

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, 2008 to June 30, 2010



FILED

02/07/2011

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	5-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis	7-8
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds	9-10
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds	11-12
Notes to Financial Statements	13-22
Required Supplementary Information:	
Schedule of Funding Progress	23
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds	24-34
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Private-Purpose Trust Funds	35-36
Schedule of Long-Term Debt	37
Audit Results and Comments:	
Capital Asset Records	38
Average Daily Membership (ADM) – Lack of Records	38
Public Records Retention	38
Overdrawn Cash Balances	39
Fundraisers	39
Penalties, Interest, and Other Charges	39
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	42-43
Schedule of Expenditures of Federal Awards	44-45
Notes to Schedule of Expenditures of Federal Awards	46
Schedule of Findings and Questioned Costs	47
Auditee Prepared Schedule:	
Summary Schedule of Prior Audit Findings	48
Exit Conference	49

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Rebecca Biberstein	07-01-08 to 06-30-11
Superintendent of Schools	Cathy Egolf Vacant Scott Litwiller (Interim)	07-01-08 to 08-03-10 08-04-10 to 08-05-10 08-06-10 to 06-30-11
President of the School Board	Tony Mellencamp Arlene Amstutz	07-01-08 to 06-30-10 07-01-10 to 06-30-11



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 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 South Adams Schools (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2009 and 2010, 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 9, 2010, 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 integral part of 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, 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

December 9, 2010



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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 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 South Adams Schools (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated December 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

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

Compliance and Other Matters

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

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

December 9, 2010

SOUTH ADAMS SCHOOLS
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 (Disbursements) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 6,236,710	\$ -	\$ 199,120	\$ (6,037,590)
Support services	4,806,270	276,421	268,626	(4,261,223)
Noninstructional services	635,767	-	-	(635,767)
Facilities acquisition and construction	1,136,345	-	-	(1,136,345)
Debt service	1,944,527	-	-	(1,944,527)
Nonprogrammed charges	770,085	-	-	(770,085)
Total governmental activities	<u>\$ 15,529,704</u>	<u>\$ 276,421</u>	<u>\$ 467,746</u>	<u>(14,785,537)</u>
General receipts:				
Property taxes				8,206,801
Other local sources				701,293
State aid				6,433,424
Grants and contributions not restricted to specific programs				2,227,319
Sale of property				4,518
Investment earnings				60,231
Other				<u>8,120</u>
Total general receipts				<u>17,641,706</u>
Change in net assets				2,856,169
Net assets - beginning				<u>3,875,573</u>
Net assets - ending				<u>\$ 6,731,742</u>
<u>Assets</u>				
Cash and investments				\$ 6,225,149
Restricted assets:				
Cash and investments				<u>506,593</u>
Total assets				<u>\$ 6,731,742</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 506,593
Unrestricted				<u>6,225,149</u>
Total net assets				<u>\$ 6,731,742</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, 2010

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 7,045,321	\$ -	\$ 177,363	\$ (6,867,958)
Support services	4,509,047	294,032	323,854	(3,891,161)
Noninstructional services	759,121	-	-	(759,121)
Facilities acquisition and construction	3,049,972	-	-	(3,049,972)
Debt service	863,000	-	-	(863,000)
Nonprogrammed charges	<u>653,097</u>	<u>-</u>	<u>-</u>	<u>(653,097)</u>
Total governmental activities	<u>\$ 16,879,558</u>	<u>\$ 294,032</u>	<u>\$ 501,217</u>	<u>(16,084,309)</u>
General receipts:				
Property taxes				3,413,466
Other local sources				252,482
State aid				8,434,500
Grants and contributions not restricted to specific programs				1,855,805
Sale of property				267,343
Investment earnings				67,576
Other				<u>7,760</u>
Total general receipts				<u>14,298,932</u>
Change in net assets				(1,785,377)
Net assets - beginning				<u>6,731,742</u>
Net assets - ending				<u>\$ 4,946,365</u>
<u>Assets</u>				
Cash and investments				\$ 4,031,213
Restricted assets:				
Cash and investments				<u>915,152</u>
Total assets				<u>\$ 4,946,365</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 915,152
Unrestricted				<u>4,031,213</u>
Total net assets				<u>\$ 4,946,365</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, 2009

