

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

AUDIT REPORT

OF

MACONAQUAH SCHOOL CORPORATION

MIAMI COUNTY, INDIANA

July 1, 2007 to June 30, 2009



FILED

02/02/2010

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Tina Bonifant	07-01-07 to 06-30-10
Superintendent of Schools	Dr. Debra L. Jones	07-01-07 to 06-30-10
President of the School Board	Richard G. Wood Brian Troyer	07-01-07 to 06-30-08 07-01-08 to 06-30-10



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 MACONAQUAH SCHOOL CORPORATION, MIAMI COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Maconaquah School Corporation (School Corporation), as of and for the years ended June 30, 2008 and 2009, 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, 2008 and 2009, 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 December 2, 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.

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

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

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements 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

December 2, 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 MACONAQUAH SCHOOL CORPORATION, MIAMI COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Maconaquah School Corporation (School Corporation), as of and for the years ended June 30, 2008 and 2009, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated December 2, 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.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in item 2009-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiency in internal control over financial reporting.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we consider item 2009-1 to be a material weakness.

Compliance and Other Matters

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

We noted certain matters we reported to management in a separate letter dated December 2, 2009.

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

This report is intended solely for the information and use of the School Corporation's management, the School Board of Trustees and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

December 2, 2009

MACONAQUAH SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

<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 (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 11,796,836	\$ -	\$ 216,342	\$ (11,580,494)
Support services	7,312,811	592,140	542,659	(6,178,012)
Noninstructional services	1,144,322	-	-	(1,144,322)
Facilities acquisition and construction	2,254,646	-	-	(2,254,646)
Debt service	839,138	-	-	(839,138)
Nonprogrammed charges	<u>3,134,847</u>	<u>-</u>	<u>-</u>	<u>(3,134,847)</u>
Total governmental activities	<u>\$ 26,482,600</u>	<u>\$ 592,140</u>	<u>\$ 759,001</u>	<u>(25,131,459)</u>
General receipts:				
Property taxes				5,392,172
Other local sources				1,243,609
State aid				12,029,587
Grants and contributions not restricted to specific programs				498,021
Sale of property				1,321,605
Investment earnings				142,749
Other				<u>1,407,080</u>
Total general receipts				<u>22,034,823</u>
Change in net assets				(3,096,636)
Net assets - beginning				<u>5,786,818</u>
Net assets - ending				<u>\$ 2,690,182</u>
<u>Assets</u>				
Cash and investments				\$ 1,797,334
Cash with fiscal agent				249,517
Restricted assets:				
Cash and investments				<u>643,331</u>
Total assets				<u>\$ 2,690,182</u>
<u>Net Assets</u>				
Restricted for:				
Other purposes				\$ 892,848
Unrestricted				<u>1,797,334</u>
Total net assets				<u>\$ 2,690,182</u>

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

MACONAQUAH SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 11,100,882	\$ -	\$ 331,688	\$ (10,769,194)
Support services	8,142,660	565,015	545,892	(7,031,753)
Noninstructional services	1,201,053	-	-	(1,201,053)
Facilities acquisition and construction	1,233,042	-	-	(1,233,042)
Debt service	1,041,798	-	-	(1,041,798)
Nonprogrammed charges	<u>2,644,727</u>	<u>-</u>	<u>-</u>	<u>(2,644,727)</u>
Total governmental activities	<u>\$ 25,364,162</u>	<u>\$ 565,015</u>	<u>\$ 877,580</u>	<u>(23,921,567)</u>
General receipts:				
Property taxes				7,202,349
Other local sources				1,129,688
State aid				12,894,828
Grants and contributions not restricted to specific programs				2,091,855
Investment earnings				37,615
Other				<u>3,181,541</u>
Total general receipts				<u>26,537,876</u>
Change in net assets				2,616,309
Net assets - beginning				<u>2,690,182</u>
Net assets - ending				<u>\$ 5,306,491</u>
<u>Assets</u>				
Cash and investments				\$ 4,154,783
Restricted assets:				
Cash and investments				<u>1,151,708</u>
Total assets				<u>\$ 5,306,491</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 240,553
Other purposes				911,155
Unrestricted				<u>4,154,783</u>
Total net assets				<u>\$ 5,306,491</u>

