

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

AUDIT REPORT

OF

SOUTH ADAMS SCHOOLS

ADAMS COUNTY, INDIANA

July 1, 2006 to June 30, 2008



FILED

03/24/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jay R. Lahr Rebecca Biberstein	07-01-06 to 03-11-08 03-12-08 to 06-30-09
Superintendent of Schools	Cathy Egolf	07-01-06 to 06-30-09
President of the School Board	Tony Mellencamp	07-01-06 to 06-30-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE SOUTH ADAMS SCHOOLS, ADAMS COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Adams Schools (School Corporation), as of and for the years ended June 30, 2007 and 2008, 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 pre-scribed 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, 2007 and 2008, 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 March 3, 2009, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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 accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the

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

U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

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

STATE BOARD OF ACCOUNTS

March 3, 2009



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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 SOUTH ADAMS SCHOOLS, ADAMS COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Adams Schools (School Corporation), as of and for the years ended June 30, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated March 3, 2009. 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.

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

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

March 3, 2009

SOUTH ADAMS 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>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	\$ 6,198,224	\$ -	\$ 48,136	\$ (6,150,088)
Support services	5,582,100	280,794	208,637	(5,092,669)
Community services	138,243	-	-	(138,243)
Nonprogrammed charges	1,126,383	-	-	(1,126,383)
Debt service	428,505	-	-	(428,505)
Total governmental activities	<u>\$ 13,473,455</u>	<u>\$ 280,794</u>	<u>\$ 256,773</u>	<u>(12,935,888)</u>
General receipts:				
Property taxes				5,109,576
Other local sources				965,041
State aid				5,739,835
Grants and contributions not restricted to specific programs				1,253,867
Sale of property, adjustments, and refunds				13,453
Investment earnings				193,792
Total general receipts				<u>13,275,564</u>
Change in net assets				339,676
Net assets - beginning				<u>4,912,367</u>
Net assets - ending				<u>\$ 5,252,043</u>
Assets				
Cash and investments				\$ 5,006,699
Restricted assets:				
Cash and investments				<u>245,344</u>
Total assets				<u>\$ 5,252,043</u>
Net Assets				
Restricted for:				
Debt service				\$ 245,344
Unrestricted				<u>5,006,699</u>
Total net assets				<u>\$ 5,252,043</u>

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

SOUTH ADAMS SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
		Charges for Services	Operating Grants and Contributions	<u>Totals</u>
Governmental activities:				
Instruction	\$ 6,739,780	\$ -	\$ 153,813	\$ (6,585,967)
Support services	5,665,056	288,012	234,224	(5,142,820)
Community services	141,617	-	-	(141,617)
Nonprogrammed charges	722,865	-	-	(722,865)
Debt service	430,027	-	-	(430,027)
	<u>\$ 13,699,345</u>	<u>\$ 288,012</u>	<u>\$ 388,037</u>	<u>(13,023,296)</u>
Total governmental activities				
General receipts:				
Property taxes				2,630,670
Other local sources				534,349
State aid				5,509,767
Bonds and loans				1,675,000
Grants and contributions not restricted to specific programs				1,116,344
Sale of property, adjustments, and refunds				80,780
Investment earnings				99,916
				<u>11,646,826</u>
Total general receipts				
Change in net assets				(1,376,470)
Net assets - beginning				<u>5,252,043</u>
Net assets - ending				<u>\$ 3,875,573</u>
<u>Assets</u>				
Cash and investments				\$ 3,812,104
Restricted assets:				
Cash and investments				<u>63,469</u>
Total assets				<u>\$ 3,875,573</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 63,469
Unrestricted				<u>3,812,104</u>
Total net assets				<u>\$ 3,875,573</u>

