

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

AUDIT REPORT

OF

SALEM COMMUNITY SCHOOLS

WASHINGTON COUNTY, INDIANA

July 1, 2005 to June 30, 2007



FILED

05/22/2008

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Geneva Sue Collier	07-01-05 to 06-30-08
Superintendent of Schools	Dr. Stanley L. Bippus Dr. D. Lynn Reed	07-01-05 to 06-30-07 07-01-07 to 06-30-10
President of the School Board	Marie Lowery Steven R. Motsinger Diana A. Apple	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 SALEM COMMUNITY SCHOOLS, WASHINGTON COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Salem Community Schools (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 April 1, 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.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the School Corporation taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The 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 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 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

April 1, 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 SALEM COMMUNITY SCHOOLS, WASHINGTON COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Salem Community Schools (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 April 1, 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

April 1, 2008

SALEM COMMUNITY SCHOOLS
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>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 6,814,514	\$ -	\$ 79,484	\$ (6,735,030)
Support services	8,392,811	489,759	452,983	(7,450,069)
Community services	388	-	-	(388)
Nonprogrammed charges	913,232	-	-	(913,232)
Debt service	<u>2,011,159</u>	<u>-</u>	<u>-</u>	<u>(2,011,159)</u>
Total governmental activities	<u>\$ 18,132,104</u>	<u>\$ 489,759</u>	<u>\$ 532,467</u>	<u>(17,109,878)</u>
General receipts:				
Property taxes				6,356,874
Other local sources				1,318,059
State aid				8,725,097
Grants and contributions not restricted to specific programs				645,949
Sale of property, adjustments, and refunds				4,024
Investment earnings				<u>109,370</u>
Total general receipts				<u>17,159,373</u>
Change in net assets				49,495
Net assets - beginning				<u>5,539,281</u>
Net assets - ending				<u>\$ 5,588,776</u>
Assets				
Cash and investments				\$ 4,513,685
Restricted assets:				
Cash and investments				<u>1,075,091</u>
Total assets				<u>\$ 5,588,776</u>
Net Assets				
Restricted for:				
Debt service				\$ 1,075,091
Unrestricted				<u>4,513,685</u>
Total net assets				<u>\$ 5,588,776</u>

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

SALEM COMMUNITY SCHOOLS
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	\$ 7,438,828	\$ -	\$ 61,161	\$ (7,377,667)
Support services	8,869,020	471,504	464,764	(7,932,752)
Community services	400	-	-	(400)
Nonprogrammed charges	924,313	-	-	(924,313)
Debt service	<u>2,453,647</u>	<u>-</u>	<u>-</u>	<u>(2,453,647)</u>
Total governmental activities	<u>\$ 19,686,208</u>	<u>\$ 471,504</u>	<u>\$ 525,925</u>	<u>(18,688,779)</u>
General receipts:				
Property taxes				3,172,113
Other local sources				925,454
State aid				8,967,459
Bonds and loans				3,860,000
Grants and contributions not restricted to specific programs				644,359
Sale of property, adjustments, and refunds				123,662
Investment earnings				<u>145,646</u>
Total general receipts				<u>17,838,693</u>
Change in net assets				(850,086)
Net assets - beginning				<u>5,588,776</u>
Net assets - ending				<u>\$ 4,738,690</u>
<u>Assets</u>				
Cash and investments				\$ 3,830,318
Restricted assets:				
Cash and investments				<u>908,372</u>
Total assets				<u>\$ 4,738,690</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 908,372
Unrestricted				<u>3,830,318</u>
Total net assets				<u>\$ 4,738,690</u>

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

SALEM COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 3,212,288	\$ 679,523	\$ 2,215,435	\$ 1,106,879	\$ 220,844	\$ 838,192	\$ 8,273,161
Intermediate sources	-	-	-	-	-	900	900
State sources	8,790,517	-	-	-	-	149,534	8,940,051
Federal sources	-	-	-	-	-	963,463	963,463
Sale of property, adjustments and refunds	3,109	-	-	-	-	915	4,024
Interfund loans	-	-	430,000	350,000	-	-	780,000
Total receipts	12,005,914	679,523	2,645,435	1,456,879	220,844	1,953,004	18,961,599
Disbursements:							
Current:							
Instruction	6,065,543	-	-	-	-	748,971	6,814,514
Support services	4,855,182	661,816	-	1,373,061	222,230	1,280,522	8,392,811
Community services	-	-	-	-	-	388	388
Nonprogrammed charges	825,232	-	-	-	-	88,000	913,232
Debt services	-	109	1,807,850	-	-	203,200	2,011,159
Interfund loans	-	-	430,000	350,000	-	-	780,000
Total disbursements	11,745,957	661,925	2,237,850	1,723,061	222,230	2,321,081	18,912,104
Excess (deficiency) of receipts over disbursements	259,957	17,598	407,585	(266,182)	(1,386)	(368,077)	49,495
Other financing sources (uses):							
Transfers in	38,015	56,000	-	-	-	106,172	200,187
Transfers out	(57,188)	-	(56,000)	-	-	(86,999)	(200,187)
Total other financing sources (uses)	(19,173)	56,000	(56,000)	-	-	19,173	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	240,784	73,598	351,585	(266,182)	(1,386)	(348,904)	49,495
Cash and investments - beginning	1,998,319	150,328	710,366	1,566,565	146,867	966,836	5,539,281
Cash and investments - ending	\$ 2,239,103	\$ 223,926	\$ 1,061,951	\$ 1,300,383	\$ 145,481	\$ 617,932	\$ 5,588,776
Cash and Investment Assets - Ending							
Cash and investments	\$ 2,239,103	\$ 223,926	\$ -	\$ 1,300,383	\$ 145,481	\$ 604,792	\$ 4,513,685
Restricted assets:							
Cash and investments	-	-	1,061,951	-	-	13,140	1,075,091
Total cash and investment assets - ending	\$ 2,239,103	\$ 223,926	\$ 1,061,951	\$ 1,300,383	\$ 145,481	\$ 617,932	\$ 5,588,776
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ 1,061,951	\$ -	\$ -	\$ 13,140	\$ 1,075,091
Unrestricted	2,239,103	223,926	-	1,300,383	145,481	604,792	4,513,685
Total cash and investment fund balance - ending	\$ 2,239,103	\$ 223,926	\$ 1,061,951	\$ 1,300,383	\$ 145,481	\$ 617,932	\$ 5,588,776

