

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

AUDIT REPORT

OF

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION

STARKE COUNTY, INDIANA

July 1, 2008 to June 30, 2010



FILED

02/11/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Guy Richie	07-01-08 to 06-30-11
Superintendent of Schools	Iran G. Floyd (Interim) (Vacant) Lynn Johnson	07-01-08 to 12-18-09 12-19-09 to 01-03-10 01-04-10 to 06-30-13
President of the School Board	Murray Jain	07-01-08 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 THE NORTH JUDSON-SAN PIERRE
SCHOOL CORPORATION, STARKE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Judson-San Pierre School Corporation (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 November 29, 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 School Corporation has not presented Management's Discussion and Analysis, Schedule of Funding Progress, Schedule of Contributions From the Employer and Other Contributing Entities, 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

November 29, 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 THE NORTH JUDSON-SAN PIERRE
SCHOOL CORPORATION, STARKE COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Judson-San Pierre School Corporation (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 November 29, 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.

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 deficiencies described in item 2010-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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)

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. However, of the significant deficiencies described above, we consider item 2010-1 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.

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, 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

November 29, 2010

NORTH JUDSON-SAN PIERRE 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>Totals</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		
Governmental activities:					
Instruction	\$ 5,930,842	\$ -	\$ 165,941	\$ (5,764,901)	
Support services	4,160,894	14,554	359,002	(3,787,338)	
Noninstructional services	843,976	-	-	(843,976)	
Facilities acquisition and construction	229,992	-	-	(229,992)	
Debt service	3,357,521	-	-	(3,357,521)	
Nonprogrammed charges	947,461	-	-	(947,461)	
Total governmental activities	\$ 15,470,686	\$ 14,554	\$ 524,943	(14,931,189)	
General receipts:					
Property taxes				4,221,227	
Other local sources				1,334,025	
State aid				7,620,512	
Bonds and loans				1,275,000	
Grants and contributions not restricted to specific programs				1,238,901	
Sale of property				895	
Investment earnings				73,597	
Other				5,656	
Total general receipts				15,769,813	
Change in net assets				838,624	
Net assets - beginning				2,923,745	
Net assets - ending				\$ 3,762,369	
<u>Assets</u>					
Cash and investments				\$ 3,581,133	
Restricted assets:					
Cash and investments				181,236	
Total assets				\$ 3,762,369	
<u>Net Assets</u>					
Restricted for:					
Debt service				\$ 181,236	
Unrestricted				3,581,133	
Total net assets				\$ 3,762,369	

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

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Totals</u>
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 6,276,331	\$ -	\$ 152,916	\$ (6,123,415)
Support services	4,197,411	23,221	411,442	(3,762,748)
Noninstructional services	902,897	-	-	(902,897)
Facilities acquisition and construction	289,168	-	-	(289,168)
Debt service	2,617,160	-	-	(2,617,160)
Nonprogrammed charges	915,144	-	-	(915,144)
Total governmental activities	\$ 15,198,111	\$ 23,221	\$ 564,358	(14,610,532)
General receipts:				
Property taxes				4,143,118
Other local sources				1,136,817
State aid				9,322,778
Bonds and loans				1,815,000
Grants and contributions not restricted to specific programs				939,029
Sale of property				13,265
Investment earnings				74,668
Other				785
Total general receipts				17,445,460
Change in net assets				2,834,928
Net assets - beginning				3,762,369
Net assets - ending				\$ 6,597,297
<u>Assets</u>				
Cash and investments				\$ 4,763,954
Restricted assets:				
Cash and investments				1,833,343
Total assets				\$ 6,597,297
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 1,833,343
Unrestricted				4,763,954
Total net assets				\$ 6,597,297

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

NORTH JUDSON-SAN PIERRE 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	Transportation Operating	Fiscal Stabilization	Debt Service	Capital Projects	Other	Totals
Receipts:							
Local sources	\$ 1,703,265	\$ 715,361	\$ -	\$ 1,596,511	\$ 891,832	\$ 735,049	\$ 5,642,018
Intermediate sources	653	-	-	-	-	731	1,384
State sources	7,755,031	-	-	-	-	95,126	7,850,157
Federal sources	-	-	809,481	-	-	724,719	1,534,200
Temporary loans	750,000	265,000	-	-	260,000	-	1,275,000
Other	-	5,656	-	-	-	-	5,656
Total receipts	10,208,949	986,017	809,481	1,596,511	1,151,832	1,555,625	16,308,415
Disbursements:							
Current:							
Instruction	5,369,793	(288)	204,306	-	-	357,031	5,930,842
Support services	2,531,126	652,808	123,530	-	402,733	450,697	4,160,894
Noninstructional services	203,392	-	4,548	-	-	636,036	843,976
Facilities acquisition and construction	(7,173)	-	-	-	237,165	-	229,992
Debt services	1,280,000	185,000	-	1,492,903	330,000	69,618	3,357,521
Nonprogrammed charges	862,034	-	71,504	-	-	13,923	947,461
Total disbursements	10,239,172	837,520	403,888	1,492,903	969,898	1,527,305	15,470,686
Excess (deficiency) of receipts over disbursements	(30,223)	148,497	405,593	103,608	181,934	28,320	837,729
Other financing sources (uses):							
Sale of capital assets	615	280	-	-	-	-	895
Transfers in	589,530	175,687	-	-	15,880	412,162	1,193,259
Transfers out	(377,601)	(15,458)	-	-	(52,650)	(747,550)	(1,193,259)
Total other financing sources (uses)	212,544	160,509	-	-	(36,770)	(335,388)	895
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	182,321	309,006	405,593	103,608	145,164	(307,068)	838,624
Cash and investments - beginning	2,071,199	17,751	-	70,750	6	764,039	2,923,745
Cash and investments - ending	\$ 2,253,520	\$ 326,757	\$ 405,593	\$ 174,358	\$ 145,170	\$ 456,971	\$ 3,762,369
Cash and Investment Assets - Ending							
Cash and investments	\$ 2,253,520	\$ 326,757	\$ 405,593	\$ -	\$ 145,170	\$ 450,093	\$ 3,581,133
Restricted assets:							
Cash and investments	-	-	-	174,358	-	6,878	181,236
Total cash and investment assets - ending	\$ 2,253,520	\$ 326,757	\$ 405,593	\$ 174,358	\$ 145,170	\$ 456,971	\$ 3,762,369
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ 174,358	\$ -	\$ 6,878	\$ 181,236
Unrestricted	2,253,520	326,757	405,593	-	145,170	450,093	3,581,133
Total cash and investment fund balance - ending	\$ 2,253,520	\$ 326,757	\$ 405,593	\$ 174,358	\$ 145,170	\$ 456,971	\$ 3,762,369