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

SOUTH ADAMS 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	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 3,009,237	\$ 879,420	\$ -	\$ 434,321	\$ 1,598,600	\$ 180,069	\$ 447,362	\$ 6,549,009
Intermediate sources	194	-	-	-	-	-	-	194
State sources	5,774,042	-	-	-	-	-	86,894	5,860,936
Federal sources	-	-	-	-	-	-	1,389,539	1,389,539
Sale of property, adjustments and refunds	43	-	-	-	13,410	-	-	13,453
Total receipts	8,783,516	879,420	-	434,321	1,612,010	180,069	1,923,795	13,813,131
Disbursements:								
Current:								
Instruction	5,356,789	-	-	-	-	-	841,435	6,198,224
Support services	2,237,190	573,107	-	-	1,623,557	180,905	967,341	5,582,100
Community services	132,098	-	-	-	-	-	6,145	138,243
Nonprogrammed charges	532,997	-	541,284	-	-	-	52,102	1,126,383
Debt services	-	-	-	428,505	-	-	-	428,505
Total disbursements	8,259,074	573,107	541,284	428,505	1,623,557	180,905	1,867,023	13,473,455
Excess (deficiency) of receipts over disbursements	524,442	306,313	(541,284)	5,816	(11,547)	(836)	56,772	339,676
Other financing sources (uses):								
Transfers in	-	-	100,000	-	-	-	-	100,000
Transfers out	(100,000)	-	-	-	-	-	-	(100,000)
Total other financing sources (uses)	(100,000)	-	100,000	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	424,442	306,313	(441,284)	5,816	(11,547)	(836)	56,772	339,676
Cash and investments - beginning	1,030,600	532,994	900,000	239,528	1,507,436	133,068	568,741	4,912,367
Cash and investments - ending	\$ 1,455,042	\$ 839,307	\$ 458,716	\$ 245,344	\$ 1,495,889	\$ 132,232	\$ 625,513	\$ 5,252,043
Cash and Investment Assets - Ending								
Cash and investments	\$ 1,455,042	\$ 839,307	\$ 458,716	\$ -	\$ 1,495,889	\$ 132,232	\$ 625,513	\$ 5,006,699
Restricted assets:								
Cash and investments	-	-	-	245,344	-	-	-	245,344
Total cash and investment assets - ending	\$ 1,455,042	\$ 839,307	\$ 458,716	\$ 245,344	\$ 1,495,889	\$ 132,232	\$ 625,513	\$ 5,252,043
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ 245,344	\$ -	\$ -	\$ 625,513	\$ 870,857
Unrestricted	1,455,042	839,307	458,716	-	1,495,889	132,232	-	4,381,186
Total cash and investment fund balance - ending	\$ 1,455,042	\$ 839,307	\$ 458,716	\$ 245,344	\$ 1,495,889	\$ 132,232	\$ 625,513	\$ 5,252,043

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

SOUTH ADAMS 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, 2008

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Construction	Other	Totals
Receipts:									
Local sources	\$ 1,602,962	\$ 467,807	\$ -	\$ 248,152	\$ 689,036	\$ 120,863	\$ 13,652	\$ 410,275	\$ 3,552,747
Intermediate sources	200	-	-	-	-	-	-	-	200
State sources	5,626,444	-	-	-	-	-	-	124,592	5,751,036
Federal sources	-	-	-	-	-	-	-	1,263,112	1,263,112
Bonds and loans	-	-	-	-	-	-	1,675,000	-	1,675,000
Sale of property, adjustments and refunds	11,471	-	-	-	527	-	68,782	-	80,780
Total receipts	7,241,077	467,807	-	248,152	689,563	120,863	1,757,434	1,797,979	12,322,875
Disbursements:									
Current:									
Instruction	5,935,235	-	-	-	-	-	-	804,545	6,739,780
Support services	2,450,916	663,329	-	-	977,423	436,432	62,053	1,074,903	5,665,056
Community services	134,252	-	-	-	-	-	-	7,365	141,617
Nonprogrammed charges	638,402	-	-	-	-	-	-	84,463	722,865
Debt services	-	-	-	430,027	-	-	-	-	430,027
Total disbursements	9,158,805	663,329	-	430,027	977,423	436,432	62,053	1,971,276	13,699,345
Excess (deficiency) of receipts over disbursements	(1,917,728)	(195,522)	-	(181,875)	(287,860)	(315,569)	1,695,381	(173,297)	(1,376,470)
Other financing sources (uses):									
Interfund loans	800,000	(200,000)	-	-	(800,000)	200,000	-	-	-
Transfers in	-	-	320,000	-	-	-	-	-	320,000
Transfers out	(320,000)	-	-	-	-	-	-	-	(320,000)
Total other financing sources (uses)	480,000	(200,000)	320,000	-	(800,000)	200,000	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,437,728)	(395,522)	320,000	(181,875)	(1,087,860)	(115,569)	1,695,381	(173,297)	(1,376,470)
Cash and investments - beginning	1,455,042	839,307	458,716	245,344	1,495,889	132,232	-	625,513	5,252,043
Cash and investments - ending	\$ 17,314	\$ 443,785	\$ 778,716	\$ 63,469	\$ 408,029	\$ 16,663	\$ 1,695,381	\$ 452,216	\$ 3,875,573
Cash and Investment Assets - Ending									
Cash and investments	\$ 17,314	\$ 443,785	\$ 778,716	\$ -	\$ 408,029	\$ 16,663	\$ 1,695,381	\$ 452,216	\$ 3,812,104
Restricted assets:									
Cash and investments	-	-	-	63,469	-	-	-	-	63,469
Total cash and investment assets - ending	\$ 17,314	\$ 443,785	\$ 778,716	\$ 63,469	\$ 408,029	\$ 16,663	\$ 1,695,381	\$ 452,216	\$ 3,875,573
Cash and Investment Fund Balance - Ending									
Restricted for:									
Debt service	\$ -	\$ -	\$ -	\$ 63,469	\$ -	\$ -	\$ -	\$ 452,216	\$ 515,685
Unrestricted	17,314	443,785	778,716	-	408,029	16,663	1,695,381	-	3,359,888
Total cash and investment fund balance - ending	\$ 17,314	\$ 443,785	\$ 778,716	\$ 63,469	\$ 408,029	\$ 16,663	\$ 1,695,381	\$ 452,216	\$ 3,875,573

