

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

AUDIT REPORT

OF

NORTH HARRISON COMMUNITY SCHOOL CORPORATION

HARRISON COUNTY, INDIANA

July 1, 2005 to June 30, 2007



FILED

03/31/2008

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sharon J. Hanen	07-01-05 to 06-30-08
Superintendent of Schools	Monty Schneider Dr. Phil Partenheimer	07-01-05 to 06-30-07 07-01-07 to 06-30-10
President of the School Board	Frederick L. Naegele Buddy L. Bosler Ronald E. Coleman	07-01-05 to 06-30-06 07-01-06 to 06-30-07 07-01-07 to 06-30-08



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

TO: THE OFFICIALS OF THE NORTH HARRISON COMMUNITY
SCHOOL CORPORATION, HARRISON COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Harrison Community 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 February 7, 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, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The 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 taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

February 7, 2008



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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 NORTH HARRISON COMMUNITY
SCHOOL CORPORATION, HARRISON COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Harrison Community 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 February 7, 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.

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

February 7, 2008

NORTH HARRISON COMMUNITY 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>	<u>Program Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 7,352,710	\$ -	\$ 229,713	\$ (7,122,997)
Support services	9,925,663	704,721	400,290	(8,820,652)
Community services	89,183	-	-	(89,183)
Nonprogrammed charges	20,405	-	-	(20,405)
Debt service	6,750,397	-	-	(6,750,397)
Total governmental activities	<u>\$ 24,138,358</u>	<u>\$ 704,721</u>	<u>\$ 630,003</u>	<u>(22,803,634)</u>
 General receipts:				
Property taxes				7,666,968
Other local sources				2,663,795
State aid				10,507,378
Grants and contributions not restricted to specific programs				502,306
Sale of property, adjustments, and refunds				147,028
Investment earnings				130,388
Total general receipts				<u>21,617,863</u>
 Change in net assets				 (1,185,771)
 Net assets - beginning				 <u>4,659,102</u>
 Net assets - ending				 <u>\$ 3,473,331</u>
 <u>Assets</u>				
Cash and investments				\$ 2,647,909
Restricted assets:				
Cash and investments				<u>825,422</u>
Total assets				<u>\$ 3,473,331</u>
 <u>Net Assets</u>				
Restricted for:				
Debt service				\$ 825,422
Unrestricted				<u>2,647,909</u>
Total net assets				<u>\$ 3,473,331</u>

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

NORTH HARRISON COMMUNITY 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 (Disbursements) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 7,531,601	\$ -	\$ 188,707	\$ (7,342,894)
Support services	9,821,073	731,895	381,659	(8,707,519)
Community services	95,859	-	-	(95,859)
Debt service	902,646	-	-	(902,646)
	<u>\$ 18,351,179</u>	<u>\$ 731,895</u>	<u>\$ 570,366</u>	<u>(17,048,918)</u>
General receipts:				
Property taxes				3,257,561
Other local sources				1,224,081
State aid				10,326,130
Bonds and loans				5,000,000
Grants and contributions not restricted to specific programs				513,003
Sale of property, adjustments, and refunds				862,805
Investment earnings				187,419
				<u>21,370,999</u>
Total general receipts				21,370,999
Change in net assets				4,322,081
Net assets - beginning				<u>3,473,331</u>
Net assets - ending				<u>\$ 7,795,412</u>
<u>Assets</u>				
Cash and investments				\$ 6,868,536
Restricted assets:				
Cash and investments				<u>926,876</u>
Total assets				<u>\$ 7,795,412</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 926,876
Unrestricted				<u>6,868,536</u>
Total net assets				<u>\$ 7,795,412</u>