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

NORTH JUDSON-SAN PIERRE 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, 2010

	General	Transportation Operating	Fiscal Stabilization	Debt Service	Capital Projects	Other	Totals
Receipts:							
Local sources	\$ 261,161	\$ 952,348	\$ -	\$ 2,019,497	\$ 1,365,967	\$ 778,320	\$ 5,377,293
Intermediate sources	81	-	-	-	-	451	532
State sources	9,445,407	-	-	-	-	103,629	9,549,036
Federal sources	-	-	277,163	-	-	999,965	1,277,128
Temporary loans	-	451,000	-	816,000	506,000	42,000	1,815,000
Other	785	-	-	-	-	-	785
Total receipts	9,707,434	1,403,348	277,163	2,835,497	1,871,967	1,924,365	18,019,774
Disbursements:							
Current:							
Instruction	5,764,780	-	197,623	-	-	313,928	6,276,331
Support services	2,328,675	635,543	190,064	-	493,663	549,466	4,197,411
Noninstructional services	265,351	-	7,236	-	-	630,310	902,897
Facilities acquisition and construction	-	-	-	-	289,168	-	289,168
Debt services	750,000	265,000	-	1,268,685	260,000	73,475	2,617,160
Nonprogrammed charges	613,529	-	287,833	-	-	13,782	915,144
Total disbursements	9,722,335	900,543	682,756	1,268,685	1,042,831	1,580,961	15,198,111
Excess (deficiency) of receipts over disbursements	(14,901)	502,805	(405,593)	1,566,812	829,136	343,404	2,821,663
Other financing sources (uses):							
Sale of capital assets	13,125	140	-	-	-	-	13,265
Transfers in	4,458	-	-	-	-	8,705	13,163
Transfers out	-	-	-	-	-	(13,163)	(13,163)
Total other financing sources (uses)	17,583	140	-	-	-	(4,458)	13,265
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,682	502,945	(405,593)	1,566,812	829,136	338,946	2,834,928
Cash and investments - beginning	2,253,520	326,757	405,593	174,358	145,170	456,971	3,762,369
Cash and investments - ending	\$ 2,256,202	\$ 829,702	\$ -	\$ 1,741,170	\$ 974,306	\$ 795,917	\$ 6,597,297
Cash and Investment Assets - Ending							
Cash and investments	\$ 2,256,202	\$ 829,702	\$ -	\$ -	\$ 974,306	\$ 703,744	\$ 4,763,954
Restricted assets:							
Cash and investments	-	-	-	1,741,170	-	92,173	1,833,343
Total cash and investment assets - ending	\$ 2,256,202	\$ 829,702	\$ -	\$ 1,741,170	\$ 974,306	\$ 795,917	\$ 6,597,297
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ 1,741,170	\$ -	\$ 92,173	\$ 1,833,343
Unrestricted	2,256,202	829,702	-	-	974,306	703,744	4,763,954
Total cash and investment fund balance - ending	\$ 2,256,202	\$ 829,702	\$ -	\$ 1,741,170	\$ 974,306	\$ 795,917	\$ 6,597,297

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

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
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	\$ -	\$ 7,134
Deductions:		
Benefits	24,356	-
Administrative and general	<u>-</u>	<u>7,406</u>
Total deductions	<u>24,356</u>	<u>7,406</u>
Deficiency of total additions over total deductions	(24,356)	(272)
Cash and investment fund balance - beginning	<u>67,520</u>	<u>549</u>
Cash and investment fund balance - ending	<u>\$ 43,164</u>	<u>\$ 277</u>
Total net assets - cash and investment basis held in trust	<u>\$ 43,164</u>	<u>\$ 277</u>

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

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
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	\$ -	\$ 7,020
Deductions:		
Benefits	23,168	-
Administrative and general	<u>-</u>	<u>7,094</u>
Total deductions	<u>23,168</u>	<u>7,094</u>
Deficiency of total additions over total deductions	(23,168)	(74)
Cash and investment fund balance - beginning	<u>43,164</u>	<u>277</u>
Cash and investment fund balance - ending	<u>\$ 19,996</u>	<u>\$ 203</u>
Total net assets - cash and investment basis held in trust	<u>\$ 19,996</u>	<u>\$ 203</u>

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

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

Primary Government: North Judson-San Pierre 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 in a joint venture to operate North Central Area Vocational Cooperative (NCAVC) which was created for joint planning for future need, operating programs and service for vocational education. NCAVC's continued existence depends on continued funding by the member School Corporations. Complete financial statements for NCAVC can be obtained from NCAVC's administrative office located at the Culver Community School Corporation, PO Box 231, and 222 North Ohio Street, Culver, Indiana, 46511.

The School Corporation is a participant in a joint venture to operate Joint Educational Service in Special Education Cooperative (JESSE) which was created to operate a comprehensive program of special education for children with special health care needs. The School Corporation is obligated by contract to remit \$820,000 annually to supplement the JESSE budget. Complete financial statements for JESSE can be obtained from JESSE's administrative office located at 322 North Michigan Street, Plymouth, Indiana, 46563.