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

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

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 1,676,913	\$ 338,809	\$ 1,183,679	\$ 721,987	\$ 128,359	\$ 662,947	\$ 4,712,694
Intermediate sources	783	-	-	-	-	1,238	2,021
State sources	9,014,455	-	-	-	-	251,317	9,265,772
Federal sources	-	-	-	-	-	871,973	871,973
Bonds and loans	1,800,000	350,000	800,000	700,000	90,000	120,000	3,860,000
Sale of property, adjustments and refunds	14,250	1,701	-	-	-	107,711	123,662
Total receipts	<u>12,506,401</u>	<u>690,510</u>	<u>1,983,679</u>	<u>1,421,987</u>	<u>218,359</u>	<u>2,015,186</u>	<u>18,836,122</u>
Disbursements:							
Current:							
Instruction	6,906,195	-	-	-	-	532,633	7,438,828
Support services	5,146,271	767,578	-	1,574,101	324,154	1,056,916	8,869,020
Community services	-	-	-	-	-	400	400
Nonprogrammed charges	845,140	-	-	-	-	79,173	924,313
Debt services	14,169	-	2,234,675	-	-	204,803	2,453,647
Total disbursements	<u>12,911,775</u>	<u>767,578</u>	<u>2,234,675</u>	<u>1,574,101</u>	<u>324,154</u>	<u>1,873,925</u>	<u>19,686,208</u>
Excess (deficiency) of receipts over disbursements	<u>(405,374)</u>	<u>(77,068)</u>	<u>(250,996)</u>	<u>(152,114)</u>	<u>(105,795)</u>	<u>141,261</u>	<u>(850,086)</u>
Other financing sources (uses):							
Transfers in	48,864	-	-	-	-	216,064	264,928
Transfers out	(77,269)	(9,300)	(29,046)	(10,578)	(2,452)	(136,283)	(264,928)
Total other financing sources (uses)	<u>(28,405)</u>	<u>(9,300)</u>	<u>(29,046)</u>	<u>(10,578)</u>	<u>(2,452)</u>	<u>79,781</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(433,779)</u>	<u>(86,368)</u>	<u>(280,042)</u>	<u>(162,692)</u>	<u>(108,247)</u>	<u>221,042</u>	<u>(850,086)</u>
Cash and investments - beginning	<u>2,239,103</u>	<u>223,926</u>	<u>1,061,951</u>	<u>1,300,383</u>	<u>145,481</u>	<u>617,932</u>	<u>5,588,776</u>
Cash and investments - ending	<u>\$ 1,805,324</u>	<u>\$ 137,558</u>	<u>\$ 781,909</u>	<u>\$ 1,137,691</u>	<u>\$ 37,234</u>	<u>\$ 838,974</u>	<u>\$ 4,738,690</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 1,805,324	\$ 137,558	\$ -	\$ 1,137,691	\$ 37,234	\$ 712,511	\$ 3,830,318
Restricted assets:							
Cash and investments	-	-	781,909	-	-	126,463	908,372
Total cash and investment assets - ending	<u>\$ 1,805,324</u>	<u>\$ 137,558</u>	<u>\$ 781,909</u>	<u>\$ 1,137,691</u>	<u>\$ 37,234</u>	<u>\$ 838,974</u>	<u>\$ 4,738,690</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ 781,909	\$ -	\$ -	\$ 126,463	\$ 908,372
Unrestricted	<u>1,805,324</u>	<u>137,558</u>	<u>-</u>	<u>1,137,691</u>	<u>37,234</u>	<u>712,511</u>	<u>3,830,318</u>
Total cash and investment fund balance - ending	<u>\$ 1,805,324</u>	<u>\$ 137,558</u>	<u>\$ 781,909</u>	<u>\$ 1,137,691</u>	<u>\$ 37,234</u>	<u>\$ 838,974</u>	<u>\$ 4,738,690</u>

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

SALEM COMMUNITY SCHOOLS
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	\$ -	\$ 17,242
Deductions:		
Administrative and general	-	20,185
Deficiency of total additions over total deductions	-	(2,943)
Cash and investment fund balance - beginning	106,868	50,886
Cash and investment fund balance - ending	\$ 106,868	\$ 47,943
Net assets:		
Cash and investments	\$ 106,868	\$ 47,943
Total net assets - cash and investment basis held in trust	\$ 106,868	\$ 47,943