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

SOUTH ADAMS SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2007

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Contributions:		
Employer	\$ 641,284	\$ -
Other	<u>-</u>	<u>2,257</u>
Total additions	<u>641,284</u>	<u>2,257</u>
Deductions:		
Benefits	1,232,027	-
Administrative and general	<u>-</u>	<u>2,164</u>
Total deductions	<u>1,232,027</u>	<u>2,164</u>
Excess (deficiency) of total additions over total deductions	(590,743)	93
Cash and investment fund balance - beginning	<u>600,325</u>	<u>7,006</u>
Cash and investment fund balance - ending	<u>\$ 9,582</u>	<u>\$ 7,099</u>
Net assets:		
Cash and investments	<u>\$ 9,582</u>	<u>\$ 7,099</u>
Total net assets - cash and investment basis held in trust	<u>\$ 9,582</u>	<u>\$ 7,099</u>

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

SOUTH ADAMS SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Contributions:		
Employer	\$ 115,867	\$ -
Other	-	5,583
Total additions	115,867	5,583
Deductions:		
Benefits	1,238	-
Administrative and general	-	4,973
Total deductions	1,238	4,973
Excess of total additions over total deductions	114,629	610
Cash and investment fund balance - beginning	9,582	7,099
Cash and investment fund balance - ending	\$ 124,211	\$ 7,709
Net assets:		
Cash and investments	\$ 124,211	\$ 7,709
Total net assets - cash and investment basis held in trust	\$ 124,211	\$ 7,709

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

SOUTH ADAMS 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 (primary government) is the financial reporting entity.

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

Joint Venture

The School Corporation is a participant with Adams Central Community Schools, North Adams Community Schools, Northern Wells Community Schools, Bluffton-Harrison M.S.D., and Southern Wells Community Schools in a joint venture to operate Adams-Wells Special Services Cooperative (Co-op) which was created to provide instruction for handicapped children. The Co-op's continued existence depends on continued funding by the School Corporations. Complete financial statements for the Co-op can be obtained from the Co-op's administrative offices at 925 North Main Street, Bluffton, IN 46714.

The School Corporation is a participant with Adams Central Community Schools, North Adams Community Schools, Northern Wells Community Schools, Bluffton-Harrison M.S.D., Southern Wells Community Schools, Jay School Corporation and Huntington County Community School Corporation in a joint venture to operate Vocational Area 18 Cooperative (Co-op) which was created to provide occupational training to students. The Co-op's continued existence depends on continued funding by the School Corporations. Complete financial statements for the Co-op can be obtained from the Co-op's administrative offices at 805 E. Harrison Street, Bluffton, IN 46714.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School Corporation does not have any business-type activities.

SOUTH ADAMS SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major 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 transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The rainy day fund is used to account for funds in accordance with IC 36-1-8-5 and a locally adopted resolution.

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

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

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

The construction fund is used to account for disbursements for capital outlay from receipts derived from the sale of general obligation bonds or other outside sources.

Additionally, the School Corporation reports the following fund types:

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

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

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.

SOUTH ADAMS SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. 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.

3. 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.

SOUTH ADAMS SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

4. 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.

5. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

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

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts

Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, and (2) operating grants and contributions. 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 services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are reported as reimbursements.

SOUTH ADAMS SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

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

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 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 and Investments

1. Deposits

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

SOUTH ADAMS SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Investments

Statutory Authorization for Investments

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

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

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

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The School Corporation does not have a formal investment policy for custodial credit risk for investments.

Interest Rate Risk

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

SOUTH ADAMS SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of Credit Risk

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

Foreign Currency Risk

The School Corporation does not have a formal policy in regards to foreign currency risk.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2007 and 2008, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>June 30, 2007</u>	<u>June 30, 2008</u>
General Fund	Rainy Day Fund	\$ 100,000	\$ 320,000

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

C. Restatement and Reclassifications

For the year ended June 30, 2008, certain changes have been made to the financial statements to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning balances by opinion unit.

<u>Opinion Unit</u>	<u>Balance as Reported June 30, 2006</u>	<u>Fund Reclassification</u>	<u>Balance as Restated July 1, 2006</u>
Governmental Funds	\$ 4,919,373	\$ (7,006)	\$ 4,912,367
Private Purpose Trust Funds	-	7,006	7,006

SOUTH ADAMS SCHOOLS
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; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees

During 1980, the School Corporation joined with other governmental entities to form the School Employee's Benefit Trust, a public entity risk pool currently operating as a common risk management and insurance program for fourteen member governmental entities. The purpose of the risk pool is to provide a medium for the funding and administration of medical benefits to employees. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$150,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$150,000 limit.