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	Construction	Other	Totals
Receipts:								
Local sources	\$ 2,875,236	\$ 1,372,090	\$ -	\$ 2,387,651	\$ 1,844,690	\$ 45,624	\$ 716,312	\$ 9,241,603
Intermediate sources	196	-	-	-	-	-	675	871
State sources	6,587,867	-	-	-	-	-	127,175	6,715,042
Federal sources	-	-	-	-	-	-	2,415,719	2,415,719
Other	5,798	760	-	-	-	-	1,562	8,120
Total receipts	9,469,097	1,372,850	-	2,387,651	1,844,690	45,624	3,261,443	18,381,355
Disbursements:								
Current:								
Instruction	4,926,991	-	-	-	-	-	1,309,719	6,236,710
Support services	2,406,711	614,537	-	-	860,736	-	924,286	4,806,270
Noninstructional services	141,351	-	-	-	-	-	494,416	635,767
Facilities acquisition and construction	-	-	-	-	1,121,425	-	14,920	1,136,345
Debt services	-	-	-	1,944,527	-	-	-	1,944,527
Nonprogrammed charges	740,275	-	-	-	-	-	29,810	770,085
Total disbursements	8,215,328	614,537	-	1,944,527	1,982,161	-	2,773,151	15,529,704
Excess (deficiency) of receipts over disbursements	1,253,769	758,313	-	443,124	(137,471)	45,624	488,292	2,851,651
Other financing sources (uses):								
Sale of capital assets	17	-	-	-	476	-	4,025	4,518
Interfund loans	(800,000)	200,000	-	-	800,000	-	(200,000)	-
Transfers in	-	-	-	-	-	-	82,781	82,781
Transfers out	-	-	-	-	-	(68,781)	(14,000)	(82,781)
Total other financing sources (uses)	(799,983)	200,000	-	-	800,476	(68,781)	(127,194)	4,518
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	453,786	958,313	-	443,124	663,005	(23,157)	361,098	2,856,169
Cash and investments - beginning	17,314	443,785	778,716	63,469	408,029	1,695,381	468,879	3,875,573
Cash and investments - ending	\$ 471,100	\$ 1,402,098	\$ 778,716	\$ 506,593	\$ 1,071,034	\$ 1,672,224	\$ 829,977	\$ 6,731,742
Cash and Investment Assets - Ending								
Cash and investments	\$ 471,100	\$ 1,402,098	\$ 778,716	\$ -	\$ 1,071,034	\$ 1,672,224	\$ 829,977	\$ 6,225,149
Restricted assets:								
Cash and investments	-	-	-	506,593	-	-	-	506,593
Total cash and investment assets - ending	\$ 471,100	\$ 1,402,098	\$ 778,716	\$ 506,593	\$ 1,071,034	\$ 1,672,224	\$ 829,977	\$ 6,731,742
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ 506,593	\$ -	\$ -	\$ -	\$ 506,593
Unrestricted	471,100	1,402,098	778,716	-	1,071,034	1,672,224	829,977	6,225,149
Total cash and investment fund balance - ending	\$ 471,100	\$ 1,402,098	\$ 778,716	\$ 506,593	\$ 1,071,034	\$ 1,672,224	\$ 829,977	\$ 6,731,742

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, 2010

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	Construction	Other	Totals
Receipts:								
Local sources	\$ 72,552	\$ 839,131	\$ -	\$ 1,271,559	\$ 1,223,657	\$ 35,090	\$ 583,968	\$ 4,025,957
Intermediate sources	1,411	-	-	-	-	-	188	1,599
State sources	8,566,317	-	-	-	-	-	98,686	8,665,003
Federal sources	-	-	-	-	-	-	2,126,519	2,126,519
Other	6,503	901	-	-	-	-	356	7,760
Total receipts	8,646,783	840,032	-	1,271,559	1,223,657	35,090	2,809,717	14,826,838
Disbursements:								
Current:								
Instruction	5,181,422	-	100,000	-	-	-	1,763,899	7,045,321
Support services	2,631,703	619,082	-	-	598,282	-	659,980	4,509,047
Noninstructional services	176,884	-	-	-	-	-	582,237	759,121
Facilities acquisition and construction	-	-	-	-	1,275,550	1,707,314	67,108	3,049,972
Debt services	-	-	-	863,000	-	-	-	863,000
Nonprogrammed charges	652,890	-	-	-	-	-	207	653,097
Total disbursements	8,642,899	619,082	100,000	863,000	1,873,832	1,707,314	3,073,431	16,879,558
Excess (deficiency) of receipts over disbursements	3,884	220,950	(100,000)	408,559	(650,175)	(1,672,224)	(263,714)	(2,052,720)
Other financing sources (uses):								
Sale of capital assets	12	15	-	-	259,025	-	8,291	267,343
Transfers in	84,665	-	268,600	-	-	-	42,586	395,851
Transfers out	-	(268,600)	-	-	-	-	(127,251)	(395,851)
Total other financing sources (uses)	84,677	(268,585)	268,600	-	259,025	-	(76,374)	267,343
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	88,561	(47,635)	168,600	408,559	(391,150)	(1,672,224)	(340,088)	(1,785,377)
Cash and investments - beginning	471,100	1,402,098	778,716	506,593	1,071,034	1,672,224	829,977	6,731,742
Cash and investments - ending	\$ 559,661	\$ 1,354,463	\$ 947,316	\$ 915,152	\$ 679,884	\$ -	\$ 489,889	\$ 4,946,365
Cash and Investment Assets - Ending								
Cash and investments	\$ 559,661	\$ 1,354,463	\$ 947,316	\$ -	\$ 679,884	\$ -	\$ 489,889	\$ 4,031,213
Restricted assets:								
Cash and investments	-	-	-	915,152	-	-	-	915,152
Total cash and investment assets - ending	\$ 559,661	\$ 1,354,463	\$ 947,316	\$ 915,152	\$ 679,884	\$ -	\$ 489,889	\$ 4,946,365
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ 915,152	\$ -	\$ -	\$ -	\$ 915,152
Unrestricted	559,661	1,354,463	947,316	-	679,884	-	489,889	4,031,213
Total cash and investment fund balance - ending	\$ 559,661	\$ 1,354,463	\$ 947,316	\$ 915,152	\$ 679,884	\$ -	\$ 489,889	\$ 4,946,365