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

SALEM COMMUNITY SCHOOLS
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	\$ -	\$ 17,497
Deductions:		
Administrative and general	<u>106,868</u>	<u>25,514</u>
Deficiency of total additions over total deductions	(106,868)	(8,017)
Cash and investment fund balance - beginning	<u>106,868</u>	<u>47,943</u>
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 39,926</u>
Net assets:		
Cash and investments	\$ -	\$ 39,926
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ 39,926</u>

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

SALEM COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

Primary Government: Salem Community Schools

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

Joint Ventures

The School Corporation participates in the William E. Wilson Education Center (Co-op), a joint school services program established to provide programs and services which they collectively may implement. The Co-op's governing board consists of a member selected by each participating school corporation. Funding is provided by each participating school corporation based on a per student charge assessed on the ADM certified to the Department of Education. Financial information for the Co-op may be obtained from the administrative office at 2101 Grace Avenue, Charlestown, IN 47111.

The School Corporation participates in the Prosser Vocational School Cooperative (Cooperative), a joint venture to provide students with vocational training. The School Corporation is obligated by contract to remit annually proportionate share of the costs based on Salem Community School students participating in the Cooperative. Complete financial statements for the Prosser Vocational School Cooperative can be obtained from the New Albany-Floyd County Consolidated School Corporation at 2813 Grant Line Road, New Albany, IN 47150.

The School Corporation is a participant with five other school corporations in a joint venture to operate the South Central Area Special Education Cooperative (Cooperative). The Cooperative was created to provide instruction for handicapped children. The School Corporation is obligated for the debts of the South Central Area Special Education Cooperative. Complete financial statements for the South Central Area Special Education Cooperative can be obtained from the administrative office at 600 Elm Street, Suite 2, Paoli, IN 47454.

SALEM COMMUNITY SCHOOLS
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 payments to employees on or after the termination of employment or to pay post-retirement or severance benefits held by the School Corporation in a trustee capacity.

The private-purpose trust funds report a trust arrangements under which principal and income benefit the School Corporation's employees and students.

SALEM COMMUNITY SCHOOLS
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.

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 proprietary funds.

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

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

SALEM COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Compensated Absences

a. Sick Leave

Certified and noncertified employees earn sick leave at the rate of 11 days during the first year of employment and 10 days each succeeding year. Cafeteria employees earn sick leave at the rate of 6 days per school year. Unused sick leave may be accumulated to a maximum of 194 days, 175 days, and 50 days for certified, noncertified and cafeteria employees, respectively. 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

School Corporation employees earn personal leave at the rate of 3 days per year. Unused personal leave may be accumulated to a maximum of 5 days for certified employees and 3 days for noncertified employees. Unused personal leave converts to sick leave.

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 are 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.

SALEM COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 Statements 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 Statements of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

Budgetary Information

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

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following 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.

SALEM COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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>2005-2006</u>	<u>2006-2007</u>
General Fund	Other governmental funds	\$ 57,188	\$ 77,269
Transportation Operating Fund	Other governmental funds	-	9,300
Debt Service Fund	Transportation Operating Fund	56,000	-
Debt Service Fund	Other governmental funds	-	29,046
Capital Project Fund	Other governmental funds	-	10,578
School Bus Replacement Fund	Other governmental funds	-	2,452
Other governmental funds	General Fund	38,015	48,864
Other governmental funds	Other governmental funds	48,984	87,419
Totals		<u>\$ 200,187</u>	<u>\$ 264,928</u>

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

IV. Other Information

A. Risk Management

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

SALEM COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 leases with the Salem Elementary School Building Corporation, the Salem Middle School Building Corporation, and the Salem High School Building Corporation (the lessors). The lessors were organized as a not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. Lease payments during the audit period totaled \$4,030,725.

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment benefits as follows:

1. Certified Employees

Health Insurance: The School Corporation provides 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 20 years of service. Currently, 11 retirees meet these eligibility requirements. The School Corporation provides up to \$2,020 per eligible retiree towards postemployment health insurance benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2007, disbursements of \$22,220 were recognized for postemployment health insurance benefits.

Severance Benefits: The School Corporation provides postemployment severance benefits to eligible employees. Currently, 8 retirees are eligible and receiving these benefits. This benefit is calculated as follows:

- a. \$75 for each full year of service with the School Corporation, plus,
- b. \$70 for each day of accumulated sick leave remaining in his/her account at the end of the retiring school year, plus,
- c. 10% of the teacher's last contract salary.

During the year ended June 30, 2007, disbursements of \$36,146 were recognized as post employment severance benefits.

Early Retirement Incentive Benefits: The School Corporation provided postemployment early retirement incentive benefits to eligible employees. Currently 11 retirees are eligible and receiving these benefits. This benefit is calculated as follows:

- a. A stipend equal to \$4,500 per year.
- b. The early retirement window closes for an early retiree when that early retiree becomes eligible for reduced social security and Medicare benefits.

SALEM COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

During the year ended June 30, 2007, disbursements of \$49,500 were recognized as post-employment early retirement incentive benefits.

