

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

AUDIT REPORT
OF
EAST GIBSON SCHOOL CORPORATION
GIBSON COUNTY, INDIANA
July 1, 2008 to June 30, 2010



FILED
03/03/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Diana L. Broshears	07-01-08 to 03-31-11
Superintendent of Schools	Franzy Fleck	07-01-08 to 06-31-11
President of the School Board	Karen Cox Roger F. Sermersheim	01-01-08 to 12-31-08 01-01-09 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE EAST GIBSON SCHOOL CORPORATION, GIBSON COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Gibson 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 February 14, 2011, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

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

The School Corporation has not presented Management's Discussion and Analysis, 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

February 14, 2011



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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 EAST GIBSON SCHOOL CORPORATION, GIBSON COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Gibson 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 February 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

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

Compliance and Other Matters

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

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

February 14, 2011

EAST GIBSON 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>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 5,019,147	\$ -	\$ 126,123	\$ (4,893,024)
Support services	3,408,207	248,116	176,248	(2,983,843)
Noninstructional services	525,821	-	-	(525,821)
Facilities acquisition and construction	286,381	-	-	(286,381)
Debt service	2,292,995	-	-	(2,292,995)
Nonprogrammed charges	457,877	-	-	(457,877)
Total governmental activities	<u>\$ 11,990,428</u>	<u>\$ 248,116</u>	<u>\$ 302,371</u>	<u>(11,439,941)</u>
General receipts:				
Property taxes				4,305,620
Other local sources				585,793
State aid				4,712,022
Bonds and loans				1,473,608
Grants and contributions not restricted to specific programs				887,138
Investment earnings				20,503
Other				131,065
Total general receipts				<u>12,115,749</u>
Change in net assets				675,808
Net assets - beginning				<u>1,232,723</u>
Net assets - ending				<u>\$ 1,908,531</u>
<u>Assets</u>				
Cash and investments				\$ 1,908,415
Restricted assets:				
Cash and investments				<u>116</u>
Total assets				<u>\$ 1,908,531</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 116
Unrestricted				<u>1,908,415</u>
Total net assets				<u>\$ 1,908,531</u>

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

EAST GIBSON SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2010

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Totals
Governmental activities:				
Instruction	\$ 4,950,882	\$ -	\$ 105,508	\$ (4,845,374)
Support services	3,195,879	260,328	252,963	(2,682,588)
Noninstructional services	424,799	-	-	(424,799)
Facilities acquisition and construction	327,191	-	-	(327,191)
Debt service	1,634,213	-	-	(1,634,213)
Nonprogrammed charges	539,530	-	-	(539,530)
Total governmental activities	\$ 11,072,494	\$ 260,328	\$ 358,471	(10,453,695)
General receipts:				
Property taxes				3,579,754
Other local sources				475,579
State aid				6,352,423
Bonds and loans				443,811
Grants and contributions not restricted to specific programs				688,090
Investment earnings				9,373
Other				16,037
Total general receipts				11,565,067
Change in net assets				1,111,372
Net assets - beginning				1,908,531
Net assets - ending				\$ 3,019,903
<u>Assets</u>				
Cash and investments				\$ 2,576,069
Restricted assets:				
Cash and investments				443,834
Total assets				\$ 3,019,903
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 443,834
Unrestricted				2,576,069
Total net assets				\$ 3,019,903