The School Corporation is a participant in a joint venture to operate Northern Indiana Education Services Center (NIESC) which was created to assist member school corporations in providing educational programs and services. The School Corporation is obligated by contract to remit \$6,000 annually to supplement NIESC. Complete financial statements for NIESC can be obtained from NIESC's administrative office located at 56535 Magnetic Drive, Mishawaka, Indiana, 46545.

The School Corporation is a participant in a joint venture to operate the North-Central Energy Cooperative (NEC) which was created to reduce energy costs by procuring natural gas in a more economical and efficient manner. The School Corporation is not obligated by contract to remit any monies annually to supplement the NEC contracts and budget. Complete financial statements for NEC can be obtained from NEC's administrative office located at Concord Community Schools, 59040 Minuteman Way, Elkhart, Indiana, 46517.

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

The General Fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Transportation Operating Fund accounts for financial resources for the transportation of school children to and from school.

The Fiscal Stabilization Fund accounts for federal monies received and disbursed under the American Recovery and Reinvestment Act of 2009.

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

The Capital Projects Fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

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 annual disbursement of scholarship funds to eligible students.

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

D. Assets and Cash and Investment Balances

1. 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.

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.

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 payments of principal and interest are reported as disbursements.

6. Equity Classification

Government-Wide Statements

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

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

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts

Program Receipts

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

F. Internal and Interfund 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.

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Government-Wide Financial Statements

Interfund activity, if any, is 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. 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.

G. Rounding Differences

The financial statements may contain immaterial differences due to rounding of amounts when the statements were compiled. These differences are considered trivial and do not affect the overall presentation of the financial statements.

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, 2009 and 2010, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

Fund	2009	2010
Athletic Payroll Fund	\$ <u>(5,645)</u>	\$ <u>(5,719)</u>

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.

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

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. 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 School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2010, the School Corporation had deposit balances in the amount of \$6,617,496.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2009 and 2010, were as follows:

Transfer From	Transfer To	2009	2010
General Fund	Other Governmental Funds	\$ 377,601	\$ -
Transportation Operating Fund	Other Governmental Funds	15,458	-
Capital Projects Fund	General Fund	52,650	-
Other Governmental Funds	General Fund	536,880	4,458
Other Governmental Funds	Transportation Operating Fund	175,687	-
Other Governmental Funds	Capital Projects Fund	15,880	-
Other Governmental Funds	Other Governmental Funds	19,103	8,705
Totals		<u>\$ 1,193,259</u>	<u>\$ 13,163</u>

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

IV. Other Information

A. Risk Management

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

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Holding Corporation

The School Corporation has entered into a capital lease with North Judson-San Pierre 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 school years ending June 30, 2009 and 2010, totaled \$1,234,531 and \$1,236,985, respectively.

C. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

Public Employees' Retirement Fund

Plan Description

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

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

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

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 two year audit period were \$282,574.

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy

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 two year audit period were \$619,810.

NORTH JUDSON-SAN PIERRE 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/ Preschool	School Lunch	Textbook Rental	Levy Excess	Education License Plates	High Ability Grant
Receipts:						
Local sources	\$ 4,905	\$ 374,538	\$ 59,751	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	731	-
State sources	13,392	4,097	46,065	-	-	31,572
Federal sources	-	308,841	-	-	-	-
Total receipts	<u>18,297</u>	<u>687,476</u>	<u>105,816</u>	<u>-</u>	<u>731</u>	<u>31,572</u>
Disbursements:						
Current:						
Instruction	-	-	-	-	-	37,261
Support services	-	-	144,481	-	-	23
Noninstructional services	-	626,354	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	13,923	-	-	-	-	-
Total disbursements	<u>13,923</u>	<u>626,354</u>	<u>144,481</u>	<u>-</u>	<u>-</u>	<u>37,284</u>
Excess (deficiency) of receipts over disbursements	<u>4,374</u>	<u>61,122</u>	<u>(38,665)</u>	<u>-</u>	<u>731</u>	<u>(5,712)</u>
Other financing sources (uses):						
Transfers in	-	-	-	399,229	-	-
Transfers out	(167)	-	-	(729,022)	-	-
Total other financing sources (uses)	<u>(167)</u>	<u>-</u>	<u>-</u>	<u>(329,793)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>4,207</u>	<u>61,122</u>	<u>(38,665)</u>	<u>(329,793)</u>	<u>731</u>	<u>(5,712)</u>
Cash and investments - beginning	<u>5,783</u>	<u>63,395</u>	<u>108,730</u>	<u>329,793</u>	<u>6,956</u>	<u>28,823</u>
Cash and investments - ending	<u>\$ 9,990</u>	<u>\$ 124,517</u>	<u>\$ 70,065</u>	<u>\$ -</u>	<u>\$ 7,687</u>	<u>\$ 23,111</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 9,990	\$ 124,517	\$ 70,065	\$ -	\$ 7,687	\$ 23,111
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 9,990</u>	<u>\$ 124,517</u>	<u>\$ 70,065</u>	<u>\$ -</u>	<u>\$ 7,687</u>	<u>\$ 23,111</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	9,990	124,517	70,065	-	7,687	23,111
Total cash and investment fund balance - ending	<u>\$ 9,990</u>	<u>\$ 124,517</u>	<u>\$ 70,065</u>	<u>\$ -</u>	<u>\$ 7,687</u>	<u>\$ 23,111</u>

NORTH JUDSON-SAN PIERRE 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)