2. Noncertified Employees

Severance Benefits: The School Corporation provides postemployment severance benefits to eligible employees. Currently, 6 employees are eligible and receiving these benefits. This benefit is calculated as follows:

- a. \$45 for each full year of service with the School Corporation, plus,
- b. \$45 for each day of accumulated sick leave remaining in his/her account at the end of the retiring school year, plus,
- c. 10% of his/her last yearly salary.

During the year ended June 30, 2007, disbursements of \$22,673 were recognized as post-employment severance benefits for noncertified employees.

D. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

SALEM COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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	\$ 180,069
Interest on net pension obligation	(8,664)
Adjustment to annual required contribution	9,873
Annual pension cost	181,278
Contributions made	150,392
Increase in net pension obligation	30,886
Net pension obligation, beginning of year	(119,500)
Net pension obligation, end of year	\$ (88,614)
Contribution rates:	
School Corporation	7.38%
Plan members	3%
Actuarial valuation date	07-01-06
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

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

SALEM COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 108,982	118%	\$ (86,174)
	06-30-05	118,913	128%	(119,500)
	06-30-06	181,278	83%	(88,614)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Costs

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

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 \$248,631, \$208,986, and \$196,177, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

SALEM COMMUNITY SCHOOLS
 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	\$ 1,197,685	\$ 1,580,668	\$ (382,983)	76%	\$ 1,720,800	(22%)
07-01-05	1,319,674	2,182,749	(863,075)	60%	2,091,797	(41%)
07-01-06	1,581,248	2,049,883	(468,635)	77%	1,897,358	(25%)

SALEM COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006

	Special Education Preschool	School Lunch	Textbook Rental	Education License Plates	Alternative Education	Safe Haven Grant	Gifted and Talented
Receipts:							
Local sources	\$ 10,111	\$ 377,867	\$ 112,295	\$ -	\$ 60,004	\$ -	\$ -
Intermediate sources	-	-	-	900	-	-	-
State sources	61,739	10,802	40,373	-	15,583	-	14,068
Federal sources	-	401,566	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	915	-	-	-	-
Total receipts	71,850	790,235	153,583	900	75,587	-	14,068
Disbursements:							
Current:							
Instruction	-	-	-	-	113,731	-	10,716
Support services	-	705,529	190,273	268	19,044	1,000	80
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	88,000	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	88,000	705,529	190,273	268	132,775	1,000	10,796
Excess (deficiency) of receipts over disbursements	(16,150)	84,706	(36,690)	632	(57,188)	(1,000)	3,272
Other financing sources (uses):							
Transfers in	-	-	-	-	57,188	-	-
Transfers out	-	(32,262)	-	-	-	-	(3,249)
Total other financing sources (uses)	-	(32,262)	-	-	57,188	-	(3,249)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(16,150)	52,444	(36,690)	632	-	(1,000)	23
Cash and investments - beginning	45,841	132,780	141,918	-	-	1,000	4,370
Cash and investments - ending	\$ 29,691	\$ 185,224	\$ 105,228	\$ 632	\$ -	\$ -	\$ 4,393
Cash and Investment Assets - Ending							
Cash and investments	\$ 29,691	\$ 185,224	\$ 105,228	\$ 632	\$ -	\$ -	\$ 4,393
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 29,691	\$ 185,224	\$ 105,228	\$ 632	\$ -	\$ -	\$ 4,393
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	29,691	185,224	105,228	632	-	-	4,393
Total cash and investment fund balance - ending	\$ 29,691	\$ 185,224	\$ 105,228	\$ 632	\$ -	\$ -	\$ 4,393

SALEM COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Principals Leadership Grant	MS After School Drug Program	Medicaid Reimbursement	NRA Foundation Grant	Non-English Speaking Grant	School Technology	Technology Planning Grant
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	6,730	91	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	-	6,730	91	-	-	-	-
Disbursements:							
Current:							
Instruction	-	1,893	-	-	-	-	-
Support services	-	7,678	-	-	-	-	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	-	9,571	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	-	(2,841)	91	-	-	-	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	(2,504)	-	-	-	-
Total other financing sources (uses)	-	-	(2,504)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(2,841)	(2,413)	-	-	-	-
Cash and investments - beginning	160	28,708	7,462	364	112	449	127
Cash and investments - ending	\$ 160	\$ 25,867	\$ 5,049	\$ 364	\$ 112	\$ 449	\$ 127
Cash and Investment Assets - Ending							
Cash and investments	\$ 160	\$ 25,867	\$ 5,049	\$ 364	\$ 112	\$ 449	\$ 127
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 160	\$ 25,867	\$ 5,049	\$ 364	\$ 112	\$ 449	\$ 127
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	160	25,867	5,049	364	112	449	127
Total cash and investment fund balance - ending	\$ 160	\$ 25,867	\$ 5,049	\$ 364	\$ 112	\$ 449	\$ 127