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

NORTH HARRISON COMMUNITY 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	\$ 4,707,001	\$ 932,101	\$ 1,844,537	\$ 2,231,960	\$ 136,162	\$ 1,312,371	\$ 11,164,132
Intermediate sources	726	-	-	-	-	1,013	1,739
State sources	10,718,476	2,004	-	-	1,055	120,170	10,841,705
Federal sources	-	-	-	-	-	797,982	797,982
Sale of property, adjustments and refunds	143,506	3,135	388	-	-	-	147,029
Total receipts	15,569,709	937,240	1,844,925	2,231,960	137,217	2,231,536	22,952,587
Disbursements:							
Current:							
Instruction	6,909,395	-	-	-	-	443,315	7,352,710
Support services	6,161,617	955,896	-	1,392,267	215,193	1,200,690	9,925,663
Community services	87,547	-	-	-	-	1,636	89,183
Nonprogrammed charges	19,593	-	-	-	-	812	20,405
Debt services	4,500,000	500,000	1,489,381	4,851	-	256,165	6,750,397
Total disbursements	17,678,152	1,455,896	1,489,381	1,397,118	215,193	1,902,618	24,138,358
Excess (deficiency) of receipts over disbursements	(2,108,443)	(518,656)	355,544	834,842	(77,976)	328,918	(1,185,771)
Other financing sources (uses):							
Transfers in	-	250,000	-	-	-	-	250,000
Transfers out	-	-	-	(250,000)	-	-	(250,000)
Total other financing sources (uses)	-	250,000	-	(250,000)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,108,443)	(268,656)	355,544	584,842	(77,976)	328,918	(1,185,771)
Cash and investments - beginning	2,380,497	382,261	270,527	911,885	254,512	459,420	4,659,102
Cash and investments - ending	<u>\$ 272,054</u>	<u>\$ 113,605</u>	<u>\$ 626,071</u>	<u>\$ 1,496,727</u>	<u>\$ 176,536</u>	<u>\$ 788,338</u>	<u>\$ 3,473,331</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 272,054	\$ 113,605	\$ -	\$ 1,496,727	\$ 176,536	\$ 588,987	\$ 2,647,909
Restricted assets:							
Cash and investments	-	-	626,071	-	-	199,351	825,422
Total cash and investment assets - ending	<u>\$ 272,054</u>	<u>\$ 113,605</u>	<u>\$ 626,071</u>	<u>\$ 1,496,727</u>	<u>\$ 176,536</u>	<u>\$ 788,338</u>	<u>\$ 3,473,331</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ 626,071	\$ -	\$ -	\$ 199,351	\$ 825,422
Unrestricted	272,054	113,605	-	1,496,727	176,536	588,987	2,647,909
Total cash and investment fund balance - ending	<u>\$ 272,054</u>	<u>\$ 113,605</u>	<u>\$ 626,071</u>	<u>\$ 1,496,727</u>	<u>\$ 176,536</u>	<u>\$ 788,338</u>	<u>\$ 3,473,331</u>

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

NORTH HARRISON COMMUNITY 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	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 1,983,746	\$ 399,764	\$ 1,021,656	\$ 857,936	\$ -	\$ 1,136,675	\$ 5,399,777
Intermediate sources	-	-	-	-	-	1,181	1,181
State sources	10,490,805	8,021	-	-	-	116,173	10,614,999
Federal sources	-	-	-	-	-	794,499	794,499
Bonds and loans	4,250,000	750,000	-	-	-	-	5,000,000
Sale of property, adjustments and refunds	333,966	4,388	-	523,450	-	1,000	862,804
Total receipts	17,058,517	1,162,173	1,021,656	1,381,386	-	2,049,528	22,673,260
Disbursements:							
Current:							
Instruction	7,161,190	-	-	-	-	370,411	7,531,601
Support services	5,921,537	966,471	-	1,727,766	51,520	1,153,779	9,821,073
Community services	95,859	-	-	-	-	-	95,859
Debt services	-	-	743,404	14,254	-	144,988	902,646
Total disbursements	13,178,586	966,471	743,404	1,742,020	51,520	1,669,178	18,351,179
Excess (deficiency) of receipts over disbursements	3,879,931	195,702	278,252	(360,634)	(51,520)	380,350	4,322,081
Other financing sources (uses):							
Transfers in	6,512	-	-	-	-	518,160	524,672
Transfers out	-	-	(218,160)	(300,000)	-	(6,512)	(524,672)
Total other financing sources (uses)	6,512	-	(218,160)	(300,000)	-	511,648	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,886,443	195,702	60,092	(660,634)	(51,520)	891,998	4,322,081
Cash and investments - beginning	272,054	113,605	626,071	1,496,727	176,536	788,338	3,473,331
Cash and investments - ending	\$ 4,158,497	\$ 309,307	\$ 686,163	\$ 836,093	\$ 125,016	\$ 1,680,336	\$ 7,795,412
Cash and Investment Assets - Ending							
Cash and investments	\$ 4,158,497	\$ 309,307	\$ -	\$ 836,093	\$ 125,016	\$ 1,439,623	\$ 6,868,536
Restricted assets:							
Cash and investments	-	-	686,163	-	-	240,713	926,876
Total cash and investment assets - ending	\$ 4,158,497	\$ 309,307	\$ 686,163	\$ 836,093	\$ 125,016	\$ 1,680,336	\$ 7,795,412
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ 686,163	\$ -	\$ -	\$ 240,713	\$ 926,876
Unrestricted	4,158,497	309,307	-	836,093	125,016	1,439,623	6,868,536
Total cash and investment fund balance - ending	\$ 4,158,497	\$ 309,307	\$ 686,163	\$ 836,093	\$ 125,016	\$ 1,680,336	\$ 7,795,412

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

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

	Pension Trust Fund	Private-Purpose Trust Funds
Additions:		
Contributions:		
Other	\$ -	\$ 776,253
Deductions:		
Benefits	231,450	-
Administrative and general	-	878,818
Total deductions	231,450	878,818
Deficiency of total additions over total deductions	(231,450)	(102,565)
Cash and investment fund balance - beginning	3,570,954	1,703,880
Cash and investment fund balance - ending	\$ 3,339,504	\$ 1,601,315
Net assets:		
Cash and investments	\$ 3,339,504	\$ 1,601,315
Total net assets - cash and investment basis held in trust	\$ 3,339,504	\$ 1,601,315