B. Holding Corporation

The School Corporation has entered into a capital lease with South Adams Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the year ended June 30, 2008, totaled \$429,878.

C. 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.

SOUTH ADAMS SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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	\$ 67,021
Interest on net pension obligation	(3,334)
Adjustment to annual required contribution	3,799
Annual pension cost	67,486
Contributions made	87,501
Decrease in net pension obligation	(20,015)
Net pension obligation, beginning of year	(45,987)
Net pension obligation, end of year	\$ (66,002)
Contribution rates:	
School Corporation	6%
Plan members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

SOUTH ADAMS SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Actuarial Assumptions</u>	<u>PERF</u>
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

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-05	\$ 78,038	101%	\$ (37,117)
	06-30-06	64,459	114%	(45,987)
	06-30-07	67,486	130%	(66,002)

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

SOUTH ADAMS SCHOOLS
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 7.25% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2008, 2007, and 2006, were \$149,271, \$133,117, and \$108,646, respectively. The School Corporation contributed 100% of the required contribution for each of the fiscal years.

SOUTH ADAMS 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)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-05	\$ 1,741,451	\$ 1,795,922	\$ (54,471)	97%	\$ 1,153,038	(5%)
07-01-06	1,871,889	1,784,775	87,114	105%	1,166,051	7%
07-01-07	1,889,329	2,110,575	(221,246)	90%	1,367,537	(16%)

SOUTH ADAMS 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

	Preschool Special Education	School Lunch	Textbook Rental	Area 18 Vocational Education	School Safe Haven	Early Intervention
Receipts:						
Local sources	\$ 8,894	\$ 239,804	\$ 129,798	\$ 12,866	\$ -	\$ -
State sources	43,556	8,242	19,017	-	-	2,000
Federal sources	-	181,378	-	-	-	-
Total receipts	52,450	429,424	148,815	12,866	-	2,000
Disbursements:						
Current:						
Instruction	-	-	-	12,465	-	-
Support services	-	384,766	116,166	-	934	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	41,250	-	-	-	-	-
Total disbursements	41,250	384,766	116,166	12,465	934	-
Excess (deficiency) of receipts over disbursements	11,200	44,658	32,649	401	(934)	2,000
Cash and investments - beginning	93,691	145,797	20,564	19,772	934	-
Cash and investments - ending	\$ 104,891	\$ 190,455	\$ 53,213	\$ 20,173	\$ -	\$ 2,000
Cash and Investment Assets - Ending						
Total cash and investment assets - ending	\$ 104,891	\$ 190,455	\$ 53,213	\$ 20,173	\$ -	\$ 2,000
Cash and Investment Fund Balance - Ending						
Total cash and investment fund balance - ending	\$ 104,891	\$ 190,455	\$ 53,213	\$ 20,173	\$ -	\$ 2,000

SOUTH ADAMS 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 Intervention and Career	Gifted and Talented	Recreational Activities	Non English Speaking Grant	Retirees' Insurance	School Improvement Title I 2006-07
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	12,887	-	1,192	-	-
Federal sources	-	-	-	-	-	13,118
Total receipts	<u>-</u>	<u>12,887</u>	<u>-</u>	<u>1,192</u>	<u>-</u>	<u>13,118</u>
Disbursements:						
Current:						
Instruction	-	12,887	-	-	5,333	-
Support services	-	-	-	-	-	9,636
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>12,887</u>	<u>-</u>	<u>-</u>	<u>5,333</u>	<u>9,636</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,192</u>	<u>(5,333)</u>	<u>3,482</u>
Cash and investments - beginning	<u>4</u>	<u>-</u>	<u>573</u>	<u>1,446</u>	<u>7,965</u>	<u>-</u>
Cash and investments - ending	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 573</u>	<u>\$ 2,638</u>	<u>\$ 2,632</u>	<u>\$ 3,482</u>
<u>Cash and Investment Assets - Ending</u>						
Total cash and investment assets - ending	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 573</u>	<u>\$ 2,638</u>	<u>\$ 2,632</u>	<u>\$ 3,482</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Total cash and investment fund balance - ending	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 573</u>	<u>\$ 2,638</u>	<u>\$ 2,632</u>	<u>\$ 3,482</u>

SOUTH ADAMS 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)