SALEM COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Cinergy Basic Grant Implementation	Cinergy Basic Grant FY 2005-2006	Title 1 FY 2004-2005	Title 1 FY 2005-2006	Innovative Programs	Title 1, Part A
Receipts:						
Local sources	\$ -	\$ 21,500	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	32,000	319,420	7,107	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	-	21,500	32,000	319,420	7,107	-
Disbursements:						
Current:						
Instruction	-	-	33,145	217,038	4,906	-
Support services	491	971	2,895	45,309	39,970	-
Community services	-	-	-	388	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	491	971	36,040	262,735	44,876	-
Excess (deficiency) of receipts over disbursements	(491)	20,529	(4,040)	56,685	(37,769)	-
Other financing sources (uses):						
Transfers in	-	-	-	5,984	43,000	-
Transfers out	-	-	(5,984)	-	-	-
Total other financing sources (uses)	-	-	(5,984)	5,984	43,000	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(491)	20,529	(10,024)	62,669	5,231	-
Cash and investments - beginning	3,986	-	10,024	-	37,130	6,632
Cash and investments - ending	<u>\$ 3,495</u>	<u>\$ 20,529</u>	<u>\$ -</u>	<u>\$ 62,669</u>	<u>\$ 42,361</u>	<u>\$ 6,632</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 3,495	\$ 20,529	\$ -	\$ 62,669	\$ 42,361	\$ 6,632
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 3,495</u>	<u>\$ 20,529</u>	<u>\$ -</u>	<u>\$ 62,669</u>	<u>\$ 42,361</u>	<u>\$ 6,632</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	3,495	20,529	-	62,669	42,361	6,632
Total cash and investment fund balance - ending	<u>\$ 3,495</u>	<u>\$ 20,529</u>	<u>\$ -</u>	<u>\$ 62,669</u>	<u>\$ 42,361</u>	<u>\$ 6,632</u>

SALEM COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Serve America	Drug Free Schools SY 2003-2004	Drug Free Schools	Health Careers Grant	Miscellaneous Reimbursement	Disaster Grant
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	148	-
Federal sources	-	-	6,392	32,428	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>-</u>	<u>6,392</u>	<u>32,428</u>	<u>148</u>	<u>-</u>
Disbursements:						
Current:						
Instruction	-	-	-	27,239	-	-
Support services	-	2,061	4,858	5,189	12,503	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>2,061</u>	<u>4,858</u>	<u>32,428</u>	<u>12,503</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(2,061)</u>	<u>1,534</u>	<u>-</u>	<u>(12,355)</u>	<u>-</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>(2,061)</u>	<u>1,534</u>	<u>-</u>	<u>(12,355)</u>	<u>-</u>
Cash and investments - beginning	<u>80</u>	<u>2,061</u>	<u>6,392</u>	<u>-</u>	<u>12,355</u>	<u>5,426</u>
Cash and investments - ending	<u>\$ 80</u>	<u>\$ -</u>	<u>\$ 7,926</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,426</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 80	\$ -	\$ 7,926	\$ -	\$ -	\$ 5,426
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 80</u>	<u>\$ -</u>	<u>\$ 7,926</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,426</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	80	-	7,926	-	-	5,426
Total cash and investment fund balance - ending	<u>\$ 80</u>	<u>\$ -</u>	<u>\$ 7,926</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,426</u>

SALEM COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Improving Teacher Quality Grants	Education Technology Grants	Retirement Bond	High School Construction	Middle School Construction	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ 204,761	\$ -	\$ 51,654	\$ 838,192
Intermediate sources	-	-	-	-	-	900
State sources	-	-	-	-	-	149,534
Federal sources	157,795	6,755	-	-	-	963,463
Sale of property, adjustments and refunds	-	-	-	-	-	915
Total receipts	157,795	6,755	204,761	-	51,654	1,953,004
Disbursements:						
Current:						
Instruction	57,585	-	-	-	282,718	748,971
Support services	25,546	17,598	-	1,100	198,159	1,280,522
Community services	-	-	-	-	-	388
Nonprogrammed charges	-	-	-	-	-	88,000
Debt services	-	-	203,200	-	-	203,200
Total disbursements	83,131	17,598	203,200	1,100	480,877	2,321,081
Excess (deficiency) of receipts over disbursements	74,664	(10,843)	1,561	(1,100)	(429,223)	(368,077)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	106,172
Transfers out	(43,000)	-	-	-	-	(86,999)
Total other financing sources (uses)	(43,000)	-	-	-	-	19,173
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	31,664	(10,843)	1,561	(1,100)	(429,223)	(348,904)
Cash and investments - beginning	67	24,689	11,579	1,604	481,520	966,836
Cash and investments - ending	\$ 31,731	\$ 13,846	\$ 13,140	\$ 504	\$ 52,297	\$ 617,932
Cash and Investment Assets - Ending						
Cash and investments	\$ 31,731	\$ 13,846	\$ -	\$ 504	\$ 52,297	\$ 604,792
Restricted assets:						
Cash and investments	-	-	13,140	-	-	13,140
Total cash and investment assets - ending	\$ 31,731	\$ 13,846	\$ 13,140	\$ 504	\$ 52,297	\$ 617,932
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ 13,140	\$ -	\$ -	\$ 13,140
Unrestricted	31,731	13,846	-	504	52,297	604,792
Total cash and investment fund balance - ending	\$ 31,731	\$ 13,846	\$ 13,140	\$ 504	\$ 52,297	\$ 617,932