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

MACONAQUAH SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	General	Rainy Day	School Lunch	Other	Totals
Receipts:					
Local sources	\$ 4,609,502	\$ -	\$ 529,871	\$ 2,223,348	\$ 7,362,721
Intermediate sources	445	-	-	563	1,008
State sources	12,197,580	-	8,582	217,003	12,423,165
Federal sources	16,103	-	458,694	388,647	863,444
Other	116,455	-	772	34,066	151,293
	<u>16,940,085</u>	<u>-</u>	<u>997,919</u>	<u>2,863,627</u>	<u>20,801,631</u>
Disbursements:					
Current:					
Instruction	11,331,902	-	-	464,934	11,796,836
Support services	5,890,131	-	600	1,422,080	7,312,811
Noninstructional services	274,204	-	867,307	2,811	1,144,322
Facilities acquisition and construction	423,999	-	16,751	1,813,896	2,254,646
Debt services	-	-	-	839,138	839,138
Nonprogrammed charges	156,737	-	-	3,832	160,569
	<u>18,076,973</u>	<u>-</u>	<u>884,658</u>	<u>4,546,691</u>	<u>23,508,322</u>
Excess (deficiency) of receipts over disbursements	<u>(1,136,888)</u>	<u>-</u>	<u>113,261</u>	<u>(1,683,064)</u>	<u>(2,706,691)</u>
Other financing sources (uses):					
Sale of capital assets	68,886	-	58	2,816	71,760
Transfers in	-	-	-	138,056	138,056
Transfers out	(124,961)	-	-	(13,095)	(138,056)
	<u>(56,075)</u>	<u>-</u>	<u>58</u>	<u>127,777</u>	<u>71,760</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,192,963)	-	113,319	(1,555,287)	(2,634,931)
Cash and investments - beginning	<u>1,772,625</u>	<u>700,000</u>	<u>146,902</u>	<u>2,062,255</u>	<u>4,681,782</u>
Cash and investments - ending	<u>\$ 579,662</u>	<u>\$ 700,000</u>	<u>\$ 260,221</u>	<u>\$ 506,968</u>	<u>2,046,851</u>
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:					
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.					
					<u>643,331</u>
Net assets of governmental activities					<u>\$ 2,690,182</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ 579,662	\$ 700,000	\$ 260,221	\$ 257,451	\$ 1,797,334
Cash with fiscal agent	-	-	-	249,517	249,517
	<u>579,662</u>	<u>700,000</u>	<u>260,221</u>	<u>506,968</u>	<u>2,046,851</u>
Total cash and investment assets - ending	<u>\$ 579,662</u>	<u>\$ 700,000</u>	<u>\$ 260,221</u>	<u>\$ 506,968</u>	<u>\$ 2,046,851</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Other purposes	\$ -	\$ -	\$ -	\$ 249,517	\$ 249,517
Unrestricted	579,662	700,000	260,221	257,451	1,797,334
Total cash and investment fund balance - ending	<u>\$ 579,662</u>	<u>\$ 700,000</u>	<u>\$ 260,221</u>	<u>\$ 506,968</u>	<u>\$ 2,046,851</u>

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

MACONAQUAH SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	General	Rainy Day	School Lunch	Fiscal Stabilization	Other	Totals
Receipts:						
Local sources	\$ 5,376,423	\$ -	\$ 511,630	\$ -	\$ 3,043,317	\$ 8,931,370
Intermediate sources	445	-	-	-	788	1,233
State sources	13,183,133	-	8,387	-	189,879	13,381,399
Federal sources	13,194	-	466,745	1,433,701	581,646	2,495,286
Other	106,215	-	1,014	-	261,674	368,903
Total receipts	<u>18,679,410</u>	<u>-</u>	<u>987,776</u>	<u>1,433,701</u>	<u>4,077,304</u>	<u>25,178,191</u>
Disbursements:						
Current:						
Instruction	10,357,712	-	-	278,903	464,267	11,100,882
Support services	6,358,894	-	1,542	120,363	1,661,861	8,142,660
Noninstructional services	224,137	-	950,676	22,200	4,040	1,201,053
Facilities acquisition and construction	338,624	11,829	23,671	-	858,918	1,233,042
Debt services	-	-	-	-	1,041,798	1,041,798
Nonprogrammed charges	106,521	-	-	-	3,749	110,270
Total disbursements	<u>17,385,888</u>	<u>11,829</u>	<u>975,889</u>	<u>421,466</u>	<u>4,034,633</u>	<u>22,829,705</u>
Excess (deficiency) of receipts over disbursements	<u>1,293,522</u>	<u>(11,829)</u>	<u>11,887</u>	<u>1,012,235</u>	<u>42,671</u>	<u>2,348,486</u>
Other financing sources (uses):						
Transfers in	150,961	-	-	-	147,994	298,955
Transfers out	(119,312)	-	-	-	(179,643)	(298,955)
Total other financing sources (uses)	<u>31,649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,649)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>1,325,171</u>	<u>(11,829)</u>	<u>11,887</u>	<u>1,012,235</u>	<u>11,022</u>	<u>2,348,486</u>
Cash and investments - beginning	<u>579,662</u>	<u>700,000</u>	<u>260,220</u>	<u>-</u>	<u>506,968</u>	<u>2,046,850</u>
Cash and investments - ending	<u>\$ 1,904,833</u>	<u>\$ 688,171</u>	<u>\$ 272,107</u>	<u>\$ 1,012,235</u>	<u>\$ 517,990</u>	<u>4,395,336</u>
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:						
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.						
						<u>911,155</u>
Net assets of governmental activities						<u>\$ 5,306,491</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 1,904,833	\$ 688,171	\$ 272,107	\$ 1,012,235	\$ 277,437	\$ 4,154,783
Restricted assets:						
Cash and investments	-	-	-	-	240,553	240,553
Total cash and investment assets - ending	<u>\$ 1,904,833</u>	<u>\$ 688,171</u>	<u>\$ 272,107</u>	<u>\$ 1,012,235</u>	<u>\$ 517,990</u>	<u>\$ 4,395,336</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 240,553	\$ 240,553
Unrestricted	1,904,833	688,171	272,107	1,012,235	277,437	4,154,783
Total cash and investment fund balance - ending	<u>\$ 1,904,833</u>	<u>\$ 688,171</u>	<u>\$ 272,107</u>	<u>\$ 1,012,235</u>	<u>\$ 517,990</u>	<u>\$ 4,395,336</u>