	Medicaid Reimbursement	Welfare Activities	Non-English Speaking Program	Technology	Miscellaneous Technology	Title I FY 2008
Receipts:						
Local sources	\$ -	\$ 32	\$ -	\$ 26,875	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	20,000
Total receipts	-	32	-	26,875	-	20,000
Disbursements:						
Current:						
Instruction	-	32	-	1,468	-	23,682
Support services	-	-	-	23,770	-	2,914
Noninstructional services	-	-	-	-	-	295
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	-	32	-	25,238	-	26,891
Excess (deficiency) of receipts over disbursements	-	-	-	1,637	-	(6,891)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(12,358)
Total other financing sources (uses)	-	-	-	-	-	(12,358)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	1,637	-	(19,249)
Cash and investments - beginning	5,606	-	2,214	6,461	768	19,249
Cash and investments - ending	<u>\$ 5,606</u>	<u>\$ -</u>	<u>\$ 2,214</u>	<u>\$ 8,098</u>	<u>\$ 768</u>	<u>\$ -</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 5,606	\$ -	\$ 2,214	\$ 8,098	\$ 768	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 5,606</u>	<u>\$ -</u>	<u>\$ 2,214</u>	<u>\$ 8,098</u>	<u>\$ 768</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	5,606	-	2,214	8,098	768	-
Total cash and investment fund balance - ending	<u>\$ 5,606</u>	<u>\$ -</u>	<u>\$ 2,214</u>	<u>\$ 8,098</u>	<u>\$ 768</u>	<u>\$ -</u>

NORTH JUDSON-SAN PIERRE 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)

	Title I FY 2009	Title V, Part A FY 2007	Title V, Part A FY 2008	Drug Free Grant	Tobacco Prevention Grant	Title II, Part A
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	<u>298,864</u>	<u>983</u>	<u>-</u>	<u>6,347</u>	<u>500</u>	<u>89,184</u>
Total receipts	<u>298,864</u>	<u>983</u>	<u>-</u>	<u>6,347</u>	<u>500</u>	<u>89,184</u>
Disbursements:						
Current:						
Instruction	209,394	-	-	9,395	-	74,429
Support services	59,917	1,226	-	-	-	7,640
Noninstructional services	9,387	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	<u>278,698</u>	<u>1,226</u>	<u>-</u>	<u>9,395</u>	<u>-</u>	<u>82,069</u>
Excess (deficiency) of receipts over disbursements	<u>20,166</u>	<u>(243)</u>	<u>-</u>	<u>(3,048)</u>	<u>500</u>	<u>7,115</u>
Other financing sources (uses):						
Transfers in	12,358	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>12,358</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>32,524</u>	<u>(243)</u>	<u>-</u>	<u>(3,048)</u>	<u>500</u>	<u>7,115</u>
Cash and investments - beginning	<u>-</u>	<u>1,226</u>	<u>2,520</u>	<u>3,966</u>	<u>-</u>	<u>55,045</u>
Cash and investments - ending	<u>\$ 32,524</u>	<u>\$ 983</u>	<u>\$ 2,520</u>	<u>\$ 918</u>	<u>\$ 500</u>	<u>\$ 62,160</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 32,524	\$ 983	\$ 2,520	\$ 918	\$ 500	\$ 62,160
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 32,524</u>	<u>\$ 983</u>	<u>\$ 2,520</u>	<u>\$ 918</u>	<u>\$ 500</u>	<u>\$ 62,160</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>32,524</u>	<u>983</u>	<u>2,520</u>	<u>918</u>	<u>500</u>	<u>62,160</u>
Total cash and investment fund balance - ending	<u>\$ 32,524</u>	<u>\$ 983</u>	<u>\$ 2,520</u>	<u>\$ 918</u>	<u>\$ 500</u>	<u>\$ 62,160</u>

NORTH JUDSON-SAN PIERRE 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)

	Title II, Part D	Retirement/ Severance Bond Debt Service	School Bus Replacement	Construction	Totals
Receipts:					
Local sources	\$ -	\$ 74,032	\$ 194,916	\$ -	\$ 735,049
Intermediate sources	-	-	-	-	731
State sources	-	-	-	-	95,126
Federal sources	-	-	-	-	724,719
Total receipts	-	74,032	194,916	-	1,555,625
Disbursements:					
Current:					
Instruction	-	-	-	1,370	357,031
Support services	(162)	-	210,888	-	450,697
Noninstructional services	-	-	-	-	636,036
Debt services	-	69,618	-	-	69,618
Nonprogrammed charges	-	-	-	-	13,923
Total disbursements	(162)	69,618	210,888	1,370	1,527,305
Excess (deficiency) of receipts over disbursements	162	4,414	(15,972)	(1,370)	28,320
Other financing sources (uses):					
Transfers in	-	575	-	-	412,162
Transfers out	-	-	(6,003)	-	(747,550)
Total other financing sources (uses)	-	575	(6,003)	-	(335,388)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	162	4,989	(21,975)	(1,370)	(307,068)
Cash and investments - beginning	(162)	1,889	120,407	1,370	764,039
Cash and investments - ending	\$ -	\$ 6,878	\$ 98,432	\$ -	\$ 456,971
Cash and Investment Assets - Ending					
Cash and investments	\$ -	\$ -	\$ 98,432	\$ -	\$ 450,093
Restricted assets:					
Cash and investments	-	6,878	-	-	6,878
Total cash and investment assets - ending	\$ -	\$ 6,878	\$ 98,432	\$ -	\$ 456,971
Cash and Investment Fund Balance - Ending					
Restricted for:					
Debt service	\$ -	\$ 6,878	\$ -	\$ -	\$ 6,878
Unrestricted	-	-	98,432	-	450,093
Total cash and investment fund balance - ending	\$ -	\$ 6,878	\$ 98,432	\$ -	\$ 456,971

NORTH JUDSON-SAN PIERRE 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, 2010