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

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

	<u>Pension Trust Fund</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Contributions:		
Other	\$ -	\$ 853,844
Investment earnings:		
Interest	<u>56,427</u>	<u>-</u>
Total additions	<u>56,427</u>	<u>853,844</u>
Deductions:		
Benefits	537,194	-
Administrative and general	<u>-</u>	<u>1,075,468</u>
Total deductions	<u>537,194</u>	<u>1,075,468</u>
Deficiency of total additions over total deductions	(480,767)	(221,624)
Cash and investment fund balance - beginning	<u>3,339,504</u>	<u>1,601,315</u>
Cash and investment fund balance - ending	<u>\$ 2,858,737</u>	<u>\$ 1,379,691</u>
Net assets:		
Cash and investments	<u>\$ 2,858,737</u>	<u>\$ 1,379,691</u>
Total net assets - cash and investment basis held in trust	<u>\$ 2,858,737</u>	<u>\$ 1,379,691</u>

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

NORTH HARRISON COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

The School Corporation's financial reporting entity is composed of the following:

Primary Government: North Harrison Community 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 Ventures

The School Corporation participates in the Harrison County Special Education Cooperative (Co-op), a joint school services program established to provide instruction for handicapped children. The Co-op's governing board consists of a member selected by each participating school corporation. Funding is provided by a federal grant and each school corporation within the County based on total operating costs (less federal funding) divided by total Average Daily Membership (ADM). Complete financial statements for the Co-op can be obtained from South Harrison Community Schools, 315 South Harrison Drive, Corydon, Indiana, 47112.

The School Corporation participates in the Charles Allen Prosser Vocational Center (Co-op), a joint school services program established to provide instruction for occupational training. The Co-op's administrative advisory committee consists of a member selected by each participating school corporation. The Co-op's administrative control is under the authority of the Board of School Trustees of the New Albany-Floyd County Consolidated School Corporation, Floyd County, Indiana. Funding is provided by each participating school corporation based on the total operating costs (less federal funding) divided by the number of students attending. Complete financial statements for the Co-op can be obtained from New Albany-Floyd County Consolidated School Corporation, 2813 Grant Line Road, New Albany, Indiana, 47150.

The School Corporation participates in the William E. Wilson Service Center (Co-op), a joint school services program established to provide programs and services which they collectively may implement. Funding is provided by each participating school corporation based on a per student charge assessed on the ADM certified to the Department of Education. Complete financial statements for the Co-op can be obtained from the William E. Wilson Education Service Center, 2101 Grace Avenue, Charlestown, Indiana, 47111.

NORTH HARRISON COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. 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.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. 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.

Additionally, the School Corporation reports the following fund types:

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

The private-purpose trust funds report trust arrangements under which principal and income benefit teachers and students.

NORTH HARRISON COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

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

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

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

NORTH HARRISON COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 6 to 10 days per year based on employment classification. Certified employees may accumulate unused sick leave to a maximum of 195 days. Noncertified employees may accumulate unused sick leave to a maximum of 70 days. Accumulated sick leave is paid to employees through cash payments upon retirement.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 5 days to 15 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

c. Personal Leave

Certified School Corporation employees earn personal leave at the rate of 3 days per year. Noncertified School Corporation employees may use a maximum of 2 sick days as personal leave 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 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 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."

NORTH HARRISON COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

E. Program Receipts

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

F. Internal and Interfund 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 reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are reported as reimbursements.
2. 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.

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.

NORTH HARRISON COMMUNITY SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

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.

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>2006</u>	<u>2007</u>
Capital Projects Fund	Transportation Operating Fund	\$ 250,000	\$ -
Capital Projects Fund	Other governmental funds	-	300,000
Debt Service Fund	Other governmental funds	-	218,160
Other governmental funds	General Fund	-	<u>6,512</u>
Totals		<u>\$ 250,000</u>	<u>\$ 524,672</u>

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

NORTH HARRISON COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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; 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.

B. Holding Corporations

The School Corporation has entered into a capital lease with North Harrison High 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 for the years ended June 30, 2006, and 2007, totaled \$1,926,559.

The School Corporation has entered into a capital lease with North Harrison Community School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments are not scheduled to begin until December 31, 2008.

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 15 years of service. Currently, 27 retirees meet these eligibility requirements. The School Corporation and retirees provide 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 \$167,203 were recognized for postemployment benefits.

D. Pension Plans

1. Agent Multiple-Employer and Single-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

NORTH HARRISON COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 147,373
Interest on net pension obligation	(6,519)
Adjustment to annual required contribution	7,428
Annual pension cost	148,282
Contributions made	123,790
Increase in net pension obligation	24,492
Net pension obligation, beginning of year	(89,912)
Net pension obligation, end of year	\$ (65,420)
 Contribution rates:	
School Corporation	6.13%
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

NORTH HARRISON COMMUNITY 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	\$ 115,690	108%	\$ (89,791)
	06-30-05	130,521	100%	(89,912)
	06-30-06	148,282	83%	(65,420)

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

NORTH HARRISON COMMUNITY 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.