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

MACONAQUAH SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2008

	<u>Internal Service Fund</u>
Operating receipts:	
Charges for services	\$ 82,885
Miscellaneous	<u>2,512,572</u>
Total operating receipts	<u>2,595,457</u>
Operating disbursements:	
Insurance claims and expense	<u>3,057,162</u>
Deficiency of operating receipts over operating disbursements	(461,705)
Cash and investment fund balance - beginning	<u>1,105,036</u>
Cash and investment fund balance - ending	<u>\$ 643,331</u>
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	<u>\$ 643,331</u>
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	<u>\$ 643,331</u>

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

MACONAQUAH SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2009

	Internal Service Fund
Operating receipts:	
Charges for services	\$ 87,194
Miscellaneous	2,802,281
Total operating receipts	2,889,475
Operating disbursements:	
Insurance claims and expense	2,621,651
Excess of operating receipts over operating disbursements	267,824
Cash and investment fund balance - beginning	643,331
Cash and investment fund balance - ending	\$ 911,155
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	\$ 911,155
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	\$ 911,155

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

MACONAQUAH SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	<u>Agency Funds</u>
Cash and investment fund balance - ending	<u>\$ 61,230</u>

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

MACONAQUAH SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2009

	<u>Agency Funds</u>
Cash and investment fund balance - ending	<u>\$ 73,722</u>

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

MACONAQUAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

Primary Government: Maconaquah School Corporation

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

Joint Venture

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

Jointly Governed Organization

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

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of 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.

MACONAQUAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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

The school lunch fund accounts for receipts and disbursements related to the food service program.

The fiscal stabilization fund accounts for federal monies received and disbursed under the American Recovery and Reinvestment Act of 2009.

Additionally, the School Corporation reports the following fund types:

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

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

C. Measurement Focus and Basis of Accounting

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

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

MACONAQUAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds.

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

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).

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as a liability in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

MACONAQUAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

5. Compensated Absences

- a. Sick Leave - Employees earn sick leave at the rate of 14 days per year based on months of service. Unused sick leave may be accumulated to a maximum of 150 days. Accumulated sick leave is paid to employees through cash payments upon termination of employment. (certified only)
- b. Vacation - Nonteaching or administrative and noncertified school corporation employees earn vacation leave at rates from 5-20 days per year based on the number of years of service. Vacation leave does not accumulate from year to year.

6. Equity Classification

Government-Wide Statements

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

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

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

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

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

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

MACONAQUAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are reported as reimbursements.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

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

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

MACONAQUAH SCHOOL CORPORATION
 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.

B. Cash and Investment Balance Deficits

At June 30, 2008 and 2009, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

Fund	2008	2009
Textbook Rental	\$ 79,802	\$ 140,034
PLTW Workforce Development Grant	-	2,749

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

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. 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, 2008 and 2009, were as follows:

Transfer From	Transfer To	2008	2009
General Fund	Other governmental	\$ 124,961	\$ 119,312
Other governmental	General Fund	-	150,961
Other governmental	Other governmental	13,095	28,682
Totals		<u>\$ 138,056</u>	<u>\$ 298,955</u>

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

MACONAQUAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

IV. Other Information

A. Risk Management

The School Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

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

Medical Benefits

The School Corporation has chosen to establish a risk financing fund for risks associated with medical benefits to employees (excluding postemployment benefits). The risk financing fund is accounted for in self-insurance fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$100,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Amounts are paid into the fund by all funds with payrolls and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund and are reported as quasi-external interfund transactions.

B. Holding Corporation

The School Corporation has entered into a capital lease with Maconaquah Elementary Building Corporation (the lessor). The lessor was organized as 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 2008-2009 school year totaled \$800,000.

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation offers postemployment health benefits, as authorized by IC 5-10-8, to all certified employees who retire from the School Corporation on or after attaining age 55 with at least 10 years of service.

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

MACONAQUAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

Funding Policy and Annual Pension Cost

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

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 85,752
Interest on net pension obligation	(11,156)
Adjustment to annual required contribution	12,713
Annual pension cost	87,309
Contributions made	66,391
Increase in net pension obligation	20,918
Net pension obligation, beginning of year	(153,879)
Net pension obligation, end of year	\$ (132,961)

MACONAQUAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF
Contribution rates:	
School Corporation	5.25%
Plan members	3%
Actuarial valuation date	07-01-09
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	PERF
Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-06	\$ 60,088	114%	\$ (154,751)
	06-30-07	76,451	99%	(153,879)
	06-30-08	87,309	76%	(132,961)

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.