	Special Education/ Preschool	School Lunch	Textbook Rental	Levy Excess	Education License Plates	High Ability Grant
Receipts:						
Local sources	\$ -	\$ 285,076	\$ 51,503	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	451	-
State sources	8,250	4,107	36,425	11,442	-	30,886
Federal sources	-	370,910	-	-	-	-
Temporary loans	-	-	-	-	-	-
Total receipts	<u>8,250</u>	<u>660,093</u>	<u>87,928</u>	<u>11,442</u>	<u>451</u>	<u>30,886</u>
Disbursements:						
Current:						
Instruction	-	-	-	-	-	36,777
Support services	-	113	60,555	-	-	445
Noninstructional services	-	624,562	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	13,782	-	-	-	-	-
Total disbursements	<u>13,782</u>	<u>624,675</u>	<u>60,555</u>	<u>-</u>	<u>-</u>	<u>37,222</u>
Excess (deficiency) of receipts over disbursements	<u>(5,532)</u>	<u>35,418</u>	<u>27,373</u>	<u>11,442</u>	<u>451</u>	<u>(6,336)</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	(4,458)	-	-	-	-	-
Total other financing sources (uses)	<u>(4,458)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(9,990)</u>	<u>35,418</u>	<u>27,373</u>	<u>11,442</u>	<u>451</u>	<u>(6,336)</u>
Cash and investments - beginning	<u>9,990</u>	<u>124,517</u>	<u>70,065</u>	<u>-</u>	<u>7,687</u>	<u>23,111</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 159,935</u>	<u>\$ 97,438</u>	<u>\$ 11,442</u>	<u>\$ 8,138</u>	<u>\$ 16,775</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ 159,935	\$ 97,438	\$ 11,442	\$ 8,138	\$ 16,775
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 159,935</u>	<u>\$ 97,438</u>	<u>\$ 11,442</u>	<u>\$ 8,138</u>	<u>\$ 16,775</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	159,935	97,438	11,442	8,138	16,775
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 159,935</u>	<u>\$ 97,438</u>	<u>\$ 11,442</u>	<u>\$ 8,138</u>	<u>\$ 16,775</u>

NORTH JUDSON-SAN PIERRE 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, 2010
 (Continued)

	Medicaid Reimbursement	Non-English Speaking Program	Technology	Miscellaneous Technology	Excess PTRC Distribution	Title I FY 2010
Receipts:						
Local sources	\$ -	\$ -	\$ 37,665	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	12,519	-
Federal sources	-	-	-	-	-	302,142
Temporary loans	-	-	-	-	-	-
Total receipts	-	-	37,665	-	12,519	302,142
Disbursements:						
Current:						
Instruction	-	-	-	-	-	203,261
Support services	-	-	30,290	-	-	64,936
Noninstructional services	-	-	-	-	-	5,748
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	-	-	30,290	-	-	273,945
Excess (deficiency) of receipts over disbursements	-	-	7,375	-	12,519	28,197
Other financing sources (uses):						
Transfers in	-	-	-	-	-	8,705
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	8,705
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	7,375	-	12,519	36,902
Cash and investments - beginning	5,606	2,214	8,098	768	-	-
Cash and investments - ending	<u>\$ 5,606</u>	<u>\$ 2,214</u>	<u>\$ 15,473</u>	<u>\$ 768</u>	<u>\$ 12,519</u>	<u>\$ 36,902</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 5,606	\$ 2,214	\$ 15,473	\$ 768	\$ 12,519	\$ 36,902
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 5,606</u>	<u>\$ 2,214</u>	<u>\$ 15,473</u>	<u>\$ 768</u>	<u>\$ 12,519</u>	<u>\$ 36,902</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	5,606	2,214	15,473	768	12,519	36,902
Total cash and investment fund balance - ending	<u>\$ 5,606</u>	<u>\$ 2,214</u>	<u>\$ 15,473</u>	<u>\$ 768</u>	<u>\$ 12,519</u>	<u>\$ 36,902</u>

NORTH JUDSON-SAN PIERRE 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, 2010
 (Continued)

	Title I FY 2009	Title V, Part A FY 2007	Title V, Part A FY 2008	Drug Free Grant	Tobacco Prevention Grant
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	13,466	-	-	4,457	-
Temporary loans	-	-	-	-	-
Total receipts	<u>13,466</u>	<u>-</u>	<u>-</u>	<u>4,457</u>	<u>-</u>
Disbursements:					
Current:					
Instruction	26,393	-	-	4,874	-
Support services	10,892	983	2,520	-	-
Noninstructional services	-	-	-	-	-
Debt services	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-
Total disbursements	<u>37,285</u>	<u>983</u>	<u>2,520</u>	<u>4,874</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(23,819)</u>	<u>(983)</u>	<u>(2,520)</u>	<u>(417)</u>	<u>-</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	(8,705)	-	-	-	-
Total other financing sources (uses)	<u>(8,705)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(32,524)	(983)	(2,520)	(417)	-
Cash and investments - beginning	<u>32,524</u>	<u>983</u>	<u>2,520</u>	<u>918</u>	<u>500</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 501</u>	<u>\$ 500</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ -	\$ -	\$ -	\$ 501	\$ 500
Restricted assets:					
Cash and investments	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 501</u>	<u>\$ 500</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	-	-	501	500
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 501</u>	<u>\$ 500</u>

NORTH JUDSON-SAN PIERRE 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, 2010
 (Continued)