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 \$197,790, \$175,953, and \$193,799, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

NORTH HARRISON COMMUNITY 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)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 2,014,224	\$ 2,202,527	\$ (188,303)	91%	\$ 2,166,609	(9%)
07-01-05	2,117,796	2,468,931	(351,135)	86%	2,188,085	(16%)
07-01-06	2,133,232	2,486,948	(353,716)	86%	2,063,652	(17%)

NORTH HARRISON COMMUNITY 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	Educational License Plates	Safe School Haven	Early Intervention Grant
Receipts:						
Local sources	\$ 14,743	\$ 501,929	\$ 202,792	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	1,013	-	-
State sources	51,049	14,239	31,333	-	-	7,993
Federal sources	-	354,718	-	-	-	-
Total receipts	<u>65,792</u>	<u>870,886</u>	<u>234,125</u>	<u>1,013</u>	<u>-</u>	<u>7,993</u>
Disbursements:						
Current:						
Instruction	73,628	-	-	-	-	7,993
Support services	-	776,268	289,600	-	963	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	<u>73,628</u>	<u>776,268</u>	<u>289,600</u>	<u>-</u>	<u>963</u>	<u>7,993</u>
Excess (deficiency) of receipts over disbursements	(7,836)	94,618	(55,475)	1,013	(963)	-
Cash and investments - beginning	87,742	199,586	92,793	1,051	963	-
Cash and investments - ending	<u>\$ 79,906</u>	<u>\$ 294,204</u>	<u>\$ 37,318</u>	<u>\$ 2,064</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 79,906	\$ 294,204	\$ 37,318	\$ 2,064	\$ -	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 79,906</u>	<u>\$ 294,204</u>	<u>\$ 37,318</u>	<u>\$ 2,064</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	79,906	294,204	37,318	2,064	-	-
Total cash and investment fund balance - ending	<u>\$ 79,906</u>	<u>\$ 294,204</u>	<u>\$ 37,318</u>	<u>\$ 2,064</u>	<u>\$ -</u>	<u>\$ -</u>

NORTH HARRISON COMMUNITY 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)

	Success By Six Camp	Harrison County Community Foundation Grant	Elementary Art Grant	Harrison County Community Foundation Grant FY 2004-05	Harrison County Substance Abuse and Prevention	Poverty Law Grant
Receipts:						
Local sources	\$ 4,000	\$ -	\$ -	\$ 10,300	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	1,100	-	-	-
Federal sources	-	-	-	-	-	-
Total receipts	4,000	-	1,100	10,300	-	-
Disbursements:						
Current:						
Instruction	1,918	8	-	1,955	-	-
Support services	2,000	-	180	9,920	-	-
Community services	-	-	-	1,310	-	172
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	3,918	8	180	13,185	-	172
Excess (deficiency) of receipts over disbursements	82	(8)	920	(2,885)	-	(172)
Cash and investments - beginning	-	101	(920)	1,655	516	172
Cash and investments - ending	<u>\$ 82</u>	<u>\$ 93</u>	<u>\$ -</u>	<u>\$ (1,230)</u>	<u>\$ 516</u>	<u>\$ -</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 82	\$ 93	\$ -	\$ (1,230)	\$ 516	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 82</u>	<u>\$ 93</u>	<u>\$ -</u>	<u>\$ (1,230)</u>	<u>\$ 516</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	82	93	-	(1,230)	516	-
Total cash and investment fund balance - ending	<u>\$ 82</u>	<u>\$ 93</u>	<u>\$ -</u>	<u>\$ (1,230)</u>	<u>\$ 516</u>	<u>\$ -</u>

NORTH HARRISON COMMUNITY 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)

	Harrison County Community Foundation Grant FY 2005-06	Gifted and Talented FY 2005-06	Gifted and Talented FY 2004-05	Non-English Speaking Program	Technology Planning Grant	School Incentive Awards
Receipts:						
Local sources	\$ 8,705	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	14,434	-	22	-	-
Federal sources	-	-	-	-	-	-
Total receipts	8,705	14,434	-	22	-	-
Disbursements:						
Current:						
Instruction	6,161	14,434	7,181	-	18,138	-
Support services	5,705	-	-	-	-	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	11,866	14,434	7,181	-	18,138	-
Excess (deficiency) of receipts over disbursements	(3,161)	-	(7,181)	22	(18,138)	-
Cash and investments - beginning	-	-	7,181	164	18,138	161
Cash and investments - ending	<u>\$ (3,161)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 186</u>	<u>\$ -</u>	<u>\$ 161</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ (3,161)	\$ -	\$ -	\$ 186	\$ -	\$ 161
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ (3,161)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 186</u>	<u>\$ -</u>	<u>\$ 161</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	(3,161)	-	-	186	-	161
Total cash and investment fund balance - ending	<u>\$ (3,161)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 186</u>	<u>\$ -</u>	<u>\$ 161</u>

NORTH HARRISON COMMUNITY 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)