MACONAQUAH SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

Funding Policy and Annual Pension Costs

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

Plan members are required to contribute 0% of their salary and the School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 7.00% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2009, 2008, and 2007, were \$283,554, \$275,423, and \$257,926, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

MACONAQUAH SCHOOL CORPORATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 1,593,204	\$ 1,387,254	\$ 205,950	115%	\$ 1,462,716	14%
07-01-07	1,585,324	1,430,507	154,817	111%	1,521,748	10%
07-01-08	1,775,405	1,564,477	210,928	113%	1,508,637	14%

MACONAQUAH SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008

	Transportation Operating	Special Education Preschool	Textbook Rental	Educational License Plates	Alternative Education	Pipe Creek Building Project	Gifted and Talented
Receipts:							
Local sources	\$ 636,271	\$ 7,888	\$ 139,159	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	563	-	-	-
State sources	5,000	85,192	75,383	-	5,582	-	35,888
Federal sources	-	-	-	-	-	-	-
Other	8,925	-	1,886	29	-	23,225	-
Total receipts	650,196	93,080	216,428	592	5,582	23,225	35,888
Disbursements:							
Current:							
Instruction	-	86,457	-	837	-	-	18,679
Support services	678,466	10	215,906	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	1,323,351	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	678,466	86,467	215,906	837	-	1,323,351	18,679
Excess (deficiency) of receipts over disbursements	(28,270)	6,613	522	(245)	5,582	(1,300,126)	17,209
Other financing sources (uses):							
Sale of capital assets	545	-	2,271	-	-	-	-
Transfers in	27,280	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	27,825	-	2,271	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(445)	6,613	2,793	(245)	5,582	(1,300,126)	17,209
Cash and investments - beginning	445	79,272	(82,595)	2,841	491	1,549,643	-
Cash and investments - ending	\$ -	\$ 85,885	\$ (79,802)	\$ 2,596	\$ 6,073	\$ 249,517	\$ 17,209
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 85,885	\$ (79,802)	\$ 2,596	\$ 6,073	\$ -	\$ 17,209
Cash with fiscal agent	-	-	-	-	-	249,517	-
Total cash and investment assets - ending	\$ -	\$ 85,885	\$ (79,802)	\$ 2,596	\$ 6,073	\$ 249,517	\$ 17,209
Cash and Investment Fund Balance - Ending							
Restricted for:							
Other purposes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 249,517	\$ -
Unrestricted	-	85,885	(79,802)	2,596	6,073	-	17,209
Total cash and investment fund balance - ending	\$ -	\$ 85,885	\$ (79,802)	\$ 2,596	\$ 6,073	\$ 249,517	\$ 17,209

MACONAQUAH SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Economic Education Mini Grant	Non-English Speaking Program	School Technology	Knights of Columbus Donation	Dukes Healthcare Foundation	Library Endowment	Title I FY 2007
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ 1,342	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	2,497	7,461	-	-	-	-	-
Federal sources	-	-	-	-	-	-	25,000
Other	-	-	-	-	-	-	-
Total receipts	2,497	7,461	-	1,342	-	-	25,000
Disbursements:							
Current:							
Instruction	2,787	5,616	-	803	-	2,718	11,365
Support services	-	-	-	-	4,396	-	7,764
Noninstructional services	-	-	-	-	-	-	54
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	2,787	5,616	-	803	4,396	2,718	19,183
Excess (deficiency) of receipts over disbursements	(290)	1,845	-	539	(4,396)	(2,718)	5,817
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(13,095)
Total other financing sources (uses)	-	-	-	-	-	-	(13,095)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(290)	1,845	-	539	(4,396)	(2,718)	(7,278)
Cash and investments - beginning	667	-	17,150	888	4,396	91,588	7,278
Cash and investments - ending	\$ 377	\$ 1,845	\$ 17,150	\$ 1,427	\$ -	\$ 88,870	\$ -
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 377	\$ 1,845	\$ 17,150	\$ 1,427	\$ -	\$ 88,870	\$ -
Cash with fiscal agent	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 377	\$ 1,845	\$ 17,150	\$ 1,427	\$ -	\$ 88,870	\$ -
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Other purposes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	377	1,845	17,150	1,427	-	88,870	-
Total cash and investment fund balance - ending	\$ 377	\$ 1,845	\$ 17,150	\$ 1,427	\$ -	\$ 88,870	\$ -

MACONAQUAH SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Title I FY 2008	Innovative Education Program Strategies	Title I Fy 06/07	Title IV Drug Free Schools	Drug Free Schools FY 05	Improving Teaching Quality No Child Left Behind Title II
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	263,532	-	3,832	8,168	-	77,260
Other	-	1	-	-	-	-
Total receipts	263,532	1	3,832	8,168	-	77,260
Disbursements:						
Current:						
Instruction	240,565	-	-	6,865	3,463	77,260
Support services	7,384	-	-	-	-	-
Noninstructional services	2,757	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	3,832	-	-	-
Total disbursements	250,706	-	3,832	6,865	3,463	77,260
Excess (deficiency) of receipts over disbursements	12,826	1	-	1,303	(3,463)	-
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	13,095	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	13,095	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	25,921	1	-	1,303	(3,463)	-
Cash and investments - beginning	-	(1)	-	-	3,463	-
Cash and investments - ending	\$ 25,921	\$ -	\$ -	\$ 1,303	\$ -	\$ -
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 25,921	\$ -	\$ -	\$ 1,303	\$ -	\$ -
Cash with fiscal agent	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 25,921	\$ -	\$ -	\$ 1,303	\$ -	\$ -
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Other purposes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	25,921	-	-	1,303	-	-
Total cash and investment fund balance - ending	\$ 25,921	\$ -	\$ -	\$ 1,303	\$ -	\$ -