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, 2009

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Contributions:		
Other	\$ -	\$ 631
Deductions:		
Administrative and general	-	4,258
Deficiency of total additions over total deductions	-	(3,627)
Cash and investment fund balance - beginning	<u>124,211</u>	<u>7,709</u>
Cash and investment fund balance - ending	<u>\$ 124,211</u>	<u>\$ 4,082</u>
Net assets:		
Cash and investments	<u>\$ 124,211</u>	<u>\$ 4,082</u>
Total net assets - cash and investment basis held in trust	<u>\$ 124,211</u>	<u>\$ 4,082</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, 2010

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Contributions:		
Other	\$ -	\$ 18,170
Deductions:		
Administrative and general	-	230
Excess of total additions over total deductions	-	17,940
Cash and investment fund balance - beginning	<u>124,211</u>	<u>4,082</u>
Cash and investment fund balance - ending	<u>\$ 124,211</u>	<u>\$ 22,022</u>
Net assets:		
Cash and investments	<u>\$ 124,211</u>	<u>\$ 22,022</u>
Total net assets - cash and investment basis held in trust	<u>\$ 124,211</u>	<u>\$ 22,022</u>

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 in a joint venture to operate Adams-Wells Special Services Cooperative (Co-op) which was created to provide instruction for students with special needs. The Adams-Wells Special Services Cooperative's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Adams-Wells Special Services Cooperative can be obtained from the Co-op's administrative offices at 925 N. Main Street, Bluffton, IN 46714.

The School Corporation is a participant in a joint venture to operate Area 18 Career and Technical Education Cooperative (Co-op) which was created to provide occupational and technical training to students. The Area 18 Career and Technical Education Cooperative's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Area 18 Career and Technical Education Cooperative 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.

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, and fiduciary funds,

SOUTH ADAMS SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 36-1-8-5.1 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 of buildings; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

The construction fund accounts for planned construction, repair, replacement or remodeling of building projects.

Additionally, the School Corporation reports the following fund types:

The pension trust fund accounts for bonds and payments anticipated to be made to employees on or after the termination of employment or to pay postretirement or severance benefits held by the school cooperation in a trustee capacity.

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.

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.

SOUTH ADAMS SCHOOLS
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 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. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. 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.

3. Property Taxes

Normally, 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. 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 may 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.

4. Capital Assets

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

5. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental funds is not reported as 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.

SOUTH ADAMS SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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."

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts and Disbursements

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 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 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 not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.
4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

SOUTH ADAMS SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Government-Wide Financial Statements

Interfund activity, if any, is 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 Activities and Net Assets – Cash and Investment Basis. The effects of interfund loans and 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 January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. Prior to November 1, 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.

B. Cash and Investment Balance Deficits

At June 30, 2010, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

Fund	2010
PLTW 2009-10 Grant	\$ 1,046
ARRA Title I	20,729

Cash and investment deficits are due to reimbursement type grants.

SOUTH ADAMS SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. IC 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.

2. Investments

Statutory Authorization for Investments

IC 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 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.

SOUTH ADAMS SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. The School Corporation does not have a formal investment policy for interest rate risk for investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School Corporation does not have a formal investment policy for credit risk for investments.

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, 2009 and 2010, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2009</u>	<u>2010</u>
Construction Fund	Other Governmental Funds	\$ 68,781	\$ -
Transportation Operating Fund	Rainy Day Fund	-	268,600
Other Governmental Funds	General Fund	-	84,665
Other Governmental Funds	Other Governmental Funds	<u>14,000</u>	<u>42,586</u>
Totals		<u>\$ 82,781</u>	<u>\$ 395,851</u>

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

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; 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 risks covered by commercial insurance 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 School Corporation pays an annual premium to the risk pool for its medical benefits to employees' coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$300,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$300,000 limit.

B. Holding Corporation

The School Corporation has entered into a capital lease with South Adams School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the year ended June 30, 2010, totaled \$863,000.

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

SOUTH ADAMS SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the School Corporation during the period were \$340,854.

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

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's contributions to the plan during the period were \$373,082.

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)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-07	\$ 1,889,329	\$ 2,110,575	\$ (221,246)	90%	\$ 1,367,537	(16%)
07-01-08	2,057,301	2,317,234	(259,933)	89%	1,603,987	(16%)
07-01-09	1,938,132	2,320,226	(382,094)	84%	1,642,598	(23%)