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

EAST GIBSON 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 - Education	Debt Service	Capital Projects	Other	Totals
Receipts:							
Local sources	\$ 2,444,556	\$ 796,614	\$ -	\$ 861,141	\$ 620,796	\$ 432,417	\$ 5,155,524
Intermediate sources	4,226	-	-	-	-	281	4,507
State sources	4,852,481	-	-	-	-	86,156	4,938,637
Federal sources	1,213	-	542,104	-	-	419,578	962,895
Temporary loans	583,347	444,000	-	168,871	206,058	71,332	1,473,608
Other	131,065	-	-	-	-	-	131,065
Total receipts	8,016,888	1,240,614	542,104	1,030,012	826,854	1,009,764	12,666,236
Disbursements:							
Current:							
Instruction	4,729,828	-	-	-	-	289,319	5,019,147
Support services	2,168,385	834,868	-	-	393,778	11,176	3,408,207
Noninstructional services	84,882	-	10,453	-	-	430,486	525,821
Facilities acquisition and construction	-	-	-	-	286,168	213	286,381
Debt services	583,347	492,752	-	846,642	20,325	349,929	2,292,995
Nonprogrammed charges	266,529	-	-	-	-	191,348	457,877
Total disbursements	7,832,971	1,327,620	10,453	846,642	700,271	1,272,471	11,990,428
Excess (deficiency) of receipts over disbursements	183,917	(87,006)	531,651	183,370	126,583	(262,707)	675,808
Other financing sources (uses):							
Transfers in	93,282	102,680	-	-	-	213,969	409,931
Transfers out	(94,245)	(30,869)	-	(33,655)	(24,383)	(226,779)	(409,931)
Total other financing sources (uses)	(963)	71,811	-	(33,655)	(24,383)	(12,810)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	182,954	(15,195)	531,651	149,715	102,200	(275,517)	675,808
Cash and investments - beginning	657,802	179,450	-	(142,289)	35,920	501,840	1,232,723
Cash and investments - ending	\$ 840,756	\$ 164,255	\$ 531,651	\$ 7,426	\$ 138,120	\$ 226,323	\$ 1,908,531
Cash and Investment Assets - Ending							
Cash and investments	\$ 840,756	\$ 164,255	\$ 531,651	\$ -	\$ 138,120	\$ 233,633	\$ 1,908,415
Restricted assets:							
Cash and investments	-	-	-	7,426	-	(7,310)	116
Total cash and investment assets - ending	\$ 840,756	\$ 164,255	\$ 531,651	\$ 7,426	\$ 138,120	\$ 226,323	\$ 1,908,531
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ 7,426	\$ -	\$ (7,310)	\$ 116
Unrestricted	840,756	164,255	531,651	-	138,120	233,633	1,908,415
Total cash and investment fund balance - ending	\$ 840,756	\$ 164,255	\$ 531,651	\$ 7,426	\$ 138,120	\$ 226,323	\$ 1,908,531

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

EAST GIBSON 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 - Education	Debt Service	Capital Projects	Other	Totals
Receipts:							
Local sources	\$ 26,269	\$ 1,177,165	\$ -	\$ 1,063,775	\$ 1,426,286	\$ 624,868	\$ 4,318,363
Intermediate sources	6,390	-	-	-	-	281	6,671
State sources	6,512,368	-	-	-	-	31,657	6,544,025
Federal sources	12,676	-	204,966	-	-	637,317	854,959
Temporary loans	-	308,552	-	134,677	-	-	443,229
Other	16,037	-	-	-	-	-	16,037
Total receipts	6,573,740	1,485,717	204,966	1,198,452	1,426,286	1,294,123	12,183,284
Disbursements:							
Current:							
Instruction	4,572,713	-	63,660	-	-	314,509	4,950,882
Support services	1,618,479	866,179	372,378	-	312,936	25,907	3,195,879
Noninstructional services	2,368	-	-	-	-	422,431	424,799
Facilities acquisition and construction	-	-	-	-	327,191	-	327,191
Debt services	-	464,106	-	801,248	206,058	162,801	1,634,213
Nonprogrammed charges	124,617	-	300,579	-	-	114,334	539,530
Total disbursements	6,318,177	1,330,285	736,617	801,248	846,185	1,039,982	11,072,494
Excess (deficiency) of receipts over disbursements	255,563	155,432	(531,651)	397,204	580,101	254,141	1,110,790
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	582	-	-	582
Transfers in	197,874	-	-	-	-	288,013	485,887
Transfers out	(200)	(17,239)	-	(66,896)	(195,049)	(206,503)	(485,887)
Total other financing sources (uses)	197,674	(17,239)	-	(66,314)	(195,049)	81,510	582
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	453,237	138,193	(531,651)	330,890	385,052	335,651	1,111,372
Cash and investments - beginning	840,756	164,255	531,651	7,426	138,120	226,323	1,908,531
Cash and investments - ending	\$ 1,293,993	\$ 302,448	\$ -	\$ 338,316	\$ 523,172	\$ 561,974	\$ 3,019,903
Cash and Investment Assets - Ending							
Cash and investments	\$ 1,293,993	\$ 302,448	\$ -	\$ -	\$ 523,172	\$ 456,456	\$ 2,576,069
Restricted assets:							
Cash and investments	-	-	-	338,316	-	105,518	443,834
Total cash and investment assets - ending	\$ 1,293,993	\$ 302,448	\$ -	\$ 338,316	\$ 523,172	\$ 561,974	\$ 3,019,903
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ 338,316	\$ -	\$ 105,518	\$ 443,834
Unrestricted	1,293,993	302,448	-	-	523,172	456,456	2,576,069
Total cash and investment fund balance - ending	\$ 1,293,993	\$ 302,448	\$ -	\$ 338,316	\$ 523,172	\$ 561,974	\$ 3,019,903