MACONAQUAH SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Improving Teaching Quality Enhanced Education Through Technology Title II	Language Instruction Title III	Debt Service	Capital Projects	School Bus Replacement	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ 653,851	\$ 506,174	\$ 278,663	\$ 2,223,348
Intermediate sources	-	-	-	-	-	563
State sources	-	-	-	-	-	217,003
Federal sources	-	10,855	-	-	-	388,647
Other	-	-	-	-	-	34,066
Total receipts	-	10,855	653,851	506,174	278,663	2,863,627
Disbursements:						
Current:						
Instruction	-	7,519	-	-	-	464,934
Support services	4,916	-	-	153,589	349,649	1,422,080
Noninstructional services	-	-	-	-	-	2,811
Facilities acquisition and construction	-	-	-	490,545	-	1,813,896
Debt services	-	-	839,138	-	-	839,138
Nonprogrammed charges	-	-	-	-	-	3,832
Total disbursements	4,916	7,519	839,138	644,134	349,649	4,546,691
Excess (deficiency) of receipts over disbursements	(4,916)	3,336	(185,287)	(137,960)	(70,986)	(1,683,064)
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	2,816
Transfers in	-	-	78,843	-	18,838	138,056
Transfers out	-	-	-	-	-	(13,095)
Total other financing sources (uses)	-	-	78,843	-	18,838	127,777
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,916)	3,336	(106,444)	(137,960)	(52,148)	(1,555,287)
Cash and investments - beginning	4,916	666	106,444	222,555	52,148	2,062,255
Cash and investments - ending	<u>\$ -</u>	<u>\$ 4,002</u>	<u>\$ -</u>	<u>\$ 84,595</u>	<u>\$ -</u>	<u>\$ 506,968</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ 4,002	\$ -	\$ 84,595	\$ -	\$ 257,451
Cash with fiscal agent	-	-	-	-	-	249,517
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 4,002</u>	<u>\$ -</u>	<u>\$ 84,595</u>	<u>\$ -</u>	<u>\$ 506,968</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Other purposes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 249,517
Unrestricted	-	4,002	-	84,595	-	257,451
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 4,002</u>	<u>\$ -</u>	<u>\$ 84,595</u>	<u>\$ -</u>	<u>\$ 506,968</u>

MACONAQUAH SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009

	Special Education Part B	Transportation Operating	Special Education Preschool	Textbook Rental	Educational License Plates	Alternative Education	Pipe Creek Building Project
Receipts:							
Local sources	\$ -	\$ 732,579	\$ 8,710	\$ 114,859	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	788	-	-
State sources	-	-	75,736	70,760	-	-	-
Federal sources	89,241	-	-	-	-	-	-
Other	-	3,905	-	4,398	50	-	1,926
Total receipts	89,241	736,484	84,446	190,017	838	-	1,926
Disbursements:							
Current:							
Instruction	-	-	80,765	-	956	-	-
Support services	-	681,748	-	250,249	-	-	-
Noninstructional services	-	-	-	-	1,190	-	-
Facilities acquisition and construction	-	-	-	-	-	-	251,443
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	681,748	80,765	250,249	2,146	-	251,443
Excess (deficiency) of receipts over disbursements	89,241	54,736	3,681	(60,232)	(1,308)	-	(249,517)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	(53,280)	-	-	-	-	-
Total other financing sources (uses)	-	(53,280)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	89,241	1,456	3,681	(60,232)	(1,308)	-	(249,517)
Cash and investments - beginning	-	-	85,885	(79,802)	2,596	6,073	249,517
Cash and investments - ending	<u>\$ 89,241</u>	<u>\$ 1,456</u>	<u>\$ 89,566</u>	<u>\$ (140,034)</u>	<u>\$ 1,288</u>	<u>\$ 6,073</u>	<u>\$ -</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 89,241	\$ 1,456	\$ 89,566	\$ (140,034)	\$ 1,288	\$ 6,073	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 89,241	\$ 1,456	\$ 89,566	\$ (140,034)	\$ 1,288	\$ 6,073	\$ -
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	89,241	1,456	89,566	(140,034)	1,288	6,073	-
Total cash and investment fund balance - ending	\$ 89,241	\$ 1,456	\$ 89,566	\$ (140,034)	\$ 1,288	\$ 6,073	\$ -