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, 2009

	Preschool Special Education	School Lunch	Textbook Rental	Area 18 Vocational Education	Full Day Kindergarten	Educational License Plates
Receipts:						
Local sources	\$ 8,640	\$ 234,715	\$ 94,289	\$ 4,670	\$ -	\$ -
Intermediate sources	-	-	-	-	-	675
State sources	44,441	7,499	22,058	-	-	-
Federal sources	-	239,069	-	-	-	-
Other	-	-	1,562	-	-	-
Total receipts	53,081	481,283	117,909	4,670	-	675
Disbursements:						
Current:						
Instruction	24,750	-	-	11,809	-	-
Support services	-	86	145,646	-	-	-
Noninstructional services	-	482,385	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Nonprogrammed charges	28,875	-	-	-	279	656
Total disbursements	53,625	482,471	145,646	11,809	279	656
Excess (deficiency) of receipts over disbursements	(544)	(1,188)	(27,737)	(7,139)	(279)	19
Other financing sources (uses):						
Sale of capital assets	-	4,025	-	-	-	-
Interfund loans	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	4,025	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(544)	2,837	(27,737)	(7,139)	(279)	19
Cash and investments - beginning	84,980	145,155	84,375	18,880	279	-
Cash and investments - ending	\$ 84,436	\$ 147,992	\$ 56,638	\$ 11,741	\$ -	\$ 19
Cash and Investment Assets - Ending						
Total cash and investment assets - ending	\$ 84,436	\$ 147,992	\$ 56,638	\$ 11,741	\$ -	\$ 19
Cash and Investment Fund Balance - Ending						
Total cash and investment fund balance - ending	\$ 84,436	\$ 147,992	\$ 56,638	\$ 11,741	\$ -	\$ 19

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, 2009
 (Continued)

	Early Intervention 2007-08	Early Intervention	School Intervention and Career	Gifted and Talented	High Ability 2008-09	Recreational Activities
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	8,500	-	-	31,335	-
Federal sources	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	-	8,500	-	-	31,335	-
Disbursements:						
Current:						
Instruction	1,075	7,175	-	8,238	31,085	-
Support services	-	1,325	-	-	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	1,075	8,500	-	8,238	31,085	-
Excess (deficiency) of receipts over disbursements	(1,075)	-	-	(8,238)	250	-
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,075)	-	-	(8,238)	250	-
Cash and investments - beginning	1,075	-	4	8,238	-	573
Cash and investments - ending	\$ -	\$ -	\$ 4	\$ -	\$ 250	\$ 573
<u>Cash and Investment Assets - Ending</u>						
Total cash and investment assets - ending	\$ -	\$ -	\$ 4	\$ -	\$ 250	\$ 573
<u>Cash and Investment Fund Balance - Ending</u>						
Total cash and investment fund balance - ending	\$ -	\$ -	\$ 4	\$ -	\$ 250	\$ 573

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, 2009
 (Continued)

	Non English Speaking Grant	Non English Speaking 2008-09	School Improvement Title I 2007-08	Title I 2008-09	Title I 2007-08	Title V 2007-08
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	13,342	-	-	-	-
Federal sources	-	-	5,000	812,778	70,000	-
Other	-	-	-	-	-	-
Total receipts	-	13,342	5,000	812,778	70,000	-
Disbursements:						
Current:						
Instruction	6,919	13,342	-	562,860	94,363	-
Support services	-	-	18,437	153,836	-	-
Noninstructional services	-	-	-	1,024	1,800	-
Facilities acquisition and construction	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	6,919	13,342	18,437	717,720	96,163	-
Excess (deficiency) of receipts over disbursements	(6,919)	-	(13,437)	95,058	(26,163)	-
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(6,919)	-	(13,437)	95,058	(26,163)	-
Cash and investments - beginning	6,919	-	13,437	-	26,163	2,135
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 95,058	\$ -	\$ 2,135
Cash and Investment Assets - Ending						
Total cash and investment assets - ending	\$ -	\$ -	\$ -	\$ 95,058	\$ -	\$ 2,135
Cash and Investment Fund Balance - Ending						
Total cash and investment fund balance - ending	\$ -	\$ -	\$ -	\$ 95,058	\$ -	\$ 2,135

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, 2009
 (Continued)

	Title IV-A 2008-09	Title V 2008-09	Migrant 2008-09	Migrant 2007-08	Title IV	Title IV-A DFSC
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	2,272	38,993	-	10,610	7,557
Other	-	-	-	-	-	-
Total receipts	-	2,272	38,993	-	10,610	7,557
Disbursements:						
Current:						
Instruction	2,855	-	38,493	-	-	-
Support services	-	2,272	500	-	-	4,204
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	2,855	2,272	38,993	-	-	4,204
Excess (deficiency) of receipts over disbursements	(2,855)	-	-	-	10,610	3,353
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Transfers in	14,000	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	14,000	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	11,145	-	-	-	10,610	3,353
Cash and investments - beginning	-	-	-	9	-	(3,353)
Cash and investments - ending	<u>\$ 11,145</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9</u>	<u>\$ 10,610</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>						
Total cash and investment assets - ending	<u>\$ 11,145</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9</u>	<u>\$ 10,610</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Total cash and investment fund balance - ending	<u>\$ 11,145</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9</u>	<u>\$ 10,610</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, 2009
 (Continued)