	Title I 2005-06	Title I 2006-07	Title V-A 2004-05	2005-06 Title V-A	2006-07 Migrant	Title IV-A Drug Free Schools
Receipts:						
Local sources	\$ -	\$ 56,000	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	64,550	602,342	-	-	34,459	-
Total receipts	64,550	658,342	-	-	34,459	-
Disbursements:						
Current:						
Instruction	171,768	560,507	-	-	18,793	-
Support services	40,355	68,302	7,680	5,260	15,318	3,538
Community services	5,145	1,000	-	-	-	-
Nonprogrammed charges	6,495	-	582	-	348	180
Total disbursements	223,763	629,809	8,262	5,260	34,459	3,718
Excess (deficiency) of receipts over disbursements	(159,213)	28,533	(8,262)	(5,260)	-	(3,718)
Cash and investments - beginning	159,213	-	8,262	18,739	-	3,718
Cash and investments - ending	<u>\$ -</u>	<u>\$ 28,533</u>	<u>\$ -</u>	<u>\$ 13,479</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>						
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 28,533</u>	<u>\$ -</u>	<u>\$ 13,479</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 28,533</u>	<u>\$ -</u>	<u>\$ 13,479</u>	<u>\$ -</u>	<u>\$ -</u>

SOUTH ADAMS 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)

	Title II - A	Title II-D Tech	Title IV-B Rural Education	Title III Language Instruction	Totals
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 447,362
State sources	-	-	-	-	86,894
Federal sources	77,070	388,500	-	28,122	1,389,539
Total receipts	77,070	388,500	-	28,122	1,923,795
Disbursements:					
Current:					
Instruction	33,733	-	-	25,949	841,435
Support services	22,919	290,435	868	1,164	967,341
Community services	-	-	-	-	6,145
Nonprogrammed charges	1,241	2,006	-	-	52,102
Total disbursements	57,893	292,441	868	27,113	1,867,023
Excess (deficiency) of receipts over disbursements	19,177	96,059	(868)	1,009	56,772
Cash and investments - beginning	34,974	10,323	42,432	334	568,741
Cash and investments - ending	<u>\$ 54,151</u>	<u>\$ 106,382</u>	<u>\$ 41,564</u>	<u>\$ 1,343</u>	<u>\$ 625,513</u>
<u>Cash and Investment Assets - Ending</u>					
Total cash and investment assets - ending	<u>\$ 54,151</u>	<u>\$ 106,382</u>	<u>\$ 41,564</u>	<u>\$ 1,343</u>	<u>\$ 625,513</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Total cash and investment fund balance - ending	<u>\$ 54,151</u>	<u>\$ 106,382</u>	<u>\$ 41,564</u>	<u>\$ 1,343</u>	<u>\$ 625,513</u>

SOUTH ADAMS 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, 2008

	Preschool Special Education	School Lunch	Textbook Rental	Area 18 Vocational Education	Full Day Kindergarten	Early Intervention	School Intervention and Career
Receipts:							
Local sources	\$ 4,539	\$ 238,925	\$ 140,357	\$ 20,778	\$ 279	\$ -	\$ -
State sources	42,425	7,927	33,930	-	-	2,000	-
Federal sources	-	192,367	-	-	-	-	-
Total receipts	<u>46,964</u>	<u>439,219</u>	<u>174,287</u>	<u>20,778</u>	<u>279</u>	<u>2,000</u>	<u>-</u>
Disbursements:							
Current:							
Instruction	4,583	-	-	22,071	-	2,925	-
Support services	-	484,519	143,125	-	-	-	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	<u>62,292</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>66,875</u>	<u>484,519</u>	<u>143,125</u>	<u>22,071</u>	<u>-</u>	<u>2,925</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(19,911)</u>	<u>(45,300)</u>	<u>31,162</u>	<u>(1,293)</u>	<u>279</u>	<u>(925)</u>	<u>-</u>
Cash and investments - beginning	<u>104,891</u>	<u>190,455</u>	<u>53,213</u>	<u>20,173</u>	<u>-</u>	<u>2,000</u>	<u>4</u>
Cash and investments - ending	<u>\$ 84,980</u>	<u>\$ 145,155</u>	<u>\$ 84,375</u>	<u>\$ 18,880</u>	<u>\$ 279</u>	<u>\$ 1,075</u>	<u>\$ 4</u>
<u>Cash and Investment Assets - Ending</u>							
Total cash and investment assets - ending	<u>\$ 84,980</u>	<u>\$ 145,155</u>	<u>\$ 84,375</u>	<u>\$ 18,880</u>	<u>\$ 279</u>	<u>\$ 1,075</u>	<u>\$ 4</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Total cash and investment fund balance - ending	<u>\$ 84,980</u>	<u>\$ 145,155</u>	<u>\$ 84,375</u>	<u>\$ 18,880</u>	<u>\$ 279</u>	<u>\$ 1,075</u>	<u>\$ 4</u>

SOUTH ADAMS 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, 2008
 (Continued)