	Title I FY 2004-05	Title I FY 2005-06	State Grants For Innovative Programs FY 2005-06	Safe and Drug Free Schools FY 2003-04	PL 95-166 Nutritional Grant	Math and Science Grant
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	283,361	7,397	-	-	-
Total receipts	-	283,361	7,397	-	-	-
Disbursements:						
Current:						
Instruction	23,483	163,585	9,000	-	1,109	-
Support services	17,044	66,314	1,623	3,116	-	-
Community services	154	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	812
Debt services	-	-	-	-	-	-
Total disbursements	40,681	229,899	10,623	3,116	1,109	812
Excess (deficiency) of receipts over disbursements	(40,681)	53,462	(3,226)	(3,116)	(1,109)	(812)
Cash and investments - beginning	40,681	-	10,623	6,699	1,109	812
Cash and investments - ending	\$ -	\$ 53,462	\$ 7,397	\$ 3,583	\$ -	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 53,462	\$ 7,397	\$ 3,583	\$ -	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 53,462	\$ 7,397	\$ 3,583	\$ -	\$ -
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	53,462	7,397	3,583	-	-
Total cash and investment fund balance - ending	\$ -	\$ 53,462	\$ 7,397	\$ 3,583	\$ -	\$ -

NORTH HARRISON COMMUNITY 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)

	Model Program Site Grant	Improving Teacher Quality	Education Technology Grant	Retirement/ Severance Bond Debt Service	Construction	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 569,902	\$ -	\$ 1,312,371
Intermediate sources	-	-	-	-	-	1,013
State sources	-	-	-	-	-	120,170
Federal sources	-	146,962	5,544	-	-	797,982
Total receipts	-	146,962	5,544	569,902	-	2,231,536
Disbursements:						
Current:						
Instruction	1,475	111,307	1,940	-	-	443,315
Support services	-	17,333	10,624	-	-	1,200,690
Community services	-	-	-	-	-	1,636
Nonprogrammed charges	-	-	-	-	-	812
Debt services	-	-	-	256,165	-	256,165
Total disbursements	1,475	128,640	12,564	256,165	-	1,902,618
Excess (deficiency) of receipts over disbursements	(1,475)	18,322	(7,020)	313,737	-	328,918
Cash and investments - beginning	1,766	66,745	7,264	(114,386)	28,804	459,420
Cash and investments - ending	<u>291</u>	<u>85,067</u>	<u>244</u>	<u>199,351</u>	<u>28,804</u>	<u>788,338</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 291	\$ 85,067	\$ 244	\$ -	\$ 28,804	\$ 588,987
Restricted assets:						
Cash and investments	-	-	-	199,351	-	199,351
Total cash and investment assets - ending	<u>291</u>	<u>85,067</u>	<u>244</u>	<u>199,351</u>	<u>28,804</u>	<u>788,338</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ 199,351	\$ -	\$ 199,351
Unrestricted	291	85,067	244	-	28,804	588,987
Total cash and investment fund balance - ending	<u>291</u>	<u>85,067</u>	<u>244</u>	<u>199,351</u>	<u>28,804</u>	<u>788,338</u>

NORTH HARRISON COMMUNITY 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	Rainy Day	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	Success By Six Camp
Receipts:							
Local sources	\$ 5,581	\$ -	\$ 526,969	\$ 204,926	\$ 187,943	\$ -	\$ 550
Intermediate sources	-	-	-	-	-	1,181	-
State sources	58,282	-	13,281	28,599	-	-	-
Federal sources	-	-	339,779	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	63,863	-	880,029	233,525	187,943	1,181	550
Disbursements:							
Current:							
Instruction	68,777	-	-	-	-	-	632
Support services	-	-	832,476	180,721	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	68,777	-	832,476	180,721	-	-	632
Excess (deficiency) of receipts over disbursements	(4,914)	-	47,553	52,804	187,943	1,181	(82)
Other financing sources (uses):							
Transfers in	-	500,000	-	18,160	-	-	-
Transfers out	(6,512)	-	-	-	-	-	-
Total other financing sources (uses)	(6,512)	500,000	-	18,160	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(11,426)	500,000	47,553	70,964	187,943	1,181	(82)
Cash and investments - beginning	79,906	-	294,204	37,318	-	2,064	82
Cash and investments - ending	<u>\$ 68,480</u>	<u>\$ 500,000</u>	<u>\$ 341,757</u>	<u>\$ 108,282</u>	<u>\$ 187,943</u>	<u>\$ 3,245</u>	<u>\$ -</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 68,480	\$ 500,000	\$ 341,757	\$ 108,282	\$ 187,943	\$ 3,245	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 68,480	\$ 500,000	\$ 341,757	\$ 108,282	\$ 187,943	\$ 3,245	\$ -
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	68,480	500,000	341,757	108,282	187,943	3,245	-
Total cash and investment fund balance - ending	\$ 68,480	\$ 500,000	\$ 341,757	\$ 108,282	\$ 187,943	\$ 3,245	\$ -

NORTH HARRISON COMMUNITY 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)