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

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

	<u>Private-Purpose Trust Funds</u>
Additions:	
Contributions:	
Other	\$ <u>56,593</u>
Deductions:	
Administrative and general	<u>41,817</u>
Excess of total additions over total deductions	14,776
Cash and investment fund balance - beginning	<u>16,760</u>
Cash and investment fund balance - ending	<u>\$ 31,536</u>
Net assets:	
Cash and investments	<u>\$ 31,536</u>
Total net assets - cash and investment basis held in trust	<u>\$ 31,536</u>

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

EAST GIBSON SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2010

	<u>Private-Purpose Trust Funds</u>
Additions: Contributions: Other	\$ <u>72,726</u>
Deductions: Administrative and general	<u>86,816</u>
Deficiency of total additions over total deductions	(14,090)
Cash and investment fund balance - beginning	<u>31,536</u>
Cash and investment fund balance - ending	<u><u>\$ 17,446</u></u>
Net assets: Cash and investments	<u>\$ 17,446</u>
Total net assets - cash and investment basis held in trust	<u><u>\$ 17,446</u></u>

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

EAST GIBSON 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: East Gibson 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 Gibson-Pike-Warrick Special Education Cooperative which was created to develop and operate a comprehensive special education program for handicapped children in the community. The School Corporation is obligated by contract to remit an amount equal to cost times the number of East Gibson School Corporation students served annually to supplement the Gibson-Pike-Warrick Special Education Cooperative. Complete financial statements for the Gibson-Pike-Warrick Special Education Cooperative can be obtained from the Cooperative's administrative office at 618 Main Street, Petersburg, Indiana.

The School Corporation is a participant in a joint venture to operate Patoka Valley Area Vocational Education Cooperative which was created to provide for the vocational education needs of the students. The School Corporation is obligated by contract to remit an amount equal to cost times the number of East Gibson School Corporation students served annually to supplement the Patoka Valley Area Vocational Education Cooperative. Complete financial statements for the Patoka Valley Area Vocational Education Cooperative can be obtained from the Cooperative's administrative office at 1520 St. Charles Street, Jasper, Indiana.

The School Corporation is a participant in a joint venture to operate Southern Indiana Education Center which was created to allow the participating school corporations to coordinate and share joint, cost-effective instructional and administrative support services as determined by local need. The School Corporation is obligated by contract to remit an amount equal to \$3.25 times the East Gibson School Corporation ADM annually to supplement the Southern Indiana Education Center. Complete financial statements for the Southern Indiana Education Center can be obtained from Mr. J. Scott Turney at 1102 Tree Lane Drive, Jasper, Indiana.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities.

EAST GIBSON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

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

The School Corporation reports the following major governmental funds:

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

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

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

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

The fiscal stabilization - education (stimulus) fund accounts for receipts and disbursements of cash received from the federal government to be used to supplement funding of local, state and federal programs.

Additionally, the School Corporation reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

EAST GIBSON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

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

D. Assets and Cash and Investment Balances

1. Restricted Assets

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

2. Cash and Investments

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

3. Property Taxes

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

4. Capital Assets

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

5. Long-Term Debt

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

EAST GIBSON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

6. Equity Classification

Government-Wide Statements

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

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

Fund Financial Statements

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

E. Receipts and Disbursements

Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

F. Internal and Interfund Activities

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

Fund Financial Statements

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

Government-Wide Financial Statements

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

EAST GIBSON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund 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 a deficit in cash and investments, which is a violation of the Uniform Compliance Guidelines as authorized by state statute:

Fund	2009	2010
Cafeteria	\$ 10,842	\$ -
Education Plates	303	-
Safe Schools Healthy Students	1,758	138
Retirement Severance Bond	7,310	-
Wired Grant	-	503

EAST GIBSON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

The cash and investment deficits arose primarily from disbursements exceeding receipts; these deficits will be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. IC 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The 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 \$3,185,951.

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

2. Investments

As of June 30, 2010, the School Corporation had no investments:

Statutory Authorization for Investments

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

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

EAST GIBSON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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	\$ 94,245	\$ 200
Transportation Operating Fund	Other Governmental Funds	30,869	17,239
Debt Service Fund	Other Governmental Funds	33,655	66,896
Capital Projects Fund	Other Governmental Funds	24,383	195,049
Other Governmental Funds	General Fund	93,282	197,874
	Transportation Operating Fund	102,680	-
	Other Governmental Funds	30,817	8,629
Totals		<u>\$ 409,931</u>	<u>\$ 485,887</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, 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.