	Gifted and Talented	Recreational Activities	Non English Speaking Grant	Retirees' Insurance	School Improvement Title I 2006-07	Title I 2006-07
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	31,335	-	6,975	-	-	-
Federal sources	-	-	-	-	23,478	70,200
Total receipts	31,335	-	6,975	-	23,478	70,200
Disbursements:						
Current:						
Instruction	23,097	-	2,694	2,632	-	76,539
Support services	-	-	-	-	13,523	11,414
Community services	-	-	-	-	-	5,780
Nonprogrammed charges	-	-	-	-	-	5,000
Total disbursements	23,097	-	2,694	2,632	13,523	98,733
Excess (deficiency) of receipts over disbursements	8,238	-	4,281	(2,632)	9,955	(28,533)
Cash and investments - beginning	-	573	2,638	2,632	3,482	28,533
Cash and investments - ending	<u>\$ 8,238</u>	<u>\$ 573</u>	<u>\$ 6,919</u>	<u>\$ -</u>	<u>\$ 13,437</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>						
Total cash and investment assets - ending	<u>\$ 8,238</u>	<u>\$ 573</u>	<u>\$ 6,919</u>	<u>\$ -</u>	<u>\$ 13,437</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Total cash and investment fund balance - ending	<u>\$ 8,238</u>	<u>\$ 573</u>	<u>\$ 6,919</u>	<u>\$ -</u>	<u>\$ 13,437</u>	<u>\$ -</u>

SOUTH ADAMS 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, 2008
 (Continued)

	Title I 2007-08	Title V	2005-06 Title V-A	2007-08 Migrant	Title IV-A DFSC	Title IV-A Drug Free Schools
Receipts:						
Local sources	\$ 5,397	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	708,249	2,135	-	37,844	7,557	15,019
Total receipts	713,646	2,135	-	37,844	7,557	15,019
Disbursements:						
Current:						
Instruction	623,602	-	-	25,120	-	-
Support services	62,296	-	13,205	12,715	10,910	15,019
Community services	1,585	-	-	-	-	-
Nonprogrammed charges	-	-	274	-	-	-
Total disbursements	687,483	-	13,479	37,835	10,910	15,019
Excess (deficiency) of receipts over disbursements	26,163	2,135	(13,479)	9	(3,353)	-
Cash and investments - beginning	-	-	13,479	-	-	-
Cash and investments - ending	\$ 26,163	\$ 2,135	\$ -	\$ 9	\$ (3,353)	\$ -
<u>Cash and Investment Assets - Ending</u>						
Total cash and investment assets - ending	\$ 26,163	\$ 2,135	\$ -	\$ 9	\$ (3,353)	\$ -
<u>Cash and Investment Fund Balance - Ending</u>						
Total cash and investment fund balance - ending	\$ 26,163	\$ 2,135	\$ -	\$ 9	\$ (3,353)	\$ -

SOUTH ADAMS 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, 2008
 (Continued)

	Area 18 Vocational Education	Title II - A	Title II-D Tech	Title IV-B Rural Education	Title III Language Instruction	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 410,275
State sources	-	-	-	-	-	124,592
Federal sources	1,831	154,412	15,000	16,984	18,036	1,263,112
Total receipts	1,831	154,412	15,000	16,984	18,036	1,797,979
Disbursements:						
Current:						
Instruction	3,181	-	-	-	18,101	804,545
Support services	-	176,611	89,731	41,564	271	1,074,903
Community services	-	-	-	-	-	7,365
Nonprogrammed charges	-	-	16,653	-	244	84,463
Total disbursements	3,181	176,611	106,384	41,564	18,616	1,971,276
Excess (deficiency) of receipts over disbursements	(1,350)	(22,199)	(91,384)	(24,580)	(580)	(173,297)
Cash and investments - beginning	-	54,151	106,382	41,564	1,343	625,513
Cash and investments - ending	\$ (1,350)	\$ 31,952	\$ 14,998	\$ 16,984	\$ 763	\$ 452,216
<u>Cash and Investment Assets - Ending</u>						
Total cash and investment assets - ending	\$ (1,350)	\$ 31,952	\$ 14,998	\$ 16,984	\$ 763	\$ 452,216
<u>Cash and Investment Fund Balance - Ending</u>						
Total cash and investment fund balance - ending	\$ (1,350)	\$ 31,952	\$ 14,998	\$ 16,984	\$ 763	\$ 452,216

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

	Miscellaneous In & Out	Recycle	Totals
Additions:			
Contributions:			
Other	\$ 763	\$ 1,494	\$ 2,257
Deductions:			
Administrative and general	2,156	8	2,164
Excess (deficiency) of total additions over total deductions	(1,393)	1,486	93
Cash and investment fund balance - beginning	4,934	2,072	7,006
Cash and investments - ending	\$ 3,541	\$ 3,558	\$ 7,099
Net assets:			
Cash and investments	\$ 3,541	\$ 3,558	\$ 7,099
Total net assets - cash and investment basis held in trust	\$ 3,541	\$ 3,558	\$ 7,099