	Title II, Part A	Title I Stimulus	Retirement/ Severance Bond Debt Service	School Bus Replacement	Totals
Receipts:					
Local sources	\$ -	\$ -	\$ 116,770	\$ 287,306	\$ 778,320
Intermediate sources	-	-	-	-	451
State sources	-	-	-	-	103,629
Federal sources	132,272	176,718	-	-	999,965
Temporary loans	-	-	42,000	-	42,000
Total receipts	132,272	176,718	158,770	287,306	1,924,365
Disbursements:					
Current:					
Instruction	42,623	-	-	-	313,928
Support services	5,659	159,062	-	214,011	549,466
Noninstructional services	-	-	-	-	630,310
Debt services	-	-	73,475	-	73,475
Nonprogrammed charges	-	-	-	-	13,782
Total disbursements	48,282	159,062	73,475	214,011	1,580,961
Excess (deficiency) of receipts over disbursements	83,990	17,656	85,295	73,295	343,404
Other financing sources (uses):					
Transfers in	-	-	-	-	8,705
Transfers out	-	-	-	-	(13,163)
Total other financing sources (uses)	-	-	-	-	(4,458)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	83,990	17,656	85,295	73,295	338,946
Cash and investments - beginning	62,160	-	6,878	98,432	456,971
Cash and investments - ending	<u>\$ 146,150</u>	<u>\$ 17,656</u>	<u>\$ 92,173</u>	<u>\$ 171,727</u>	<u>\$ 795,917</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ 146,150	\$ 17,656	\$ -	\$ 171,727	\$ 703,744
Restricted assets:					
Cash and investments	-	-	92,173	-	92,173
Total cash and investment assets - ending	<u>\$ 146,150</u>	<u>\$ 17,656</u>	<u>\$ 92,173</u>	<u>\$ 171,727</u>	<u>\$ 795,917</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Debt service	\$ -	\$ -	\$ 92,173	\$ -	\$ 92,173
Unrestricted	146,150	17,656	-	171,727	703,744
Total cash and investment fund balance - ending	<u>\$ 146,150</u>	<u>\$ 17,656</u>	<u>\$ 92,173</u>	<u>\$ 171,727</u>	<u>\$ 795,917</u>

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2009

	Athletic Payroll	Elementary Supplies	Totals
Additions:			
Contributions:			
Other	\$ 7,134	\$ -	\$ 7,134
Deductions:			
Administrative and general	7,134	272	7,406
Deficiency of total additions over total deductions	-	(272)	(272)
Cash and investment fund balance - beginning	(5,645)	6,194	549
Cash and investments - June 30	<u>\$ (5,645)</u>	<u>\$ 5,922</u>	<u>\$ 277</u>
Total net assets - cash and investment basis held in trust	<u>\$ (5,645)</u>	<u>\$ 5,922</u>	<u>\$ 277</u>

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2010

	Athletic Payroll	Elementary Supplies	Totals
Additions:			
Contributions:			
Other	\$ 7,020	\$ -	\$ 7,020
Deductions:			
Administrative and general	7,094	-	7,094
Deficiency of total additions over total deductions	(74)	-	(74)
Cash and investment fund balance - beginning	(5,645)	5,922	277
Cash and investments - June 30	\$ (5,719)	\$ 5,922	\$ 203
Total net assets - cash and investment basis held in trust	\$ (5,719)	\$ 5,922	\$ 203

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended June 30, 2010

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	\$ 254,450
Buildings	19,770,649
Improvements other than buildings	2,298,300
Machinery and equipment	<u>3,491,025</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 25,814,424</u>

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
 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:		
Middle School Renovation	\$ 450,000	\$ 460,000
High School Renovation	1,930,000	548,000
High School Auditorium	4,975,000	240,000
Tax anticipation warrant payable	1,815,000	1,864,229
Notes and loans payable	241,551	169,972
Bonds payable:		
General obligation bonds:		
Pension bond	<u>765,000</u>	<u>76,899</u>
Total governmental activities debt	<u>\$ 10,176,551</u>	<u>\$ 3,359,100</u>

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The cash balance of the Athletic Payroll Fund was overdrawn at June 30, 2009 and 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)

SEGREGATION OF DUTIES – INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Control activities were not selected and developed at various levels of the School Corporation to reduce risks to achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to all areas of the financial statements. The failure to establish these controls could enable material misstatements or frauds 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)

INTERNAL CONTROLS – LUNCH PROGRAM

The controls over the receipting, disbursing, recording, and accounting for the financial activities of the School Corporation Lunch Fund were insufficient. The annual financial report submitted to the Indiana Department of Education did not reconcile to the School Lunch Funds Ledger. Amounts reported as receipts, disbursements and beginning and ending balances did not agree to the School Corporation Lunch Fund. Information to verify report totals was not presented for audit. Deposits did not always agree with documentation provided. A similar comment was noted in the prior Report B34181.

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

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

OLD OUTSTANDING CHECKS

Our review of the bank reconciliation as of June 30, 2010, revealed checks outstanding in excess of two years.

IC 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

IC 5-11-10.5-3 states:

"Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the: (1) board of finance of the political subdivision; or (2) fiscal body of a city or town. The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

IC 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

EDUCATIONAL FEES (Applies to Liberty Elementary and North Judson-San Pierre Middle and Senior High Schools)

Some educational fees are being receipted to and retained in an extra-curricular fund. A similar comment was noted in the prior Report B34181.

IC 20-26-4-1 concerning duties of the School Corporation Treasurer, states in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds . . ." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

OUTSIDE ORGANIZATIONS (Applies to North Judson-San Pierre High School)

Financial records indicate that monies from the Bluejay Football Parent's Club were accounted for in the Extra-Curricular Accounts.

IC 20-41-1-7 states in part: "The treasurer has charge of the custody and disbursement of any funds . . . incurred in conducting any athletic, social, or other school function (other than functions conducted solely by any organization of parents and teachers) . . ." Therefore, activities and organizations which are not extra-curricular in nature should be responsible for their own accounting and cash handling systems. The extra-curricular account should not collect, receipt, remit, or disburse outside organization's monies. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

DISBURSEMENT DOCUMENTATION (Applies to North Judson-San Pierre High School)

Several payments were observed which did not contain adequate supporting documentation such as receipts, and invoices.