During 2000, the School Corporation joined with other governmental entities in the Hoosier Heartland School Trust, a public entity risk pool currently operating as a common risk management and insurance program for 8 member governmental entities. This risk pool was formed in 1998. The purpose of the risk pool is to provide a medium for the funding and administration of

EAST GIBSON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

medical benefits to employees, retirees, and dependents. The School Corporation pays an annual premium to the risk pool for its medical benefits to employees, retirees, and dependents coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$5,000,000 per insured event.

B. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the School Corporation during the period were \$188,915.

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

EAST GIBSON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 period were \$514,469.

EAST GIBSON SCHOOL CORPORATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-07	\$ 1,050,031	\$ 1,078,218	\$ (28,187)	97%	\$ 859,629	(3%)
07-01-08	1,127,873	1,165,010	(37,137)	97%	872,054	(4%)
07-01-09	817,337	1,070,952	(253,615)	76%	962,114	(26%)

EAST GIBSON 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	Rainy Day	Cafeteria	Levy Excess	Education Plates	Safe School Haven
Receipts:						
Local sources	\$ 5,754	\$ 1,096	\$ 236,554	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	281	-
State sources	37,523	-	4,308	-	-	1,000
Federal sources	-	-	171,783	-	-	-
Temporary loans	-	-	-	-	-	-
Total receipts	43,277	1,096	412,645	-	281	1,000
Disbursements:						
Current:						
Instruction	-	-	-	-	-	1,000
Support services	-	-	-	-	849	-
Noninstructional services	-	-	428,330	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	39,875	149,975	-	-	-	-
Total disbursements	39,875	149,975	428,330	-	849	1,000
Excess (deficiency) of receipts over disbursements	3,402	(148,879)	(15,685)	-	(568)	-
Other financing sources (uses):						
Transfers in	-	-	-	190,691	-	-
Transfers out	(229)	-	-	(102,680)	-	-
Total other financing sources (uses)	(229)	-	-	88,011	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,173	(148,879)	(15,685)	88,011	(568)	-
Cash and investments - beginning	4,641	255,962	4,843	-	265	-
Cash and investments - ending	\$ 7,814	\$ 107,083	\$ (10,842)	\$ 88,011	\$ (303)	\$ -
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 7,814	\$ 107,083	\$ (10,842)	\$ 88,011	\$ (303)	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 7,814	\$ 107,083	\$ (10,842)	\$ 88,011	\$ (303)	\$ -
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	7,814	107,083	(10,842)	88,011	(303)	-
Total cash and investment fund balance - ending	\$ 7,814	\$ 107,083	\$ (10,842)	\$ 88,011	\$ (303)	\$ -

EAST GIBSON 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)

	Early Intervention Grant	Medicaid Reimbursement	Scholarship and Awards	Technology Grants	Title I
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-
State sources	43,025	-	300	-	-
Federal sources	-	-	-	-	19,000
Temporary loans	-	-	-	-	-
Total receipts	<u>43,025</u>	<u>-</u>	<u>300</u>	<u>-</u>	<u>19,000</u>
Disbursements:					
Current:					
Instruction	40,736	-	188	61,324	57,625
Support services	-	-	-	-	1,810
Noninstructional services	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-
Debt services	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-
Total disbursements	<u>40,736</u>	<u>-</u>	<u>188</u>	<u>61,324</u>	<u>59,435</u>
Excess (deficiency) of receipts over disbursements	<u>2,289</u>	<u>-</u>	<u>112</u>	<u>(61,324)</u>	<u>(40,435)</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	<u>(2,289)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,278)</u>
Total other financing sources (uses)	<u>(2,289)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,278)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	112	(61,324)	(63,713)
Cash and investments - beginning	-	<u>9,420</u>	<u>824</u>	<u>62,038</u>	<u>63,714</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 9,420</u>	<u>\$ 936</u>	<u>\$ 714</u>	<u>\$ 1</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ -	\$ 9,420	\$ 936	\$ 714	\$ 1
Restricted assets:					
Cash and investments	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 9,420</u>	<u>\$ 936</u>	<u>\$ 714</u>	<u>\$ 1</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	<u>9,420</u>	<u>936</u>	<u>714</u>	<u>1</u>
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 9,420</u>	<u>\$ 936</u>	<u>\$ 714</u>	<u>\$ 1</u>