	Harrison County Community Foundation Grant	Harrison County Community Foundation Grant FY 2006-07	Harrison County Community Foundation Grant FY 2004-05	Harrison County Substance Abuse and Prevention	Harrison County Community Foundation Grant FY 2005-06	Gifted and Talented FY 2006-07	Non-English Speaking Program
Receipts:							
Local sources	\$ -	\$ 15,053	\$ 1,310	\$ -	\$ 7,993	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	14,434	1,577
Federal sources	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	-	15,053	1,310	-	7,993	14,434	1,577
Disbursements:							
Current:							
Instruction	-	3,634	-	-	4,832	9,417	-
Support services	93	17,314	80	516	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	93	20,948	80	516	4,832	9,417	-
Excess (deficiency) of receipts over disbursements	(93)	(5,895)	1,230	(516)	3,161	5,017	1,577
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	(93)	(5,895)	1,230	(516)	3,161	5,017	1,577
Cash and investments - beginning	93	-	(1,230)	516	(3,161)	-	186
Cash and investments - ending	\$ -	\$ (5,895)	\$ -	\$ -	\$ -	\$ 5,017	\$ 1,763
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ (5,895)	\$ -	\$ -	\$ -	\$ 5,017	\$ 1,763
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ (5,895)	\$ -	\$ -	\$ -	\$ 5,017	\$ 1,763
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	(5,895)	-	-	-	5,017	1,763
Total cash and investment fund balance - ending	\$ -	\$ (5,895)	\$ -	\$ -	\$ -	\$ 5,017	\$ 1,763

NORTH HARRISON COMMUNITY 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 Incentive Awards	Title I FY 2005-06	Title I FY 2006-07	State Grants For Innovative Programs FY 2005-06	Safe and Drug Free Schools FY 2003-04	Safe and Drug Free Schools FY 2004-05	Safe and Drug Free Schools FY 2005-06
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	310,614	3,704	-	11,476	10,577
Sale of property, adjustments and refunds	-	-	-	-	-	-	1,000
Total receipts	-	-	310,614	3,704	-	11,476	11,577
Disbursements:							
Current:							
Instruction	-	37,089	164,057	3,736	-	-	-
Support services	-	16,373	77,635	264	3,583	11,476	3,386
Debt services	-	-	-	-	-	-	-
Total disbursements	-	53,462	241,692	4,000	3,583	11,476	3,386
Excess (deficiency) of receipts over disbursements	-	(53,462)	68,922	(296)	(3,583)	-	8,191
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	-	(53,462)	68,922	(296)	(3,583)	-	8,191
Cash and investments - beginning	161	53,462	-	7,397	3,583	-	-
Cash and investments - ending	<u>\$ 161</u>	<u>\$ -</u>	<u>\$ 68,922</u>	<u>\$ 7,101</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,191</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 161	\$ -	\$ 68,922	\$ 7,101	\$ -	\$ -	\$ 8,191
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 161</u>	<u>\$ -</u>	<u>\$ 68,922</u>	<u>\$ 7,101</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,191</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	161	-	68,922	7,101	-	-	8,191
Total cash and investment fund balance - ending	<u>\$ 161</u>	<u>\$ -</u>	<u>\$ 68,922</u>	<u>\$ 7,101</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,191</u>

NORTH HARRISON COMMUNITY 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)

	Safe and Drug Free Schools FY 2006-07	Model Program Site Grant	Improving Teacher Quality	Education Technology Grant	Retirement/ Severance Bond Debt Service	Construction	Totals
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 186,350	\$ -	\$ 1,136,675
Intermediate sources	-	-	-	-	-	-	1,181
State sources	-	-	-	-	-	-	116,173
Federal sources	8,264	-	110,085	-	-	-	794,499
Sale of property, adjustments and refunds	-	-	-	-	-	-	1,000
Total receipts	8,264	-	110,085	-	186,350	-	2,049,528
Disbursements:							
Current:							
Instruction	-	291	77,946	-	-	-	370,411
Support services	-	-	7,120	244	-	2,498	1,153,779
Debt services	-	-	-	-	144,988	-	144,988
Total disbursements	-	291	85,066	244	144,988	2,498	1,669,178
Excess (deficiency) of receipts over disbursements	8,264	(291)	25,019	(244)	41,362	(2,498)	380,350
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	518,160
Transfers out	-	-	-	-	-	-	(6,512)
Total other financing sources (uses)	-	-	-	-	-	-	511,648
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	8,264	(291)	25,019	(244)	41,362	(2,498)	891,998
Cash and investments - beginning	-	291	85,067	244	199,351	28,804	788,338
Cash and investments - ending	<u>\$ 8,264</u>	<u>\$ -</u>	<u>\$ 110,086</u>	<u>\$ -</u>	<u>\$ 240,713</u>	<u>\$ 26,306</u>	<u>\$ 1,680,336</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 8,264	\$ -	\$ 110,086	\$ -	\$ -	\$ 26,306	\$ 1,439,623
Restricted assets:							
Cash and investments	-	-	-	-	240,713	-	240,713
Total cash and investment assets - ending	<u>\$ 8,264</u>	<u>\$ -</u>	<u>\$ 110,086</u>	<u>\$ -</u>	<u>\$ 240,713</u>	<u>\$ 26,306</u>	<u>\$ 1,680,336</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	240,713	\$ -	\$ 240,713
Unrestricted	8,264	-	110,086	-	-	26,306	1,439,623
Total cash and investment fund balance - ending	<u>\$ 8,264</u>	<u>\$ -</u>	<u>\$ 110,086</u>	<u>\$ -</u>	<u>\$ 240,713</u>	<u>\$ 26,306</u>	<u>\$ 1,680,336</u>