MACONAQUAH SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Gifted and Talented	Economic Education Mini Grant	Non-English Speaking Program	School Technology	Knights of Columbus Donation	Dukes Healthcare Foundation	Library Endowment
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	35,888	-	7,495	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other	-	-	-	-	-	460	-
Total receipts	35,888	-	7,495	-	-	460	-
Disbursements:							
Current:							
Instruction	35,476	377	7,942	-	-	-	2,769
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	818	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	35,476	377	7,942	-	818	-	2,769
Excess (deficiency) of receipts over disbursements	412	(377)	(447)	-	(818)	460	(2,769)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	412	(377)	(447)	-	(818)	460	(2,769)
Cash and investments - beginning	17,209	377	1,845	17,150	1,427	-	88,870
Cash and investments - ending	\$ 17,621	\$ -	\$ 1,398	\$ 17,150	\$ 609	\$ 460	\$ 86,101
Cash and Investment Assets - Ending							
Cash and investments	\$ 17,621	\$ -	\$ 1,398	\$ 17,150	\$ 609	\$ 460	\$ 86,101
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 17,621	\$ -	\$ 1,398	\$ 17,150	\$ 609	\$ 460	\$ 86,101
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	17,621	-	1,398	17,150	609	460	86,101
Total cash and investment fund balance - ending	\$ 17,621	\$ -	\$ 1,398	\$ 17,150	\$ 609	\$ 460	\$ 86,101

MACONAQUAH SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	PLTW Workforce Development Grant	Title I FY 2008	Title I FY 2009	Innovative Education Program Strategies	Drug Free Schools Title IV	Title IV Drug Free Schools
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	12,422	38,778	343,707	3,749	8,122	-
Other	-	-	-	-	-	-
Total receipts	12,422	38,778	343,707	3,749	8,122	-
Disbursements:						
Current:						
Instruction	-	34,841	206,903	-	5,331	1,303
Support services	-	59	70,690	-	-	-
Noninstructional services	-	1,117	915	-	-	-
Facilities acquisition and construction	15,171	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	3,749	-	-
Total disbursements	15,171	36,017	278,508	3,749	5,331	1,303
Excess (deficiency) of receipts over disbursements	(2,749)	2,761	65,199	-	2,791	(1,303)
Other financing sources (uses):						
Transfers in	-	-	28,682	-	-	-
Transfers out	-	(28,682)	-	-	-	-
Total other financing sources (uses)	-	(28,682)	28,682	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,749)	(25,921)	93,881	-	2,791	(1,303)
Cash and investments - beginning	-	25,921	-	-	-	1,303
Cash and investments - ending	<u>\$ (2,749)</u>	<u>\$ -</u>	<u>\$ 93,881</u>	<u>\$ -</u>	<u>\$ 2,791</u>	<u>\$ -</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ (2,749)	\$ -	\$ 93,881	\$ -	\$ 2,791	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ (2,749)</u>	<u>\$ -</u>	<u>\$ 93,881</u>	<u>\$ -</u>	<u>\$ 2,791</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	(2,749)	-	93,881	-	2,791	-
Total cash and investment fund balance - ending	<u>\$ (2,749)</u>	<u>\$ -</u>	<u>\$ 93,881</u>	<u>\$ -</u>	<u>\$ 2,791</u>	<u>\$ -</u>

MACONAQUAH SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Improving Teaching Quality No Child Left Behind Title II	Language Instruction Title III	Debt Service	Capital Projects	School Bus Replacement	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ 1,110,259	\$ 665,425	\$ 411,485	\$ 3,043,317
Intermediate sources	-	-	-	-	-	788
State sources	-	-	-	-	-	189,879
Federal sources	78,968	6,659	-	-	-	581,646
Other	-	-	250,935	-	-	261,674
Total receipts	78,968	6,659	1,361,194	665,425	411,485	4,077,304
Disbursements:						
Current:						
Instruction	78,968	8,636	-	-	-	464,267
Support services	-	-	-	277,028	382,087	1,661,861
Noninstructional services	-	-	-	-	-	4,040
Facilities acquisition and construction	-	-	-	592,304	-	858,918
Debt services	-	-	1,041,798	-	-	1,041,798
Nonprogrammed charges	-	-	-	-	-	3,749
Total disbursements	78,968	8,636	1,041,798	869,332	382,087	4,034,633
Excess (deficiency) of receipts over disbursements	-	(1,977)	319,396	(203,907)	29,398	42,671
Other financing sources (uses):						
Transfers in	-	-	-	119,312	-	147,994
Transfers out	-	-	(78,843)	-	(18,838)	(179,643)
Total other financing sources (uses)	-	-	(78,843)	119,312	(18,838)	(31,649)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(1,977)	240,553	(84,595)	10,560	11,022
Cash and investments - beginning	-	4,002	-	84,595	-	506,968
Cash and investments - ending	<u>\$ -</u>	<u>\$ 2,025</u>	<u>\$ 240,553</u>	<u>\$ -</u>	<u>\$ 10,560</u>	<u>\$ 517,990</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 2,025	\$ -	\$ -	\$ 10,560	\$ 277,437
Restricted assets:						
Cash and investments	-	-	240,553	-	-	240,553
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 2,025</u>	<u>\$ 240,553</u>	<u>\$ -</u>	<u>\$ 10,560</u>	<u>\$ 517,990</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ 240,553	\$ -	\$ -	\$ 240,553
Unrestricted	-	2,025	-	-	10,560	277,437
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 2,025</u>	<u>\$ 240,553</u>	<u>\$ -</u>	<u>\$ 10,560</u>	<u>\$ 517,990</u>