	Area 18 Vocational Education Perkins Grant	PLTW Grant	Title II-A	Title II-D Tech	Title IV-B Rural Education	Title III Language Instruction
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	13,328	17,847	236,923	546	104,269	-
Other	-	-	-	-	-	-
Total receipts	<u>13,328</u>	<u>17,847</u>	<u>236,923</u>	<u>546</u>	<u>104,269</u>	<u>-</u>
Disbursements:						
Current:						
Instruction	11,616	469	-	-	4,919	763
Support services	-	4,932	196,379	15,544	89,253	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	12,446	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	<u>11,616</u>	<u>17,847</u>	<u>196,379</u>	<u>15,544</u>	<u>94,172</u>	<u>763</u>
Excess (deficiency) of receipts over disbursements	<u>1,712</u>	<u>-</u>	<u>40,544</u>	<u>(14,998)</u>	<u>10,097</u>	<u>(763)</u>
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	(14,000)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(14,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,712	-	26,544	(14,998)	10,097	(763)
Cash and investments - beginning	<u>(1,350)</u>	<u>-</u>	<u>31,952</u>	<u>14,998</u>	<u>16,984</u>	<u>763</u>
Cash and investments - ending	<u>\$ 362</u>	<u>\$ -</u>	<u>\$ 58,496</u>	<u>\$ -</u>	<u>\$ 27,081</u>	<u>\$ -</u>
Cash and Investment Assets - Ending						
Total cash and investment assets - ending	<u>\$ 362</u>	<u>\$ -</u>	<u>\$ 58,496</u>	<u>\$ -</u>	<u>\$ 27,081</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending						
Total cash and investment fund balance - ending	<u>\$ 362</u>	<u>\$ -</u>	<u>\$ 58,496</u>	<u>\$ -</u>	<u>\$ 27,081</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, 2009
 (Continued)

	Title III 2008-09	ARRA Fiscal Stabilization	ARRA Title I	School Bus Replacement	Construction - Building Corporation	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 373,283	\$ 715	\$ 716,312
Intermediate sources	-	-	-	-	-	675
State sources	-	-	-	-	-	127,175
Federal sources	15,000	727,607	113,920	-	-	2,415,719
Other	-	-	-	-	-	1,562
Total receipts	<u>15,000</u>	<u>727,607</u>	<u>113,920</u>	<u>373,283</u>	<u>715</u>	<u>3,261,443</u>
Disbursements:						
Current:						
Instruction	15,000	473,988	-	-	-	1,309,719
Support services	-	202,614	-	89,258	-	924,286
Noninstructional services	-	9,207	-	-	-	494,416
Facilities acquisition and construction	-	-	-	-	2,474	14,920
Nonprogrammed charges	-	-	-	-	-	29,810
Total disbursements	<u>15,000</u>	<u>685,809</u>	<u>-</u>	<u>89,258</u>	<u>2,474</u>	<u>2,773,151</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>41,798</u>	<u>113,920</u>	<u>284,025</u>	<u>(1,759)</u>	<u>488,292</u>
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	4,025
Interfund loans	-	-	-	(200,000)	-	(200,000)
Transfers in	-	-	-	-	68,781	82,781
Transfers out	-	-	-	-	-	(14,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(200,000)</u>	<u>68,781</u>	<u>(127,194)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>41,798</u>	<u>113,920</u>	<u>84,025</u>	<u>67,022</u>	<u>361,098</u>
Cash and investments - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,663</u>	<u>-</u>	<u>468,879</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 41,798</u>	<u>\$ 113,920</u>	<u>\$ 100,688</u>	<u>\$ 67,022</u>	<u>\$ 829,977</u>
<u>Cash and Investment Assets - Ending</u>						
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 41,798</u>	<u>\$ 113,920</u>	<u>\$ 100,688</u>	<u>\$ 67,022</u>	<u>\$ 829,977</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 41,798</u>	<u>\$ 113,920</u>	<u>\$ 100,688</u>	<u>\$ 67,022</u>	<u>\$ 829,977</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, 2010

	Preschool Special Education	School Lunch	Textbook Rental	Area 18 Vocational Education	Educational License Plates	School Intervention and Career
Receipts:						
Local sources	\$ -	\$ 256,292	\$ 93,488	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	188	-
State sources	23,375	7,127	22,638	-	-	-
Federal sources	-	294,089	-	-	-	-
Other	-	-	356	-	-	-
Total receipts	23,375	557,508	116,482	-	188	-
Disbursements:						
Current:						
Instruction	23,146	-	-	6,849	-	-
Support services	-	56	131,880	-	-	-
Noninstructional services	-	568,633	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	207	-
Total disbursements	23,146	568,689	131,880	6,849	207	-
Excess (deficiency) of receipts over disbursements	229	(11,181)	(15,398)	(6,849)	(19)	-
Other financing sources (uses):						
Sale of capital assets	-	7,466	825	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	(84,665)	-	-	-	-	-
Total other financing sources (uses)	(84,665)	7,466	825	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(84,436)	(3,715)	(14,573)	(6,849)	(19)	-
Cash and investments - beginning	84,436	147,992	56,638	11,741	19	4
Cash and investments - ending	\$ -	\$ 144,277	\$ 42,065	\$ 4,892	\$ -	\$ 4
Cash and Investment Assets - Ending						
Total cash and investment assets - ending	\$ -	\$ 144,277	\$ 42,065	\$ 4,892	\$ -	\$ 4
Cash and Investment Fund Balance - Ending						
Total cash and investment fund balance - ending	\$ -	\$ 144,277	\$ 42,065	\$ 4,892	\$ -	\$ 4