NORTH HARRISON COMMUNITY 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

	Harrison County Drug Grant FY 2006-07	ECA Clearing	Endowment Fund	Riverboat FY 2006-07	Riverboat FY 2002-03	Indiana Next Leadership Training
Additions:						
Contributions:						
Other	\$ 1,165	\$ 24,938	\$ 4,150	\$ 746,000	\$ -	\$ -
Deductions:						
Administrative and general	-	24,938	-	33,175	40,898	53
Excess (deficiency) of total additions over total deductions	1,165	-	4,150	712,825	(40,898)	(53)
Cash and investment fund balance - beginning	-	-	2,775	-	40,898	53
Cash and Investments - ending	<u>\$ 1,165</u>	<u>\$ -</u>	<u>\$ 6,925</u>	<u>\$ 712,825</u>	<u>\$ -</u>	<u>\$ -</u>
Net assets:						
Cash and investments	<u>\$ 1,165</u>	<u>\$ -</u>	<u>\$ 6,925</u>	<u>\$ 712,825</u>	<u>\$ -</u>	<u>\$ -</u>
Total net assets - cash and investment basis held in trust	<u>\$ 1,165</u>	<u>\$ -</u>	<u>\$ 6,925</u>	<u>\$ 712,825</u>	<u>\$ -</u>	<u>\$ -</u>

NORTH HARRISON COMMUNITY 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
 (Continued)

	Riverboat FY 2003-04	Riverboat FY 2005-06	Riverboat FY 2004-05	Full day Kindergarten Riverboat	Totals
Additions:					
Contributions:					
Other	\$ -	\$ -	\$ -	\$ -	\$ 776,253
Deductions:					
Administrative and general	717	318,386	283,739	176,912	878,818
Excess (deficiency) of total additions over total deductions	(717)	(318,386)	(283,739)	(176,912)	(102,565)
Cash and investment fund balance - beginning	717	682,784	464,927	511,726	1,703,880
Cash and Investments - ending	<u>\$ -</u>	<u>\$ 364,398</u>	<u>\$ 181,188</u>	<u>\$ 334,814</u>	<u>\$ 1,601,315</u>
Net assets:					
Cash and investments	<u>\$ -</u>	<u>\$ 364,398</u>	<u>\$ 181,188</u>	<u>\$ 334,814</u>	<u>\$ 1,601,315</u>
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ 364,398</u>	<u>\$ 181,188</u>	<u>\$ 334,814</u>	<u>\$ 1,601,315</u>

NORTH HARRISON COMMUNITY 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

	Harrison County Drug Grant	ECA Clearing	Endowment Fund	Riverboat FY 2006-07	Riverboat FY 2007-08
Additions:					
Contributions:					
Other	\$ -	\$ 27,039	\$ 6,000	\$ -	\$ 743,821
Deductions:					
Administrative and general	1,037	27,039	-	411,196	256,141
Excess (deficiency) of total additions over total deductions	(1,037)	-	6,000	(411,196)	487,680
Cash and investment fund balance - beginning	1,165	-	6,925	712,825	-
Cash and Investments - ending	<u>\$ 128</u>	<u>\$ -</u>	<u>\$ 12,925</u>	<u>\$ 301,629</u>	<u>\$ 487,680</u>
Net assets:					
Cash and investments	<u>\$ 128</u>	<u>\$ -</u>	<u>\$ 12,925</u>	<u>\$ 301,629</u>	<u>\$ 487,680</u>
Total net assets - cash and investment basis held in trust	<u>\$ 128</u>	<u>\$ -</u>	<u>\$ 12,925</u>	<u>\$ 301,629</u>	<u>\$ 487,680</u>

NORTH HARRISON COMMUNITY 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
 (Continued)

	Riverboat FY 2005-06	Riverboat FY 2004-05	Full day Kindergarten Riverboat	Totals
Additions:				
Contributions:				
Other	\$ -	\$ 76,984	\$ -	\$ 853,844
Deductions:				
Administrative and general	77,679	139,268	163,108	1,075,468
Excess (deficiency) of total additions over total deductions	(77,679)	(62,284)	(163,108)	(221,624)
Cash and investment fund balance - beginning	364,398	181,188	334,814	1,601,315
Cash and Investments - ending	<u>\$ 286,719</u>	<u>\$ 118,904</u>	<u>\$ 171,706</u>	<u>\$ 1,379,691</u>
Net assets:				
Cash and investments	<u>\$ 286,719</u>	<u>\$ 118,904</u>	<u>\$ 171,706</u>	<u>\$ 1,379,691</u>
Total net assets - cash and investment basis held in trust	<u>\$ 286,719</u>	<u>\$ 118,904</u>	<u>\$ 171,706</u>	<u>\$ 1,379,691</u>