SOUTH ADAMS SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2008

	Miscellaneous In & Out	Recycle	Totals
Additions:			
Contributions:			
Other	\$ 5,125	\$ 458	\$ 5,583
Deductions:			
Administrative and general	4,408	565	4,973
Excess (deficiency) of total additions over total deductions	717	(107)	610
Cash and investment fund balance - beginning	3,541	3,558	7,099
Cash and investments - ending	\$ 4,258	\$ 3,451	\$ 7,709
Net assets:			
Cash and investments	\$ 4,258	\$ 3,451	\$ 7,709
Total net assets - cash and investment basis held in trust	\$ 4,258	\$ 3,451	\$ 7,709

SOUTH ADAMS SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2008

The School has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
South Adams Building Corporation	\$ 210,000	\$ 215,092
South Adams School Building Corporation	23,325,000	-
Equipment lease	23,399	24,910
Loan payable	4,055,200	519,602
Bonds payable:		
General obligation bonds:		
General obligation bonds of 2007	<u>1,675,000</u>	<u>1,729,284</u>
Total governmental activities debt	<u>\$ 29,288,599</u>	<u>\$ 2,488,888</u>

SOUTH ADAMS SCHOOLS
AUDIT RESULTS AND COMMENTS

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

Records presented for audit to support the ADM claimed by the School Corporation for kindergarten through grade six were not certified by the respective building principal for 2006-2007, and for kindergarten through grade three was not certified by the respective building principal for 2007-2008. No records were presented for grade seven through grade twelve for either year. A similar comment appeared in prior Report B29496.

IC 5-15-6-3(f) concerning destruction of public records, states in part:

"Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Officials should maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM. The building level official (Principal, Assistant Principal, etc.) responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

CREDIT CARDS

The School Corporation is allowing employees to use credit cards to purchase items and pay for travel expenses without an approved credit card policy. Some of the credit card payments reviewed did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.

SOUTH ADAMS SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

CAPITAL ASSET RECORDS

Information presented for audit did not indicate a current and complete inventory or record of capital assets. The records submitted for audit had not been updated for the changes during the two year audit period.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Assets Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE SOUTH ADAMS SCHOOLS, ADAMS COUNTY, INDIANA

Compliance

We have audited the compliance of the South Adams 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, 2007 and 2008. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2007 and 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2008-1.

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

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)

expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

A control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

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

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

March 3, 2009

SOUTH ADAMS SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2007 and 2008

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 06-30-07	Total Federal Awards Expended 06-30-08
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 16,590	\$ 19,101
National School Lunch Program	10.555		206,665	212,052
Total for federal grantor agency			<u>223,255</u>	<u>231,153</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies	84.010			
School improvement		06-0035	167,763	-
		07-0035	9,636	3,482
		07-0035	629,809	93,336
School improvement		08-0035	-	10,041
		08-0035	-	687,484
Total for program			<u>807,208</u>	<u>794,343</u>
Migrant Education - State Grant Program	84.011			
		FY-06-07/RM-15	28,633	-
		FY-07-08/RM-16	-	34,966
Total for program			<u>28,633</u>	<u>34,966</u>
Pass-Through Bluffton-Harrison Metropolitan School District				
Vocational Education - Basic Grants to States	84.048			
		05-06	12,465	7,307
		06-07	-	12,866
		07-08	-	5,079
Total for program			<u>12,465</u>	<u>25,252</u>
Pass-Through Indiana Department of Education				
Safe and Drug-Free Schools and Communities - State Grants	84.186			
		05-076	3,718	-
		0035-06	-	15,019
		0035-07	-	10,910
Total for program			<u>3,718</u>	<u>25,929</u>
State Grants for Innovative Programs	84.298			
		04-143	8,262	-
		05-142	5,260	13,479
Total for program			<u>13,522</u>	<u>13,479</u>
Education Technology State Grants	84.318			
		05-06	8,317	-
		S318X040014	230,980	-
		S318X050014	51,138	42,994
		S318X060014	-	2
Total for program			<u>290,435</u>	<u>42,996</u>
Rural Education	84.358			
		05-06	868	41,564
English Language Acquisition Grants	84.365			
		05-06	334	-
		06-07	26,779	1,343
		07-08	-	17,273
Total for program			<u>27,113</u>	<u>18,616</u>
Improving Teacher Quality State Grants	84.367			
		05-010	34,974	-
		06-0035	22,919	131,221
		07-0035	-	45,390
Total for program			<u>57,893</u>	<u>176,611</u>
Total for federal grantor agency			<u>835,841</u>	<u>829,309</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Pass-Through Indiana Department of Homeland Security				
Disaster Grants - Public Assistance	97.036	EM3274	1,174	-
Total for federal grantor agency			<u>1,174</u>	<u>-</u>
Total federal awards expended			<u>\$ 1,466,284</u>	<u>\$ 1,404,909</u>

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

SOUTH ADAMS 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 South Adams 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, 2007 and 2008. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	For the Year Ended June 30, 2007	For the Year Ended June 30, 2008
Child nutrition cluster:			
Food commodities:			
School breakfast program	10.553	\$ -	\$ 1,472
National school lunch program	10.555	<u>41,877</u>	<u>37,313</u>
Total for cluster		<u>\$ 41,877</u>	<u>\$ 38,785</u>

SOUTH ADAMS 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
Significant deficiencies 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
Significant deficiencies 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?	yes
--	-----

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.318	Child Nutrition Cluster Education Technology State Grants

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.