MACONAQUAH SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2008

	<u>Prepaid Food</u>	<u>Federal Withholding</u>	<u>FICA Withholding</u>	<u>State Withholding</u>	<u>Local Withholding</u>	<u>TERF</u>
Additions:						
Agency fund additions	\$ 29,743	\$ 1,299,043	\$ 906,747	\$ 385,153	\$ 146,482	\$ 6,909
Deductions:						
Agency fund deductions	<u>29,868</u>	<u>1,298,464</u>	<u>906,531</u>	<u>386,436</u>	<u>145,616</u>	<u>6,491</u>
Excess (deficiency) of total additions over total deductions	(125)	579	216	(1,283)	866	418
Cash and investment fund balance - beginning	<u>2,821</u>	<u>(579)</u>	<u>(216)</u>	<u>31,370</u>	<u>11,273</u>	<u>1,655</u>
Cash and investment fund balance - ending	<u>\$ 2,696</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,087</u>	<u>\$ 12,139</u>	<u>\$ 2,073</u>

MACONAQUAH SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	PERF	Group Insurance	Annuities	United Way	Sagamore FCU
Additions:					
Agency fund additions	\$ 48,045	\$ 506,891	\$ 434,158	\$ 7,260	\$ 112,446
Deductions:					
Agency fund deductions	47,654	506,773	434,158	7,260	112,446
Excess (deficiency) of total additions over total deductions	391	118	-	-	-
Cash and investment fund balance - beginning	11,406	2,320	-	-	-
Cash and investment fund balance - ending	<u>\$ 11,797</u>	<u>\$ 2,438</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MACONAQUAH SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	<u>Garnishments</u>	<u>Child Support</u>	<u>Association Dues</u>	<u>Clearing</u>	<u>Totals</u>
Additions:					
Agency fund additions	\$ 9,092	\$ 11,950	\$ 96,837	\$ 3,498	\$ 4,004,254
Deductions:					
Agency fund deductions	<u>9,092</u>	<u>11,950</u>	<u>96,837</u>	<u>3,498</u>	<u>4,003,074</u>
Excess (deficiency) of total additions over total deductions	-	-	-	-	1,180
Cash and investment fund balance - beginning	-	-	-	-	<u>60,050</u>
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,230</u>

MACONAQUAH SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2009

	Prepaid Food	Federal Withholding	FICA Withholding	State Withholding	Local Withholding	TERF
Additions:						
Agency fund additions	\$ 27,454	\$ 1,218,573	\$ 904,538	\$ 384,529	\$ 218,836	\$ 6,569
Deductions:						
Agency fund deductions	24,940	1,218,573	904,538	383,531	210,804	6,270
Excess (deficiency) of total additions over total deductions	2,514	-	-	998	8,032	299
Cash and investment fund balance - beginning	2,696	-	-	30,087	12,139	2,073
Cash and investment fund balance - ending	<u>\$ 5,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,085</u>	<u>\$ 20,171</u>	<u>\$ 2,372</u>

MACONAQUAH SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	<u>PERF</u>	<u>Group Insurance</u>	<u>Annuities</u>	<u>United Way</u>	<u>Sagamore FCU</u>
Additions:					
Agency fund additions	\$ 48,527	\$ 547,583	\$ 424,039	\$ 6,801	\$ 34,012
Deductions:					
Agency fund deductions	<u>48,573</u>	<u>546,938</u>	<u>424,039</u>	<u>6,801</u>	<u>34,012</u>
Excess (deficiency) of total additions over total deductions	(46)	645	-	-	-
Cash and investment fund balance - beginning	<u>11,797</u>	<u>2,438</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investment fund balance - ending	<u>\$ 11,751</u>	<u>\$ 3,083</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MACONAQUAH SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	<u>Garnishments</u>	<u>Child Support</u>	<u>Association Dues</u>	<u>Clearing</u>	<u>Totals</u>
Additions:					
Agency fund additions	\$ 17,463	\$ 13,000	\$ 68,582	\$ 3,045	\$ 3,923,551
Deductions:					
Agency fund deductions	<u>17,413</u>	<u>13,000</u>	<u>68,582</u>	<u>3,045</u>	<u>3,911,059</u>
Excess (deficiency) of total additions over total deductions	50	-	-	-	12,492
Cash and investment fund balance - beginning	-	-	-	-	<u>61,230</u>
Cash and investment fund balance - ending	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,722</u>

MACONAQUAH SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2009

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 116,900
Buildings	34,628,500
Improvements other than buildings	4,857,149
Machinery and equipment	<u>6,967,934</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 46,570,483</u>

MACONAQUAH SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2009

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:		
Maconaquah Elementary Building	\$ 2,215,000	\$ 695,000
Energy Savings Contract	1,439,088	261,339
Bonds payable:		
General obligation bonds:		
Pipe Creek Elementary Addition	<u>1,835,000</u>	<u>170,000</u>
Total governmental activities debt	<u>\$ 5,489,088</u>	<u>\$ 1,126,339</u>

MACONAQUAH SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

OVERDRAWN FUND BALANCES

The Textbook Rental Fund was overdrawn in 2007-2008 and 2008-2009. The PLTW Workforce Development Grant Fund was overdrawn in 2008-2009.