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, 2010
 (Continued)

	High Ability 2008-09	Recreational Activities	Non English Speaking 2008-09	Title I 2008-09	Title I 2009-10	Title V 2007-08
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	31,137	-	14,409	-	-	-
Federal sources	-	-	-	61,302	777,381	833
Other	-	-	-	-	-	-
Total receipts	31,137	-	14,409	61,302	777,381	833
Disbursements:						
Current:						
Instruction	30,270	-	12,075	100,851	641,075	-
Support services	-	-	-	12,923	55,215	2,968
Noninstructional services	-	-	-	-	8,845	-
Facilities acquisition and construction	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	30,270	-	12,075	113,774	705,135	2,968
Excess (deficiency) of receipts over disbursements	867	-	2,334	(52,472)	72,246	(2,135)
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	42,586	-
Transfers out	-	-	-	(42,586)	-	-
Total other financing sources (uses)	-	-	-	(42,586)	42,586	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	867	-	2,334	(95,058)	114,832	(2,135)
Cash and investments - beginning	250	573	-	95,058	-	2,135
Cash and investments - ending	\$ 1,117	\$ 573	\$ 2,334	\$ -	\$ 114,832	\$ -
Cash and Investment Assets - Ending						
Total cash and investment assets - ending	\$ 1,117	\$ 573	\$ 2,334	\$ -	\$ 114,832	\$ -
Cash and Investment Fund Balance - Ending						
Total cash and investment fund balance - ending	\$ 1,117	\$ 573	\$ 2,334	\$ -	\$ 114,832	\$ -

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, 2010
 (Continued)

	Title IV-A 2008-09	Migrant 2007-08	Title I Migrant 2009-10	Title IV	Title IV - A 2009-10	Area 18 Vocational Education Perkins Grant
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	200	41,754	-	14,389	13,775
Other	-	-	-	-	-	-
Total receipts	-	200	41,754	-	14,389	13,775
Disbursements:						
Current:						
Instruction	4,776	-	30,991	10,610	-	13,872
Support services	-	100	10,763	-	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	4,776	100	41,754	10,610	-	13,872
Excess (deficiency) of receipts over disbursements	(4,776)	100	-	(10,610)	14,389	(97)
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,776)	100	-	(10,610)	14,389	(97)
Cash and investments - beginning	11,145	9	-	10,610	-	362
Cash and investments - ending	<u>\$ 6,369</u>	<u>\$ 109</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,389</u>	<u>\$ 265</u>
Cash and Investment Assets - Ending						
Total cash and investment assets - ending	<u>\$ 6,369</u>	<u>\$ 109</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,389</u>	<u>\$ 265</u>
Cash and Investment Fund Balance - Ending						
Total cash and investment fund balance - ending	<u>\$ 6,369</u>	<u>\$ 109</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,389</u>	<u>\$ 265</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, 2010
 (Continued)

	PLTW Grant	PLTW 2009-10 Grant	Title II-A	Title II - A 2009-10	Title IV-B Rural Education	Title IV - B Rural and Low Income
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	2,153	11,570	-	169,775	-	27,551
Other	-	-	-	-	-	-
Total receipts	2,153	11,570	-	169,775	-	27,551
Disbursements:						
Current:						
Instruction	-	12,616	-	53,602	3,080	-
Support services	2,153	-	58,496	88,842	24,001	3,532
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	2,153	12,616	58,496	142,444	27,081	3,532
Excess (deficiency) of receipts over disbursements	-	(1,046)	(58,496)	27,331	(27,081)	24,019
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(1,046)	(58,496)	27,331	(27,081)	24,019
Cash and investments - beginning	-	-	58,496	-	27,081	-
Cash and investments - ending	\$ -	\$ (1,046)	\$ -	\$ 27,331	\$ -	\$ 24,019
Cash and Investment Assets - Ending						
Total cash and investment assets - ending	\$ -	\$ (1,046)	\$ -	\$ 27,331	\$ -	\$ 24,019
Cash and Investment Fund Balance - Ending						
Total cash and investment fund balance - ending	\$ -	\$ (1,046)	\$ -	\$ 27,331	\$ -	\$ 24,019

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, 2010
 (Continued)