SOUTH ADAMS SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III – Federal Award Findings and Questioned Costs

FINDING 2008-1, PERIOD OF AVAILABILITY

Federal Agency: United States Department of Education
Federal Program: Education Technology State Grants
CFDA Number: 84.318
Pass-Through Entity: Indiana Department of Education

The School Corporation is currently holding \$68,388 of unused grant funds. Unused funds according to the program award letter were to be returned to the Indiana Department of Education by January 15, 2008.

Due to new personnel and the reassigning of duties and responsibilities, a check for \$68,388 was written February 13, 2008, but was never issued.

As a result, unused grant funds of \$63,388 due the Indiana Department of Education were retained by the School Corporation through June 30, 2008.

Education Department General Administrative Regulations (EDGAR) 80.23(b) states in part:

"Liquidation of obligations. A grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation). . . . The Federal agency may extend this deadline at the request of the grantee."

Additionally, EDGAR 80.37 states in part:

"(a) States. States shall follow state law and procedures when awarding and administering subgrants (whether on a cost reimbursement or fixed amount basis) of financial assistance to local and Indian tribal governments. States shall:

- (1) Ensure that every subgrant includes any clauses required by Federal statute and executive orders and their implementing regulations;
- (2) Ensure that subgrantees are aware of requirements imposed upon them by Federal statute and regulation; . . ."

We recommended that the School Corporation monitor the required dates for the return of unused funds.

SOUTH ADAMS SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



South Adams School

US 27 South Berne, Indiana 46711

Office: 260-589-3133 Fax: 260-589-2065

Cathy Egolf *Sally Thomas* *Rebecca Biberstein* *Carol Cummings*
Superintendent *Payroll/Superintendent Sec* *Treasurer* *Title One/Remediation Director*

February 18, 2009

Finding Number 2008-1, Period of availability
Federal Agency: United States Department of Education
Federal Program: Education Technology State Grants
CFDA Number: 84.318
Pass-through entity: Indiana Department of Education

Corrective action planned:

Each grant will be monitored by both the person applying for funds and the treasurer, with the treasurer as the final responsible party. Each grant will be set up with deadlines notated on the bookkeeping software system (Komputrol) to alert the timelines.

The seriousness of this finding is understood by the current treasurer and will be avoided in future audits.

Date 2/13/09

Rebecca Biberstein

Rebecca Biberstein, Treasurer
South Adams Schools

SOUTH ADAMS SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on March 3, 2009, with Cathy Egolf, Superintendent of Schools; Rebecca Biberstein, Treasurer; and Tony Mellencamp, President of the School Board. The official response has been made a part of this report and may be found on page 49.



South Adams School

US 27 South Berne, Indiana 46711

Office: 260-589-3133

Fax: 260-589-2065

Cathy Egolf

Sally Thomas

Rebecca Biberstein

Carol Cummings

Superintendent

Payroll/Superintendent Sec

Treasurer

Title One/Remediation Director

March 9, 2009

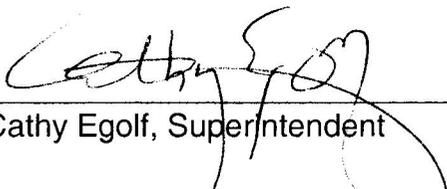
2008 Audit Comments

All of the audit comments come from the change in staff at South Adams Schools over the past year. The following will be implemented to prevent future problems:

ADM certification: The class rosters will be submitted and certified to the Administration office by the building principals to verify the counts match the report submitted to the State by our technology department. These will be filed in our office for easy access for audits.

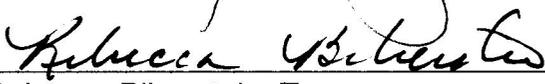
Credit Card: The school will establish guidelines to provide proper receipt of charges to the corporation credit card(s). This will also help with staff understanding the required documents to receive reimbursements for school related expenses.

Fixed Assets: The receiving clerk will be trained to enter the required data for audit purposes and insurance needs through the current Komputrol software system. This appears to be an oversight from the change in staffing.



Cathy Egolf, Superintendent

3-9-09
Date



Rebecca Biberstein, Treasurer

3-9-09
Date