Due to the lack of supporting information, the validity and accountability for some monies disbursed could not be established.

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 Extra-Curricular Accounts, Chapter 7)

FORM TBR-2 RECEIPTS (Applies to North Judson-San Pierre High School)

Controls for receipts generated for textbook rental are insufficient. Receipts were not always completed properly. Some receipts had no date, not all data provided, and classification of money received was not always indicated. A similar comment was noted in prior Reports B29460 and B34181.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the audit period:

- (1) Two claims presented for audit included payment of the same invoice twice in one remittance to the vendor.

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

(2) One claim presented for audit was overpaid because the claim included payment of another claim from a different vendor.

(3) Not all payroll withholding claims had the Treasurer or School Board approval.

IC 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE NORTH JUDSON-SAN PIERRE
SCHOOL CORPORATION, STARKE COUNTY, INDIANA

Compliance

We have audited the compliance of the North Judson-San Pierre 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, 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 non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2009 and 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2010-2, 2010-3, 2010-4, 2010-5 and 2010-6.

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

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 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.

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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in items 2010-2, 2010-3, 2010-4, 2010-5, and 2010-6 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

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. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider items 2010-2, 2010-3, 2010-4, 2010-5, and 2010-6 to be material weaknesses.

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, 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

November 29, 2010

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
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	7515	\$ 99,693	\$ 129,005
National School Lunch Program	10.555	7515	233,011	267,725
Summer Food Service Program for Children	10.559	7515	<u>1,440</u>	<u>3,508</u>
Total for federal grantor agency			<u>334,144</u>	<u>400,238</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	84.010			
		08-7515	26,891	-
		09-7515	278,698	37,285
		10-7515	<u>-</u>	<u>273,945</u>
Total for program			<u>305,589</u>	<u>311,230</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	10-7515	<u>-</u>	<u>159,062</u>
Total for Cluster			<u>305,589</u>	<u>470,292</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	08-7515	<u>9,395</u>	<u>4,875</u>
State Grants for Innovative Programs	84.298	07-7515	1,226	983
		08-7515	<u>-</u>	<u>2,520</u>
Total for program			<u>1,226</u>	<u>3,503</u>
Improving Teacher Quality State Grants	84.367	07-7515	81,906	-
		08-7515	<u>-</u>	<u>48,282</u>
Total for program			<u>81,906</u>	<u>48,282</u>
State Fiscal Stabilization Cluster				
ARRA - State Fiscal Stabilization Fund (SFSP) - Education State Grants, Recovery Act	84.394	10-7515	<u>403,889</u>	<u>682,755</u>
Total for federal grantor agency			<u>802,005</u>	<u>1,209,707</u>
Total federal awards expended			<u>\$ 1,136,149</u>	<u>\$ 1,609,945</u>

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

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the North Judson-San Pierre School Corporation (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	2009	2010
School Breakfast Program	10.553	\$ 7,582	\$ 9,537
National School Lunch Program	10.555	17,721	19,791

NORTH JUDSON-SAN PIERRE 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?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster
Title I, Part A Cluster
State Fiscal Stabilization Fund Cluster

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

FINDING 2010-1, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Control activities were not selected and developed at various levels of the School Corporation to reduce risks to achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to the areas of the financial statements. The failure to establish these controls could enable material misstatements to be 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)

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III – Federal Award Findings and Questioned Costs

FINDING 2010-2, REPORTING - LUNCH

Federal Agency: U.S. Department of Agriculture
Pass-through: Indiana Department of Education
Federal Program: Child Nutrition Cluster – National School Lunch Program
CFDA Number: 10.555

The School Corporation does not have adequate internal control procedures in place to ensure the financial data used to complete the Annual Financial Report required by the Indiana Department of Education for school lunch is accurate.

The School Lunch Annual Financial Reports (AFR) for the two years ending June 30, 2009 and 2010, were not accurately completed. Almost all of the financial data in the AFR's could not be traced to school lunch records.

7CFR210.15 states in part: "In order to participate in the program, a school food authority or a school as applicable must maintain records to demonstrate compliance with Program requirements."

We recommended that the School Corporation design and implement internal control procedures that will ensure the filing of accurate reports.

FINDING 2010-3, REPORTING – TITLE 1

Federal Agency: U.S. Department of Education
Pass-through: Indiana Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.394

The School Corporation does not have adequate internal control procedures to ensure the timeliness of reports filed with the State. No quarterly reports were filed for the school year 2009-2010.

34 CFR 80.41 states in part: "Grantees must submit the report no later than 15 working days following the end of each quarter."

Failure to comply with federal program requirements and the requirements of the State pass-through agency could cause the School Corporation to forfeit federal funds already received and jeopardize approval of future funding under federal assistance programs.

We recommended that the School Corporation design and implement internal control procedures that will ensure timely reports to the State.

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2010-4, INTERNAL CONTROL

Federal Agency: U.S. Department of Agriculture
Pass-through: Indiana Department of Education
Federal Program: Child Nutrition Cluster – National School Lunch Program
CFDA Number: 10.555

Federal funds received as part of the Child Nutrition Cluster are used to subsidize the cost of the school lunch program of the School Corporation. Some financial accounting records for the lunch program are maintained in the School Corporation Business Office. Currently, due to the limited personnel in the School Corporation Business Office the School Corporation has not separated incompatible activities related to the areas of cash receipts and cash disbursements that flow into the financial statements. The failure to establish these controls could enable material misstatements to go undetected.

Circular A133 Subpart C section §___.300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

We recommended that the School Corporation develop internal control procedures properly segregate accounting activities in the School Corporation Business Office.