EAST GIBSON 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 2008-2009	Title V PL 107-110	Drug Free Schools	Title IV, PT-A Drug Free 2009	Drug Free 2007
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	134,597	-	-	3,205	-
Temporary loans	-	-	-	-	-
Total receipts	<u>134,597</u>	<u>-</u>	<u>-</u>	<u>3,205</u>	<u>-</u>
Disbursements:					
Current:					
Instruction	126,044	-	1,877	525	-
Support services	6,972	-	-	-	-
Noninstructional services	-	-	1,530	500	126
Facilities acquisition and construction	-	-	-	-	-
Debt services	-	-	-	-	-
Nonprogrammed charges	-	1,498	-	-	-
Total disbursements	<u>133,016</u>	<u>1,498</u>	<u>3,407</u>	<u>1,025</u>	<u>126</u>
Excess (deficiency) of receipts over disbursements	<u>1,581</u>	<u>(1,498)</u>	<u>(3,407)</u>	<u>2,180</u>	<u>(126)</u>
Other financing sources (uses):					
Transfers in	23,278	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>23,278</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>24,859</u>	<u>(1,498)</u>	<u>(3,407)</u>	<u>2,180</u>	<u>(126)</u>
Cash and investments - beginning	<u>-</u>	<u>1,498</u>	<u>3,487</u>	<u>-</u>	<u>126</u>
Cash and investments - ending	<u>\$ 24,859</u>	<u>\$ -</u>	<u>\$ 80</u>	<u>\$ 2,180</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ 24,859	\$ -	\$ 80	\$ 2,180	\$ -
Restricted assets:					
Cash and investments	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 24,859</u>	<u>\$ -</u>	<u>\$ 80</u>	<u>\$ 2,180</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	24,859	-	80	2,180	-
Total cash and investment fund balance - ending	<u>\$ 24,859</u>	<u>\$ -</u>	<u>\$ 80</u>	<u>\$ 2,180</u>	<u>\$ -</u>

EAST GIBSON 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)

	Other Federal Programs	Safe Schools Healthy Students	Retirement Severance Bond	Transportation Bus Replacement	Totals
Receipts:					
Local sources	\$ -	\$ -	\$ 189,013	\$ -	\$ 432,417
Intermediate sources	-	-	-	-	281
State sources	-	-	-	-	86,156
Federal sources	90,993	-	-	-	419,578
Temporary loans	-	-	71,332	-	71,332
	<u>90,993</u>	<u>-</u>	<u>260,345</u>	<u>-</u>	<u>1,009,764</u>
Disbursements:					
Current:					
Instruction	-	-	-	-	289,319
Support services	-	1,545	-	-	11,176
Noninstructional services	-	-	-	-	430,486
Facilities acquisition and construction	-	213	-	-	213
Debt services	-	-	349,929	-	349,929
Nonprogrammed charges	-	-	-	-	191,348
	<u>-</u>	<u>1,758</u>	<u>349,929</u>	<u>-</u>	<u>1,272,471</u>
Excess (deficiency) of receipts over disbursements	<u>90,993</u>	<u>(1,758)</u>	<u>(89,584)</u>	<u>-</u>	<u>(262,707)</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	213,969
Transfers out	(90,993)	-	(7,310)	-	(226,779)
	<u>(90,993)</u>	<u>-</u>	<u>(7,310)</u>	<u>-</u>	<u>(12,810)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(1,758)	(96,894)	-	(275,517)
Cash and investments - beginning	-	-	89,584	5,438	501,840
Cash and investments - ending	<u>\$ -</u>	<u>\$ (1,758)</u>	<u>\$ (7,310)</u>	<u>\$ 5,438</u>	<u>\$ 226,323</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ -	\$ (1,758)	\$ -	\$ 5,438	\$ 233,633
Restricted assets:					
Cash and investments	-	-	(7,310)	-	(7,310)
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ (1,758)</u>	<u>\$ (7,310)</u>	<u>\$ 5,438</u>	<u>\$ 226,323</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Debt service	\$ -	\$ -	\$ (7,310)	\$ -	\$ (7,310)
Unrestricted	-	(1,758)	-	5,438	233,633
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ (1,758)</u>	<u>\$ (7,310)</u>	<u>\$ 5,438</u>	<u>\$ 226,323</u>

