			<u>\$ 747,752</u>	<u>\$ 796,066</u>

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

SOUTHEAST FOUNTAIN 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 Southeast Fountain 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.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>2005-2006</u>	<u>2006-2007</u>
National School Lunch Program	10.555	<u>\$ 25,493</u>	<u>\$ 31,604</u>

SOUTHEAST FOUNTAIN 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? yes

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 Title I 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? no

SOUTHEAST FOUNTAIN SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II – Financial Statement Findings

2007-1, CAPITAL PROJECTS EXPENDITURES

Internal controls over Capital Projects Fund expenditures were inadequate to prevent unauthorized uses. Funds were disbursed from the Capital Projects Fund for extra-curricular athletic equipment in the amount of \$9,380. The equipment consisted of football sleds, discus cages, and wrestling mats.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Without proper internal controls, all disbursement transactions from the Capital Projects Fund are at risk of being spent on inappropriate items. Total disbursements from the Fund for the audit period were \$1,753,631.

We recommended that the Officials review the allowable sources and uses for the fund and distribute this information throughout the administration which would enable the administration to maintain proper control over Capital Projects Fund expenditures.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

SOUTHEAST FOUNTAIN SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

*Southeast Fountain School Corporation
744 East U.S. Highway 136
Veedersburg, Indiana 47987-9783*

Dr. Robert J. Baker, Superintendent

Phone (765)294-2254

Fax (765)294-3200

January 17, 2008

Southeast Fountain School Corporation
Corrective Action Plan

Finding 2007-1, Internal Control Over Capital Projects Expenditures

Corrective Action Plan:

Action was taken immediately to ensure that Capital Projects expenditures followed the Indiana Code 20-40-8-11 which states in part "... money in the fund may not be used to pay for the purchase, lease, repair, or maintenance of ... equipment to be used primarily for interscholastic or extracurricular activities."

Copies of Indiana Code 20-40-8-11 were distributed and discussed with the Superintendent, Treasurer, and Athletic Director to ensure that all parties involved with the expenditures of Capital Projects were aware of the code and the acceptable expenditures.

These efforts will correct Finding 2007-1, Internal Control Over Capital Projects Expenditures.

Contact Person: Cynthia C. Alward

Cynthia C. Alward

Cynthia C. Alward

Treasurer

1/17/08

SOUTHEAST FOUNTAIN SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on January 29, 2008, with Cynthia C. Alward, Treasurer; Sally Hardesty, Extra-Curricular Treasurer of Fountain Central High School; Diane M. Brown, Extra-Curricular Treasurer of Southeast Fountain Elementary; Daniel McGrady, President of the School Board; Dr. Robert J. Baker, Interim Superintendent of Schools; and Tammy L. Allen, Deputy Treasurer. The officials concurred with our audit findings.