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

SEGREGATION OF DUTIES – DEFICIENCY IN INTERNAL CONTROLS

Control activities were not selected and developed at various levels to reduce risks of error and/or fraud of the financial statements. The School Corporation has not separated incompatible activities related to all areas of the financial statements. Failure to establish these controls could enable material misstatements to go undetected.

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

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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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 MACONAQUAH SCHOOL CORPORATION, MIAMI COUNTY, INDIANA

Compliance

We have audited the compliance of the Maconaquah School Corporation (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2008 and 2009. 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, 2008 and 2009.

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)

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we considered to be a significant deficiency as defined above.

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.

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

This report is intended solely for the information and use of the School Corporation's management, School Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

December 2, 2009

MACONAQUAH SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2008 and 2009

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 06-30-08	Total Federal Awards Expended 06-30-09
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 84,800	\$ 102,021
National School Lunch Program	10.555		366,931	411,764
Total for Cluster			451,731	513,785
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Direct Grant				
Impact Aid	84.041		-	-
		FY 06-30-08	16,103	-
		FY 06-30-09	-	13,194
Total for program			16,103	13,194
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies				
	84.010		19,183	-
		FY06-07	250,706	36,017
		FY07-08	-	278,507
Total for program			269,889	314,524
Migrant Education State Grant Program				
	84.011		7,519	-
		FY 06-30-08	-	8,636
Total for program			7,519	8,636
Safe and Drug Free Schools and Communities State Grants				
	84.186		3,463	-
		FY 06-30-07	6,865	1,303
		FY 06-30-08	-	5,331
Total for program			10,328	6,634
Pass-Through Indiana Department of Workforce Development				
Tech-Prep Education				
	84.243		-	15,171
		PY08	-	-
State Grants for Innovative Programs				
	84.298		3,832	-
		FY 06-30-08	-	3,749
Total for program			3,832	3,749
Improving Teacher Quality State Grants				
	84.367		4,916	-
		FY 06-30-06	77,260	-
		FY 06-30-07	-	78,968
Total for program			82,176	78,968
ARRA State Fiscal Stabilization Fund (SFSF) - Education				
Grants, Recovery Act	84.394		-	421,466
Total for federal grantor agency			745,242	850,139
Total federal awards expended			<u>\$ 841,578</u>	<u>\$ 1,376,127</u>

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

MACONAQUAH SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Maconaquah School Corporation (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of Schools 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, 2008 and 2009. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2007-2008	2008-2009
School Breakfast Program	10.553	\$ 8,277	\$ 9,340
National School Lunch Program	10.555	35,833	37,698

MACONAQUAH SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	yes
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? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.394A	Child Nutrition Cluster Fiscal Stabilization Program

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

FEDERAL FINDING 2009-1, DEFICIENCY IN INTERNAL CONTROLS

Control Activities should be selected and developed at various levels to reduce risks of error and/or fraud of the financial statements. The School Corporation has not separated incompatible activities related to all areas of the financial statements. Failure to establish these controls could enable material misstatements or fraud to go undetected.

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

MACONAQUAH SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



MACONAQUAH SCHOOL CORPORATION

Debra L. Jones, Ph.D.
Superintendent
Ext. 1000

December 2, 2009

James M. Callane, Ed.D.
Assistant Superintendent
Ext. 1050

Dear Sir or Madam:

Harriet Thompson
Chief Administrator
for Academic Services
Ext. 1130

In response to the state audit regarding the federal finding 2009-1 – Internal Controls over Financial Transactions and Reporting, the Maconaquah School Corporation offers the following corrective action.

The Maconaquah Treasurer, Assistant Treasurer, and Superintendent will review their office procedures and attempt to institute duties that would involve, at least on a sample basis, reviews of the work performed by each of the office employees. However, our school system is a very small governmental unit with decreasing enrollment and I have determined that the cost associated with employing additional staff necessary to properly segregate the duties of the business office would outweigh the benefits of a stronger internal control structure. The superintendent's office acknowledges and assumes the risks inherent with the current design of the Maconaquah business office.

Sincerely,

Debra L. Jones, Ph.D.
Superintendent

cc: Tina Bonifant, Treasurer
Corie Armes, Assistant Treasurer
Seamus Boyce, School System Attorney
Brian Troyer, School Board President

Enc. – Federal Finding

IN PURSUIT OF EXCELLENCE

7932 South Strawtown Pike, Bunker Hill, IN 46914-9667 Telephone (765) 689-9131 Fax (765) 689-0995

MACONAQUAH SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on December 2, 2009, with Tina Bonifant, Treasurer; Dr. Debra L. Jones, Superintendent of Schools; Greg Bevington, Secretary of the School Board; Tim Miller, Vice President of the School Board; and Corie A. Armes, Deputy Treasurer. The officials concurred with our audit findings.