EAST GIBSON 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	Rainy Day	Cafeteria	Levy Excess	Education Plates	Medicaid Reimbursement
Receipts:						
Local sources	\$ -	\$ -	\$ 250,104	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	281	-
State sources	22,000	-	5,915	-	-	-
Federal sources	-	-	194,098	-	-	-
Total receipts	<u>22,000</u>	<u>-</u>	<u>450,117</u>	<u>-</u>	<u>281</u>	<u>-</u>
Disbursements:						
Current:						
Instruction	-	-	-	-	-	-
Support services	-	-	-	-	94	-
Noninstructional services	-	-	420,593	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	13,750	100,000	-	-	-	-
Total disbursements	<u>13,750</u>	<u>100,000</u>	<u>420,593</u>	<u>-</u>	<u>94</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>8,250</u>	<u>(100,000)</u>	<u>29,524</u>	<u>-</u>	<u>187</u>	<u>-</u>
Other financing sources (uses):						
Transfers in	-	225,000	-	58,552	191	-
Transfers out	(16,064)	-	-	(88,011)	-	-
Total other financing sources (uses)	<u>(16,064)</u>	<u>225,000</u>	<u>-</u>	<u>(29,459)</u>	<u>191</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(7,814)</u>	<u>125,000</u>	<u>29,524</u>	<u>(29,459)</u>	<u>378</u>	<u>-</u>
Cash and investments - beginning	<u>7,814</u>	<u>107,083</u>	<u>(10,842)</u>	<u>88,011</u>	<u>(303)</u>	<u>9,420</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 232,083</u>	<u>\$ 18,682</u>	<u>\$ 58,552</u>	<u>\$ 75</u>	<u>\$ 9,420</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 232,083	\$ 18,682	\$ 58,552	\$ 75	\$ 9,420
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 232,083</u>	<u>\$ 18,682</u>	<u>\$ 58,552</u>	<u>\$ 75</u>	<u>\$ 9,420</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	232,083	18,682	58,552	75	9,420
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 232,083</u>	<u>\$ 18,682</u>	<u>\$ 58,552</u>	<u>\$ 75</u>	<u>\$ 9,420</u>

EAST GIBSON 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)

	Scholarships and Awards	Technology Grants	Title I 2008-2009	Title I	Title V, PT-A PL 107-110
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	-	-	33,600	196,302	584
Total receipts	-	-	33,600	196,302	584
Disbursements:					
Current:					
Instruction	144	686	53,574	129,894	-
Support services	-	-	625	6,078	-
Noninstructional services	-	-	-	88	-
Debt services	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	584
Total disbursements	144	686	54,199	136,060	584
Excess (deficiency) of receipts over disbursements	(144)	(686)	(20,599)	60,242	-
Other financing sources (uses):					
Transfers in	-	-	-	4,270	-
Transfers out	-	-	(4,261)	-	-
Total other financing sources (uses)	-	-	(4,261)	4,270	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(144)	(686)	(24,860)	64,512	-
Cash and investments - beginning	936	714	24,859	1	-
Cash and investments - ending	<u>\$ 792</u>	<u>\$ 28</u>	<u>\$ (1)</u>	<u>\$ 64,513</u>	<u>\$ -</u>
Cash and Investment Assets - Ending					
Cash and investments	\$ 792	\$ 28	\$ (1)	\$ 64,513	\$ -
Restricted assets:					
Cash and investments	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 792</u>	<u>\$ 28</u>	<u>\$ (1)</u>	<u>\$ 64,513</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	792	28	(1)	64,513	-
Total cash and investment fund balance - ending	<u>\$ 792</u>	<u>\$ 28</u>	<u>\$ (1)</u>	<u>\$ 64,513</u>	<u>\$ -</u>

EAST GIBSON 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)

	Drug Free Schools	Title IV, PT-A Drug Free 2009	Title IV Drug Free 2010	Wired Grant	Other Federal Programs
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ 14,341	\$ -
Intermediate sources	-	-	-	-	-
State sources	-	-	3,742	-	-
Federal sources	-	-	-	-	93,799
Total receipts	-	-	3,742	14,341	93,799
Disbursements:					
Current:					
Instruction	-	1,010	-	14,844	-
Support services	-	-	-	-	-
Noninstructional services	80	1,170	500	-	-
Debt services	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-
Total disbursements	80	2,180	500	14,844	-
Excess (deficiency) of receipts over disbursements	(80)	(2,180)	3,242	(503)	93,799
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(93,799)
Total other financing sources (uses)	-	-	-	-	(93,799)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(80)	(2,180)	3,242	(503)	-
Cash and investments - beginning	80	2,180	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ 3,242	\$ (503)	\$ -
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ -	\$ -	\$ 3,242	\$ (503)	\$ -
Restricted assets:					
Cash and investments	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ -	\$ 3,242	\$ (503)	\$ -
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	-	3,242	(503)	-
Total cash and investment fund balance - ending	\$ -	\$ -	\$ 3,242	\$ (503)	\$ -