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

	Special Education Preschool	School Lunch	Textbook Rental	Levy Excess	Education License Plates	Alternative Education
Receipts:						
Local sources	\$ 4,958	\$ 356,174	\$ 115,756	\$ -	\$ -	\$ 69,043
Intermediate sources	-	-	-	-	1,238	-
State sources	50,850	10,611	47,301	-	-	36,214
Federal sources	-	406,853	-	-	-	-
Bonds and loans	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	843	-	-	-
Total receipts	55,808	773,638	163,900	-	1,238	105,257
Disbursements:						
Current:						
Instruction	-	-	-	-	-	128,621
Support services	-	722,180	117,997	-	-	20,572
Community services	-	-	-	-	-	-
Nonprogrammed charges	79,173	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	79,173	722,180	117,997	-	-	149,193
Excess (deficiency) of receipts over disbursements	(23,365)	51,458	45,903	-	1,238	(43,936)
Other financing sources (uses):						
Transfers in	-	-	-	91,379	-	43,936
Transfers out	(6,326)	(29,889)	-	-	-	-
Total other financing sources (uses)	(6,326)	(29,889)	-	91,379	-	43,936
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(29,691)	21,569	45,903	91,379	1,238	-
Cash and investments - beginning	29,691	185,224	105,228	-	632	-
Cash and investments - ending	\$ -	\$ 206,793	\$ 151,131	\$ 91,379	\$ 1,870	\$ -
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ 206,793	\$ 151,131	\$ 91,379	\$ 1,870	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 206,793	\$ 151,131	\$ 91,379	\$ 1,870	\$ -
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	206,793	151,131	91,379	1,870	-
Total cash and investment fund balance - ending	\$ -	\$ 206,793	\$ 151,131	\$ 91,379	\$ 1,870	\$ -

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

	Gifted and Talented	Principals Leadership Grant	MS After School Drug Program	Medicaid Reimbursement	NRA Foundation Grant	Non-English Speaking Grant
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	14,068	-	-	-	3,600	98
Federal sources	-	-	-	-	-	-
Bonds and loans	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	14,068	-	-	-	3,600	98
Disbursements:						
Current:						
Instruction	14,267	-	1,485	-	2,004	46
Support services	58	-	7,511	-	-	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	14,325	-	8,996	-	2,004	46
Excess (deficiency) of receipts over disbursements	(257)	-	(8,996)	-	1,596	52
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	(155)	-	-	-	-	-
Total other financing sources (uses)	(155)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(412)	-	(8,996)	-	1,596	52
Cash and investments - beginning	4,393	160	25,867	5,049	364	112
Cash and investments - ending	<u>\$ 3,981</u>	<u>\$ 160</u>	<u>\$ 16,871</u>	<u>\$ 5,049</u>	<u>\$ 1,960</u>	<u>\$ 164</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 3,981	\$ 160	\$ 16,871	\$ 5,049	\$ 1,960	\$ 164
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 3,981</u>	<u>\$ 160</u>	<u>\$ 16,871</u>	<u>\$ 5,049</u>	<u>\$ 1,960</u>	<u>\$ 164</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>3,981</u>	<u>160</u>	<u>16,871</u>	<u>5,049</u>	<u>1,960</u>	<u>164</u>
Total cash and investment fund balance - ending	<u>\$ 3,981</u>	<u>\$ 160</u>	<u>\$ 16,871</u>	<u>\$ 5,049</u>	<u>\$ 1,960</u>	<u>\$ 164</u>

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

	School Technology	Technology Planning Grant	Cinergy Basic Grant Implementation	Cinergy Basic Grant FY 2005-2006	Title 1 FY 2005-2006	Title 1 FY 2006-2007
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	88,575	-	-	-	-
Federal sources	-	-	-	-	-	311,656
Bonds and loans	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	-	88,575	-	-	-	311,656
Disbursements:						
Current:						
Instruction	-	-	-	-	22,953	254,066
Support services	-	50,667	368	6,471	1,967	50,416
Community services	-	-	-	-	-	400
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	-	50,667	368	6,471	24,920	304,882
Excess (deficiency) of receipts over disbursements	-	37,908	(368)	(6,471)	(24,920)	6,774
Other financing sources (uses):						
Transfers in	-	-	-	-	-	37,749
Transfers out	(449)	(127)	-	-	(37,749)	-
Total other financing sources (uses)	(449)	(127)	-	-	(37,749)	37,749
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(449)	37,781	(368)	(6,471)	(62,669)	44,523
Cash and investments - beginning	449	127	3,495	20,529	62,669	-
Cash and investments - ending	<u>\$ -</u>	<u>\$ 37,908</u>	<u>\$ 3,127</u>	<u>\$ 14,058</u>	<u>\$ -</u>	<u>\$ 44,523</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ 37,908	\$ 3,127	\$ 14,058	\$ -	\$ 44,523
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 37,908</u>	<u>\$ 3,127</u>	<u>\$ 14,058</u>	<u>\$ -</u>	<u>\$ 44,523</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	37,908	3,127	14,058	-	44,523
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 37,908</u>	<u>\$ 3,127</u>	<u>\$ 14,058</u>	<u>\$ -</u>	<u>\$ 44,523</u>