	Title III 2009-10	ARRA Fiscal Stabilization	ARRA Title I	School Bus Replacement	Construction - Building Corporation	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ 1,712	\$ 232,365	\$ 111	\$ 583,968
Intermediate sources	-	-	-	-	-	188
State sources	-	-	-	-	-	98,686
Federal sources	17,030	281,717	413,000	-	-	2,126,519
Other	-	-	-	-	-	356
Total receipts	<u>17,030</u>	<u>281,717</u>	<u>414,712</u>	<u>232,365</u>	<u>111</u>	<u>2,809,717</u>
Disbursements:						
Current:						
Instruction	14,914	283,289	521,883	-	-	1,763,899
Support services	-	37,691	25,254	206,106	-	659,980
Noninstructional services	-	2,535	2,224	-	-	582,237
Facilities acquisition and construction	-	-	-	-	67,108	67,108
Nonprogrammed charges	-	-	-	-	-	207
Total disbursements	<u>14,914</u>	<u>323,515</u>	<u>549,361</u>	<u>206,106</u>	<u>67,108</u>	<u>3,073,431</u>
Excess (deficiency) of receipts over disbursements	<u>2,116</u>	<u>(41,798)</u>	<u>(134,649)</u>	<u>26,259</u>	<u>(66,997)</u>	<u>(263,714)</u>
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	8,291
Transfers in	-	-	-	-	-	42,586
Transfers out	-	-	-	-	-	(127,251)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(76,374)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>2,116</u>	<u>(41,798)</u>	<u>(134,649)</u>	<u>26,259</u>	<u>(66,997)</u>	<u>(340,088)</u>
Cash and investments - beginning	<u>-</u>	<u>41,798</u>	<u>113,920</u>	<u>100,688</u>	<u>67,022</u>	<u>829,977</u>
Cash and investments - ending	<u>\$ 2,116</u>	<u>\$ -</u>	<u>\$ (20,729)</u>	<u>\$ 126,947</u>	<u>\$ 25</u>	<u>\$ 489,889</u>
<u>Cash and Investment Assets - Ending</u>						
Total cash and investment assets - ending	<u>\$ 2,116</u>	<u>\$ -</u>	<u>\$ (20,729)</u>	<u>\$ 126,947</u>	<u>\$ 25</u>	<u>\$ 489,889</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Total cash and investment fund balance - ending	<u>\$ 2,116</u>	<u>\$ -</u>	<u>\$ (20,729)</u>	<u>\$ 126,947</u>	<u>\$ 25</u>	<u>\$ 489,889</u>

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, 2009

	<u>Miscellaneous In & Out</u>	<u>Recycle</u>	<u>Full Day Kindergarten</u>	<u>Totals</u>
Additions:				
Contributions:				
Other	\$ -	\$ 352	\$ 279	\$ 631
Deductions:				
Administrative and general	4,258	-	-	4,258
Excess (deficiency) of total additions over total deductions	(4,258)	352	279	(3,627)
Cash and investment fund balance - beginning	4,258	3,451	-	7,709
Cash and investments - ending	<u>\$ -</u>	<u>\$ 3,803</u>	<u>\$ 279</u>	<u>\$ 4,082</u>
Net assets:				
Cash and investments	<u>\$ -</u>	<u>\$ 3,803</u>	<u>\$ 279</u>	<u>\$ 4,082</u>
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ 3,803</u>	<u>\$ 279</u>	<u>\$ 4,082</u>

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, 2010

	Gifts/ Donations	Donations - Weight Equipment	Recycle	Full Day Kindergarten	Totals
Additions:					
Contributions:					
Other	\$ 850	\$ 16,870	\$ 450	\$ -	\$ 18,170
Deductions:					
Administrative and general	230	-	-	-	230
Excess of total additions over total deductions	620	16,870	450	-	17,940
Cash and investment fund balance - beginning	-	-	3,803	279	4,082
Cash and investments - ending	<u>\$ 620</u>	<u>\$ 16,870</u>	<u>\$ 4,253</u>	<u>\$ 279</u>	<u>\$ 22,022</u>
Net assets:					
Cash and investments	\$ 620	\$ 16,870	\$ 4,253	\$ 279	\$ 22,022
Total net assets - cash and investment basis held in trust	<u>\$ 620</u>	<u>\$ 16,870</u>	<u>\$ 4,253</u>	<u>\$ 279</u>	<u>\$ 22,022</u>

SOUTH ADAMS SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2010

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:		
South Adams School Building Corporation	\$ 23,005,000	\$ 2,578,500
Loan payable	<u>3,463,851</u>	<u>519,602</u>
Total governmental activities debt	<u>\$ 26,468,851</u>	<u>\$ 3,098,102</u>

SOUTH ADAMS SCHOOLS
AUDIT RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

An inventory or record of capital assets was not maintained. A similar comment appeared in prior Report B34205.

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)

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

Records presented for audit to support the ADM claimed by the School Corporation for South Adams High School were not certified by the building principal for the 2009-2010 school year. A similar comment appeared in prior Report B34205.

Officials shall 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)

PUBLIC RECORDS RETENTION

Payroll records (trial journals, deduction reports, check registers) for the year 2008 were not available for audit because they had been destroyed.

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. . . ."

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)

SOUTH ADAMS SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

OVERDRAWN CASH BALANCES

The cash balances of the PLTW 2009-10 Grant Fund and the ARRA Title I Fund were overdrawn at June 30, 2010.

The cash 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)

FUNDRAISERS (Applies to South Adams Middle School)

The seventh and eighth grade classes sell "Star Cards" as a fundraiser. The unsold cards, which are prenumbered, were destroyed. No final summary report of sales was submitted to provide a final accounting of the fundraiser.