EAST GIBSON 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)

	Safe Schools Healthy Students	Title I Grants	Retirement Severance Bond	Transportation Bus Replacement	Totals
Receipts:					
Local sources	\$ 22,098	\$ -	\$ 279,997	\$ 58,328	\$ 624,868
Intermediate sources	-	-	-	-	281
State sources	-	-	-	-	31,657
Federal sources	-	118,934	-	-	637,317
Total receipts	22,098	118,934	279,997	58,328	1,294,123
Disbursements:					
Current:					
Instruction	1,605	112,752	-	-	314,509
Support services	18,873	237	-	-	25,907
Noninstructional services	-	-	-	-	422,431
Debt services	-	-	162,801	-	162,801
Nonprogrammed charges	-	-	-	-	114,334
Total disbursements	20,478	112,989	162,801	-	1,039,982
Excess (deficiency) of receipts over disbursements	1,620	5,945	117,196	58,328	254,141
Other financing sources (uses):					
Transfers in	-	-	-	-	288,013
Transfers out	-	-	(4,368)	-	(206,503)
Total other financing sources (uses)	-	-	(4,368)	-	81,510
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,620	5,945	112,828	58,328	335,651
Cash and investments - beginning	(1,758)	-	(7,310)	5,438	226,323
Cash and investments - ending	\$ (138)	\$ 5,945	\$ 105,518	\$ 63,766	\$ 561,974
Cash and Investment Assets - Ending					
Cash and investments	\$ (138)	\$ 5,945	\$ -	\$ 63,766	\$ 456,456
Restricted assets:					
Cash and investments	-	-	105,518	-	105,518
Total cash and investment assets - ending	\$ (138)	\$ 5,945	\$ 105,518	\$ 63,766	\$ 561,974
Cash and Investment Fund Balance - Ending					
Restricted for:					
Debt service	\$ -	\$ -	\$ 105,518	\$ -	\$ 105,518
Unrestricted	(138)	5,945	-	63,766	456,456
Total cash and investment fund balance - ending	\$ (138)	\$ 5,945	\$ 105,518	\$ 63,766	\$ 561,974

EAST GIBSON 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

	Instruction Support	Instruction Support	Welborn Baptist Fund Grant	State High Ability Grant Program	Totals
Additions:					
Contributions:					
Other	\$ -	\$ -	\$ 27,000	\$ 29,593	\$ 56,593
Deductions:					
Administrative and general	-	13,844	25,772	2,201	41,817
Excess (deficiency) of total additions over total deductions	-	(13,844)	1,228	27,392	14,776
Cash and investment fund balance - beginning	760	16,000	-	-	16,760
Cash and investments - June 30	<u>\$ 760</u>	<u>\$ 2,156</u>	<u>\$ 1,228</u>	<u>\$ 27,392</u>	<u>\$ 31,536</u>
Net assets:					
Cash and investments	\$ 760	\$ 2,156	\$ 1,228	\$ 27,392	\$ 31,536
Total net assets - cash and investment basis held in trust	<u>\$ 760</u>	<u>\$ 2,156</u>	<u>\$ 1,228</u>	<u>\$ 27,392</u>	<u>\$ 31,536</u>

EAST GIBSON 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

	Instruction Support	Instruction Support	SINE	Welborn Baptist Fund Grant	State High Ability Grant Program	State High Ability Grant Program	Totals
Additions:							
Contributions:							
Other	\$ -	\$ -	\$ 3,000	\$ 40,403	\$ -	\$ 29,323	\$ 72,726
Deductions:							
Administrative and general	724	-	1,410	40,479	27,391	16,812	86,816
Excess (deficiency) of total additions over total deductions	(724)	-	1,590	(76)	(27,391)	12,511	(14,090)
Cash and investment fund balance - beginning	760	2,156	-	1,228	27,392	-	31,536
Cash and investments - June 30	<u>\$ 36</u>	<u>\$ 2,156</u>	<u>\$ 1,590</u>	<u>\$ 1,152</u>	<u>\$ 1</u>	<u>\$ 12,511</u>	<u>\$ 17,446</u>
Net assets:							
Cash and investments	\$ 36	\$ 2,156	\$ 1,590	\$ 1,152	\$ 1	\$ 12,511	\$ 17,446
Total net assets - cash and investment basis held in trust	<u>\$ 36</u>	<u>\$ 2,156</u>	<u>\$ 1,590</u>	<u>\$ 1,152</u>	<u>\$ 1</u>	<u>\$ 12,511</u>	<u>\$ 17,446</u>