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

	Innovative Programs	Title 1, Part A	Serve America	Drug Free Schools	Health Careers Grant	Disaster Grant
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	3,507	-	-	20,307	34,740	-
Bonds and loans	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	3,507	-	-	20,307	34,740	-
Disbursements:						
Current:						
Instruction	-	-	-	1,300	24,170	-
Support services	(1,123)	-	-	11,233	10,570	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	(1,123)	-	-	12,533	34,740	-
Excess (deficiency) of receipts over disbursements	4,630	-	-	7,774	-	-
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	(43,000)	(6,632)	-	(3,500)	-	(5,426)
Total other financing sources (uses)	(43,000)	(6,632)	-	(3,500)	-	(5,426)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(38,370)	(6,632)	-	4,274	-	(5,426)
Cash and investments - beginning	42,361	6,632	80	7,926	-	5,426
Cash and investments - ending	\$ 3,991	\$ -	\$ 80	\$ 12,200	\$ -	\$ -
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 3,991	\$ -	\$ 80	\$ 12,200	\$ -	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 3,991	\$ -	\$ 80	\$ 12,200	\$ -	\$ -
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	3,991	-	80	12,200	-	-
Total cash and investment fund balance - ending	\$ 3,991	\$ -	\$ 80	\$ 12,200	\$ -	\$ -

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

	Improving Teacher Quality Grants	Education Technology Grants	Retirement Bond	High School Construction	Middle School Construction	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ 94,288	\$ -	\$ 22,728	\$ 662,947
Intermediate sources	-	-	-	-	-	1,238
State sources	-	-	-	-	-	251,317
Federal sources	94,910	-	-	-	-	871,973
Bonds and loans	-	-	120,000	-	-	120,000
Sale of property, adjustments and refunds	-	-	106,868	-	-	107,711
	<u>94,910</u>	<u>-</u>	<u>321,156</u>	<u>-</u>	<u>22,728</u>	<u>2,015,186</u>
Disbursements:						
Current:						
Instruction	83,244	-	-	-	477	532,633
Support services	20,720	7,826	-	504	28,979	1,056,916
Community services	-	-	-	-	-	400
Nonprogrammed charges	-	-	-	-	-	79,173
Debt services	-	-	204,803	-	-	204,803
	<u>103,964</u>	<u>7,826</u>	<u>204,803</u>	<u>504</u>	<u>29,456</u>	<u>1,873,925</u>
Excess (deficiency) of receipts over disbursements	<u>(9,054)</u>	<u>(7,826)</u>	<u>116,353</u>	<u>(504)</u>	<u>(6,728)</u>	<u>141,261</u>
Other financing sources (uses):						
Transfers in	43,000	-	-	-	-	216,064
Transfers out	-	-	(3,030)	-	-	(136,283)
	<u>43,000</u>	<u>-</u>	<u>(3,030)</u>	<u>-</u>	<u>-</u>	<u>79,781</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	33,946	(7,826)	113,323	(504)	(6,728)	221,042
Cash and investments - beginning	<u>31,731</u>	<u>13,846</u>	<u>13,140</u>	<u>504</u>	<u>52,297</u>	<u>617,932</u>
Cash and investments - ending	<u>\$ 65,677</u>	<u>\$ 6,020</u>	<u>\$ 126,463</u>	<u>\$ -</u>	<u>\$ 45,569</u>	<u>\$ 838,974</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 65,677	\$ 6,020	\$ -	\$ -	\$ 45,569	\$ 712,511
Restricted assets:						
Cash and investments	-	-	126,463	-	-	126,463
Total cash and investment assets - ending	<u>\$ 65,677</u>	<u>\$ 6,020</u>	<u>\$ 126,463</u>	<u>\$ -</u>	<u>\$ 45,569</u>	<u>\$ 838,974</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ 126,463	\$ -	\$ -	\$ 126,463
Unrestricted	<u>65,677</u>	<u>6,020</u>	<u>-</u>	<u>-</u>	<u>45,569</u>	<u>712,511</u>
Total cash and investment fund balance - ending	<u>\$ 65,677</u>	<u>\$ 6,020</u>	<u>\$ 126,463</u>	<u>\$ -</u>	<u>\$ 45,569</u>	<u>\$ 838,974</u>

SALEM COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2006

	CAPE Grant	STC Guidance	Substance Abuse Support Group	School Safety Commission	Reading is Fundamental	Community Recognition Program	Washington County Foundation Grants	Totals
Additions:								
Contributions:								
Other	\$ -	\$ 12,000	\$ -	\$ -	\$ -	\$ -	\$ 5,242	\$ 17,242
Deductions:								
Administrative and general	8,955	7,420	-	-	-	40	3,770	20,185
Excess (deficiency) of total additions over total deductions	(8,955)	4,580	-	-	-	(40)	1,472	(2,943)
Cash and investment fund balance - beginning	46,939	-	1,050	2,000	44	169	684	50,886
Cash and Investments - ending	<u>\$ 37,984</u>	<u>\$ 4,580</u>	<u>\$ 1,050</u>	<u>\$ 2,000</u>	<u>\$ 44</u>	<u>\$ 129</u>	<u>\$ 2,156</u>	<u>\$ 47,943</u>
Net assets:								
Cash and investments	<u>\$ 37,984</u>	<u>\$ 4,580</u>	<u>\$ 1,050</u>	<u>\$ 2,000</u>	<u>\$ 44</u>	<u>\$ 129</u>	<u>\$ 2,156</u>	<u>\$ 47,943</u>
Total net assets - cash and investment basis held in trust	<u>\$ 37,984</u>	<u>\$ 4,580</u>	<u>\$ 1,050</u>	<u>\$ 2,000</u>	<u>\$ 44</u>	<u>\$ 129</u>	<u>\$ 2,156</u>	<u>\$ 47,943</u>