NORTH HARRISON COMMUNITY SCHOOL CORPORATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended 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>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 409,096
Buildings	30,683,000
Improvements other than buildings	453,518
Machinery and equipment	<u>2,596,040</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 34,141,654</u>

NORTH HARRISON COMMUNITY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 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:		
High school building	\$ 6,740,000	\$ 1,286,000
Elementary school building	13,260,000	-
Notes and loans payable	450,000	96,563
Bonds payable:		
General obligation bonds:		
Pension bonds - retirement and severance payments	<u>4,200,000</u>	<u>297,967</u>
Total governmental activities debt	<u>\$ 24,650,000</u>	<u>\$ 1,680,530</u>

NORTH HARRISON COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

TRANSFER TUITION - CASH TUITION

Transfer Tuition Statement (Form 515) is not being prepared annually to determine the amount of transfer tuition to be charged for each class of school. The amount charged for transfer tuition (\$1,568 per year) was calculated in 1995 and was based on that particular year's budget. The rate has not been updated to reflect actual disbursements at the end of each school year.

Indiana Code 20-26-11-13(c) states in part: "Operating costs shall be determined for each class of school where a transfer student is enrolled. The operating cost for each class of school is based on the total expenditures of the transferee corporation for the class of school from its general fund expenditures as specified in the classified budget forms . . ."

Indiana Code 20-26-11-6(b) states in part: "A transfer may not be accepted unless the requesting parents or student pays transfer tuition in an amount determined under the formula established in section 13 of this chapter for the payment of transfer tuition . . ."

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

HONORS DIPLOMA - INCORRECT REPORTING TO THE STATE

The information presented for audit indicates the number of students receiving academic honors diplomas as reported by the School Corporation to the Indiana Department of Education on Form DOE-GR, Graduate Report, were incorrect for the school year ending June 30, 2005.

School Year	Grade	Academic Honors Count as Reported on DOE -GR	Actual Figures	Difference
2004-2005	12th	38	39	1

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)

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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

Telephone: (317) 232-2513
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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 NORTH HARRISON COMMUNITY
SCHOOL CORPORATION, HARRISON COUNTY, INDIANA

Compliance

We have audited the compliance of the North Harrison Community 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 its major federal programs for the years ended June 30, 2006 and 2007. The School Corporation's major federal program is 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 its major federal program 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 its major federal program 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

February 7, 2008

NORTH HARRISON COMMUNITY 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		\$ 55,392	\$ 62,305
National School Lunch Program	10.555		<u>323,452</u>	<u>344,427</u>
Total for Cluster			<u>378,844</u>	<u>406,732</u>
Pass-Through Indiana Department of Education Team Nutrition Grants FY 2005-06	10.574	CNTN-04-IN-1	<u>1,109</u>	<u>-</u>
Total for federal grantor agency			<u>379,953</u>	<u>406,732</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education Title 1 Grants to Local Educational Agencies	84.010			
FY 04-05		05-3180	40,681	-
FY 05-06		06-3180	229,899	53,462
FY 06-07		07-3180	<u>-</u>	<u>241,692</u>
Total for program			<u>270,580</u>	<u>295,154</u>
Safe and Drug Free Schools and Communities - State Grants	84.186			
FY 03-04		03-142	3,116	3,583
FY 04-05		04-357		11,476
FY 05-06		05-284	<u>-</u>	<u>3,386</u>
Total for program			<u>3,116</u>	<u>18,445</u>
State Grants for Innovative Programs	84.298			
FY 04-05		04-281	10,623	-
FY 05-06		05-178	<u>-</u>	<u>4,000</u>
Total for program			<u>10,623</u>	<u>4,000</u>
Education Technology State Grants	84.318			
FY 04-05			7,264	-
FY 05-06			<u>5,299</u>	<u>245</u>
Total for program			<u>12,563</u>	<u>245</u>
Improving Teacher Quality State Grants	84.367			
FY 04-05		04-266	103,833	-
FY 05-06		05-170	<u>24,808</u>	<u>85,066</u>
Total for program			<u>128,641</u>	<u>85,066</u>
Total for federal grantor agency			<u>425,523</u>	<u>402,910</u>
Total federal awards expended			<u>\$ 805,476</u>	<u>\$ 809,642</u>

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

NORTH HARRISON COMMUNITY SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the North Harrison Community 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	2006	2007
Child Nutrition Cluster			
Food commodities:			
School Breakfast Program	10.553	\$ 7,614	\$ 10,256
National School Lunch Program	10.555	44,563	56,697

NORTH HARRISON COMMUNITY 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
N/A	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

NORTH HARRISON COMMUNITY SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

NORTH HARRISON COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 7, 2008, with Dr. Phil Partenheimer, Superintendent of Schools; Sharon J. Hanen, Treasurer; and Ronald E. Coleman, President of the School Board. The officials concurred with our audit findings.