EAST GIBSON SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 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	\$ 446,000
Buildings	11,832,890
Improvements other than buildings	603,331
Machinery and equipment	<u>913,389</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 13,795,610</u>

EAST GIBSON 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:		
Notes and loans payable	\$ 3,145,118	\$ 418,061
Bonds payable:		
General obligation bonds:		
Retirement/Severance	<u>1,370,000</u>	<u>179,340</u>
Total governmental activities debt	<u>\$ 4,515,118</u>	<u>\$ 597,401</u>

EAST GIBSON SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

OVERDRAWN FUND BALANCES

The fund balances of the Cafeteria Fund, Education Plates Fund, Safe Schools Healthy Students Fund and Retirement Severance Bond Fund were overdrawn as of June 30, 2009. The fund balance of the Safe Schools Healthy Students Fund, and Wired Grant Fund were overdrawn as of June 30, 2010. A similar comment was included in the prior report.

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)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
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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 EAST GIBSON SCHOOL CORPORATION, GIBSON COUNTY, INDIANA

Compliance

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

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2009 and 2010.

Internal Control Over Compliance

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

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

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

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

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

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

February 14, 2011

EAST GIBSON 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.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Indiana Department of Education Child Nutrition Cluster School Breakfast Program	10.553	FY 08/09 FY 09/10	\$ 32,838 -	\$ - 41,368
Total for program			<u>32,838</u>	<u>41,368</u>
National School Lunch Program	10.555	FY 08/09 FY 09/10	141,123 -	- 170,669
Total for program			<u>141,123</u>	<u>170,669</u>
Total for federal grantor agency			<u>173,961</u>	<u>212,037</u>
U.S. DEPARTMENT OF LABOR				
Pass-Through University of Southern Indiana WIA Pilots, Demonstrations, and Research Projects Project Lead the Way	17.261	FY 09/10	-	10,000
Total for federal grantor agency			<u>-</u>	<u>10,000</u>
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education Title I, Part A Cluster Title I Grants to Local Educational Agencies FY 07/08 FY 08/09 FY 09/10	84.010	08-2725 09-2725 10-2725	59,435 133,016 -	- 54,199 136,060
Total for program			<u>192,451</u>	<u>190,259</u>
ARRA - Title I Grants to Local Educational Agencies FY 09/10	84.389	2725	-	112,989
Total for cluster			<u>192,451</u>	<u>303,248</u>
Pass-Through Indiana Department of Education State Fiscal Stabilization Fund Cluster ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act FY 08/09 FY 09/10	84.394	2725 2725	10,453 -	603,387 133,230
Total for cluster			<u>10,453</u>	<u>736,617</u>
Pass-Through Metropolitan School District of Mt. Vernon Safe and Drug-Free Schools and Communities - National Programs Safe Schools/Healthy Schools	84.184	Q184L080320	1,757	20,478
Pass-Through Indiana Department of Education Safe and Drug-Free Schools and Communities - State Grants FY 06/07 FY 07/08 FY 08/09 FY 09/10	84.186	2725-06 2725-07 08-2725 09-2725	126 3,407 1,025 -	- 80 2,180 500
Total for program			<u>4,558</u>	<u>2,760</u>
State Grants for Innovative Programs	84.298	07-2725 08-2725	1,498 -	- 584
Total for program			<u>1,498</u>	<u>584</u>
Improving Teacher Quality State Grants FY 06/07 FY 07/08 FY 08/09 FY 09/10	84.367	06-2725 07-2725 08-2725 09-2725	44,782 46,211 - -	- - 47,787 49,012
Total for program			<u>90,993</u>	<u>96,799</u>
Total for federal grantor agency			<u>301,710</u>	<u>1,160,486</u>
Total federal awards expended			<u>\$ 475,671</u>	<u>\$ 1,382,523</u>

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

EAST GIBSON 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 East Gibson 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	2009	2010
Child Nutrition Cluster	\$ 16,657	\$ 17,939
	\$ 16,657	\$ 17,939

EAST GIBSON 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?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

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

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

EAST GIBSON SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

EAST GIBSON SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 14, 2011, with Franzy Fleck, Superintendent of Schools, and Diana L. Broshears, Treasurer. The officials concurred with our audit finding.