SALEM COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007

	CAPE Grant	STC Guidance	Substance Abuse Support Group	School Safety Commission	Reading is Fundamental	Community Recognition Program	McDonald's Grant	Beck's Mill Grant	Washington County Foundation Grants	Totals
Additions:										
Contributions:										
Other	\$ -	\$ 13,500	\$ -	\$ -	\$ -	\$ -	\$ 500	\$ 1,800	\$ 1,697	\$ 17,497
Deductions:										
Administrative and general	3,940	13,500	1,050	2,000	-	129	500	1,800	2,595	25,514
Deficiency of total additions over total deductions	(3,940)	-	(1,050)	(2,000)	-	(129)	-	-	(898)	(8,017)
Cash and investment fund balance - beginning	37,984	4,580	1,050	2,000	44	129	-	-	2,156	47,943
Cash and Investments - ending	<u>\$ 34,044</u>	<u>\$ 4,580</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,258</u>	<u>\$ 39,926</u>
Net assets:										
Cash and investments	\$ 34,044	\$ 4,580	\$ -	\$ -	\$ 44	\$ -	\$ -	\$ -	\$ 1,258	\$ 39,926
Total net assets - cash and investment basis held in trust	<u>\$ 34,044</u>	<u>\$ 4,580</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,258</u>	<u>\$ 39,926</u>

SALEM COMMUNITY SCHOOLS
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

June 30, 2007

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

There were no general infrastructure assets acquired during the current audit period. The School Corporation has chosen not to implement retroactive reporting of general infrastructure assets.

	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 643,161
Buildings	21,403,108
Improvements other than buildings	987,680
Machinery and equipment	<u>2,952,359</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 25,986,308</u>

SALEM COMMUNITY SCHOOLS
 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:		
Elementary school facilities	\$ 595,000	\$ 181,000
Middle school facilities	9,270,000	739,000
High school facilities	10,235,000	1,038,500
Dodge caravans	29,703	10,290
Chevrolet malibu	14,162	5,167
Loan payable	504,842	45,462
Bonds payable:		
General obligation bonds:		
Pension bonds (retirement/severance)	<u>1,835,000</u>	<u>310,865</u>
Total governmental activities debt	<u>\$ 22,483,707</u>	<u>\$ 2,330,284</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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

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

TO: THE OFFICIALS OF THE SALEM COMMUNITY SCHOOLS, WASHINGTON COUNTY, INDIANA

Compliance

We have audited the compliance of the Salem Community Schools (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 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 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

April 1, 2008

SALEM COMMUNITY SCHOOLS
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.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553			
FY 05-06		06-8205	\$ 50,633	\$ -
FY 06-07		07-8205	-	52,458
Total for program			<u>50,633</u>	<u>52,458</u>
National School Lunch Program	10.555			
FY 05-06		06-8205	271,592	-
FY 06-07		07-8205	-	277,369
Total for program			<u>271,592</u>	<u>277,369</u>
Total for cluster			<u>322,225</u>	<u>329,827</u>
Fresh Fruit and Vegetable Program	10.582			
FY 05-06		06-8205	106,298	-
FY 06-07		07-8205	-	100,801
Total for program			<u>106,298</u>	<u>100,801</u>
Total for federal grantor agency			<u>428,523</u>	<u>430,628</u>
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies				
FY 04-05	84.010	05-8205	2,895	-
FY 05-06		06-8205	262,735	24,920
FY 06-07		07-8205	-	304,882
Total for program			<u>265,630</u>	<u>329,802</u>
Safe and Drug Free Schools and Communities - State Grants	84.186			
FY 03-04		03-080	2,061	-
FY 04-05		04-146	4,858	7,926
FY 05-06		05-296	-	8,107
Total for program			<u>6,919</u>	<u>16,033</u>
Pass-Through Indiana Department of Workforce Development				
Tech-Prep Education				
FY 04-05	84.243	TP-4-202	21,362	-
FY 05-06		TP-5-202	11,066	28,816
FY 06-07		TP-6-202	-	5,924
Total for program			<u>32,428</u>	<u>34,740</u>
Pass-Through Indiana Department of Education				
State Grants for Innovative Programs				
FY 03-04	84.298	03-318	26,626	-
FY 04-05		04-121	10,504	-
FY 05-06		05-182	-	6,623
Total for program			<u>37,130</u>	<u>6,623</u>
Education Technology State Grants	84.318			
FY 03-04			15,825	-
FY 04-05			1,773	7,091
FY 05-06			-	735
Total for program			<u>17,598</u>	<u>7,826</u>
Improving Teacher Quality State Grants	84.367			
FY 03-04		03-278	67	-
FY 04-05		04-348	83,064	26,731
FY 05-06		05-278	-	77,233
Total for program			<u>83,131</u>	<u>103,964</u>
Total for federal grantor agency			<u>442,836</u>	<u>498,988</u>
Total federal awards expended			<u>\$ 871,359</u>	<u>\$ 929,616</u>

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

SALEM COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Salem Community Schools (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	\$ 4,236	\$ 3,781
National School Lunch Program	10.555	22,721	19,994

SALEM COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	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 Program:

Name of Federal Program or Cluster

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.

SALEM COMMUNITY SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

SALEM COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on April 1, 2008, with Dr. D. Lynn Reed, Superintendent of Schools; Dr. Kim A. Thurston, Assistant Superintendent; Geneva Sue Collier, Treasurer; and Diana A. Apple, President of the School Board. Our audit disclosed no material items that warrant comment at this time.