Governmental units which conduct fund raising events should have the express permission of the governing body for conducting the fund raiser as well as procedures in place concerning the internal controls and the responsibility of employees or officials. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

PENALTIES, INTEREST, AND OTHER CHARGES (Applies to South Adams High School)

Payment was made on October 28, 2008, a \$22,841 by the High School FFA (Future Farmers of America) club to a local feed mill for seed and fertilizer. The payment included \$13,701 for invoices over ninety days past due. Also included in this amount was \$320 for finance charges.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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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 SOUTH ADAMS SCHOOLS, ADAMS COUNTY, INDIANA

Compliance

We have audited the compliance of 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, 2009 and 2010. 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, 2009 and 2010.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

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

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

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

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

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

December 9, 2010

SOUTH ADAMS SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2009 and 2010

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 06-30-09	Total Federal Awards Expended 06-30-10
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	FY08-09; FY09-10	\$ 26,562	\$ 32,927
National School Lunch Program	10.555	FY08-09; FY09-10	<u>253,240</u>	<u>309,714</u>
Total for federal grantor agency			<u>279,802</u>	<u>342,641</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies				
School improvement	84.010	08-0035	18,437	-
Regular funding		08-0035	96,163	-
Regular funding		09-0035	717,720	113,774
Regular funding		10-0035	<u>-</u>	<u>705,135</u>
Total for program			<u>832,320</u>	<u>818,909</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY09-10	<u>-</u>	<u>549,362</u>
Total for cluster			<u>832,320</u>	<u>1,368,271</u>
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) -				
Education State Grants, Recovery Act	84.394	FY08-09; FY09-10	<u>685,809</u>	<u>323,515</u>
Migrant Education - State Grant Program				
	84.011	FY08-09/RM-11	38,993	-
		FY09-10/SY-4	<u>-</u>	<u>41,754</u>
Total for program			<u>38,993</u>	<u>41,754</u>
Pass-Through Bluffton-Harrison Metropolitan School District				
Career and Technical Education - Basic Grants to States				
	84.048	08-09	11,616	-
		09-10	<u>-</u>	<u>13,872</u>
Total for program			<u>11,616</u>	<u>13,872</u>
Pass-Through Indiana Department of Education				
Safe and Drug-Free Schools and Communities - State Grants				
	84.186	0035-07	4,204	-
		08-0035	<u>-</u>	<u>10,610</u>
Total for program			<u>4,204</u>	<u>10,610</u>
Pass-Through Indiana Department of Workforce Development				
Tech-Prep Education				
	84.243	C19-PLTW-8-718	17,847	2,153
		C1-10-PLTW-9-718	<u>-</u>	<u>12,616</u>
Total for program			<u>17,847</u>	<u>14,769</u>

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

SOUTH ADAMS SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2009 and 2010
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-09	Total Federal Awards Expended 06-30-10
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through Indiana Department of Education State Grants for Innovative Programs	84.298			
		06-0035	2,272	-
		07-0035	-	2,968
		08-0035	2,855	4,776
Total for program			<u>5,127</u>	<u>7,744</u>
Educational Technology State Grants Cluster Education Technology State Grants	84.318			
		S318X060014	15,544	-
Rural Education	84.358			
		07-08	43,109	-
		08-09	42,454	-
		09-10	8,609	27,081
		10-11	-	3,532
Total for program			<u>94,172</u>	<u>30,613</u>
English Language Acquisition Grants	84.365			
		07-08	763	-
		08-09	15,000	-
		09-10	-	14,914
Total for program			<u>15,763</u>	<u>14,914</u>
Improving Teacher Quality State Grants	84.367			
		07-0035	109,292	-
		08-0035	101,087	58,496
		09-0035	-	142,444
Total for program			<u>210,379</u>	<u>200,940</u>
Total for federal grantor agency			<u>1,931,774</u>	<u>2,027,002</u>
Total federal awards expended			<u>\$ 2,211,576</u>	<u>\$ 2,369,643</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 cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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, 2009 and 2010. 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, 2009	For the Year Ended June 30, 2010
Child nutrition cluster:			
Food commodities:			
School breakfast program	10.553	\$ 3,867	\$ 4,666
National school lunch program	10.555	<u>36,866</u>	<u>43,886</u>
Total for cluster		<u>\$ 40,733</u>	<u>\$ 48,552</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? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.367	Title I, Part A Cluster State Fiscal Stabilization Fund Cluster Improving Teacher Quality State Grants

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

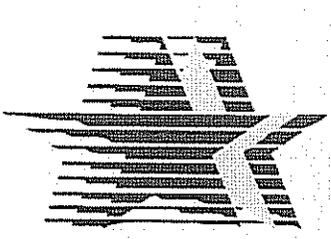
Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.



South Adams School

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Scott Litwiler
Acting Superintendent

Sally Thomas
Payroll/Superintendent Sec

Rebecca Biberstein
Treasurer

Carol Cummings
Title One Director

Summary Schedule of Prior Audit Findings

Finding 2008-1

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 has been taken to ensure the school is in compliance with the applicable laws of the State of Indiana and Federal statutes.

Rebecca Biberstein
Treasurer

10-20-10

SOUTH ADAMS SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on December 9, 2010, with Scott Litwiller, Superintendent of Schools (Interim); Rebecca Biberstein, Treasurer; and Arlene Amstutz, President of the School Board.