FINDING 2010-5, INTERNAL CONTROL

Federal Agency: U.S. Department of Education
Pass-through: Indiana Department of Education
Federal Program: Title I, Part A Cluster
CFDA Number: 84.010

The financial records for federal funds received as a part of the Title I, Part A Cluster program are maintained in the School Corporation Business Office. Currently, due to the limited personnel in the School Corporation Business Office the School Corporation has not separated incompatible activities related to the areas of cash receipts and cash disbursements that flow into the financial statements. The failure to establish these controls could enable material misstatements to go undetected.

Circular A133 Subpart C section §___.300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

We recommended that the School Corporation develop internal control procedures properly segregate accounting activities in the School Corporation Business Office.

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2010-6, INTERNAL CONTROL

Federal Agency: U.S. Department of Education
Pass-through: Indiana Department of Education
Federal Program: State Fiscal Stabilization Fund(SFSF) - Education State Grants, Recovery Act
CFDA Number: 84.394

The financial records for federal funds received as a part of the State Fiscal Stabilization Fund (SFSF)-Education State Grants, Recovery Act program are maintained in the School Corporation Business Office. Currently, due to the limited personnel in the School Corporation Business Office the School Corporation has not separated incompatible activities related to the areas of cash receipts and cash disbursements that flow into the financial statements. The failure to establish these controls could enable material misstatements to go undetected.

Circular A133 Subpart C section §___.300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

We recommended that the School Corporation develop internal control procedures properly segregate accounting activities in the School Corporation Business Office.



NORTH JUDSON-SAN PIERRE

SCHOOL CORPORATION

801 Campbell Drive • North Judson, IN 46366 • Ph (574) 896-2155 • Fax (574) 896-2156

LYNN JOHNSON, ED.S.
SUPERINTENDENT

Finding No. 2008-1 Reporting
Original SBA Audit Report Number: B34181
Fiscal Year: 7/1/06-6/30/08
Contact Person: Guy Richie
Title: Treasurer
Phone: 574-896-2155 x 3

The North Judson-San Pierre School Corporation is in the process of implementing various internal controls to assist with maintaining the cafeteria accounting process. The Corporation has implemented five internal control changes that were listed on the original corrective action plan. The NJ-SP School Corporation has recently hired a new Cafeteria Treasurer to oversee the cafeteria records. The NJ-SP School Corporation will continue to work on any areas within the cafeteria accounting that require improvement.

Guy Richie
10-14-10



NORTH JUDSON-SAN PIERRE

SCHOOL CORPORATION

801 Campbell Drive • North Judson, IN 46366 • Ph (574) 896-2155 • Fax (574) 896-2156

LYNN JOHNSON, ED.S.
SUPERINTENDENT

CORRECTIVE ACTION PLAN

Finding No. 2010-1 Deficiencies in Internal Controls

Corrective Action:

The NJ-SP School Corporation is reviewing their office procedures and will attempt to institute practices that would allow work performed by employees to be separated when involving incompatible activities related to the areas of cash receipts and disbursements. However, the corporation is a very small governmental unit and management has determined that the cost associated with employing the additional staff necessary to properly segregate the duties in the business office would outweigh the benefits of a stronger internal control structure.

Finding No. 2010-2 Reporting - Lunch

Federal Agency: U.S. Department of Agriculture

Pass-through: Indiana Department of Education

Federal Program: Child Nutrition Cluster – National School Lunch Program

CFDA Number 10.555

Corrective Action:

The North Judson-San Pierre School Corporation is in the process of implementing procedures to ensure that cafeteria financial data is accurate. A new cafeteria Treasurer has been hired and the corporation is looking at various cafeteria software programs that will assist with accurate financial management.

Finding No. 2010-3 Reporting - Title I

Federal Agency: U.S. Department of Education

Pass-through: Indiana Department of Education

Federal Program: Title I Grants to Local Education Agencies

CFDA Number 84.010

Corrective Action:

During the 2009-10 Title I grand period, the grant administrator, despite advisement to complete reports, was under the opinion that reports were no longer required. There is a new administrator of the Title I program who has been advised of Title I report requirements. All quarterly grant reports will be completed in a timely manner.

Finding No. 2010-4 Internal Control

Federal Agency: U.S. Department of Agriculture

Pass-through: Indiana Department of Education

Federal Program: Child Nutrition Cluster – National School Lunch Program

CFDA Number 10.555

Corrective Action:

The NJ-SP School Corporation is reviewing their office procedures and will attempt to institute practices that would allow work performed by employees to be separated when involving incompatible activities related to the areas of cash receipts and disbursements.

Finding No. 2010-5 Internal Control

Federal Agency: U.S. Department of Education

Pass-through: Indiana Department of Education

Federal Program: Title I, Part A Cluster

CFDA Number 84.010

Corrective Action:

The NJ-SP School Corporation is reviewing their office procedures and will attempt to institute practices that would allow work performed by employees to be separated when involving incompatible activities related to the areas of cash receipts and disbursements.

Finding No. 2010-6 Internal Control

Federal Agency: U.S. Department of Education

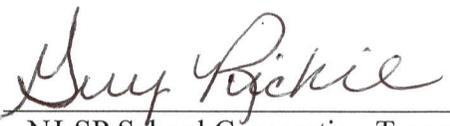
Pass-through: Indiana Department of Education

Federal Program: State Fiscal Stabilization Fund-Ed State Grant Recovery Act

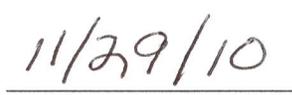
CFDA Number 84.394

Corrective Action:

The NJ-SP School Corporation is reviewing their office procedures and will attempt to institute practices that would allow work performed by employees to be separated when involving incompatible activities related to the areas of cash receipts and disbursements.



NJ-SP School Corporation Treasurer



Date

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on November 29, 2010, with Murray Jain, President of the School Board; Lynn Johnson, Superintendent of Schools; and Guy Richie, Treasurer. The officials concurred with our audit findings.