

**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, 2004 to June 30, 2006



**FILED**  
02/08/2007



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Guy Richie	07-01-04 to 6-30-07
Superintendent of Schools	Roger Sutton John R. Heath (Interim)	07-01-04 to 6-30-05 07-01-05 to 6-30-07
President of the School Board	Murray Jain	07-01-04 to 6-30-07



**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, 2005 and 2006, 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, 2005 and 2006, 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 January 23, 2007, 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 and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the School Corporation taken as a whole. 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.

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

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 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 Schedule of Capital Assets and Schedule of Long-Term Debt are presented for additional analysis and are not a required part of the basic financial statements. 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

January 23, 2007



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING 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 North Judson-San Pierre School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated January 23, 2007. 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.

Compliance

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 grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessary disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

January 23, 2007

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION  
 STATEMENT OF CASH AND INVESTMENTS  
 June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 3,143,310
Restricted assets:	
Cash and investments	<u>459,369</u>
Total assets	<u>\$ 3,602,679</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 459,369
Unrestricted	<u>3,143,310</u>
Total net assets	<u>\$ 3,602,679</u>

The accompanying notes are an integral part of the financial statements.

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION  
 STATEMENT OF CASH AND INVESTMENTS  
 June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 3,072,480
Restricted assets:	
Cash and investments	<u>574,413</u>
Total assets	<u>\$ 3,646,893</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 574,413
Unrestricted	<u>3,072,480</u>
Total net assets	<u>\$ 3,646,893</u>

The accompanying notes are an integral part of the financial statements.

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION  
STATEMENT OF CASH ACTIVITIES  
For the Year Ended June 30, 2005

Functions/Programs	Disbursements	Program Receipts Operating Grants and Contributions	Net (Disbursement) Receipts Total
Governmental activities:			
Instruction	\$ 4,573,635	\$ 98,886	\$ (4,474,749)
Support services	6,406,675	386,403	(6,020,272)
Community services	160,956	-	(160,956)
Nonprogrammed charges	826,185	-	(826,185)
Debt service	2,834,003	-	(2,834,003)
Total governmental activities	\$ 14,801,454	\$ 485,289	(14,316,165)
General receipts:			
Property taxes			5,639,643
Other local sources			1,314,510
State aid			7,256,116
Grants and contributions not restricted			528,174
Bonds and loans			2,475,000
Sale of property, adjustments, and refunds			81,983
Investment earnings			46,299
Total general receipts			17,341,725
Change in cash and investments			3,025,560
Net assets - beginning			577,119
Net assets - ending			\$ 3,602,679

The accompanying notes are an integral part of the financial statements.

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION  
STATEMENT OF CASH ACTIVITIES  
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts Operating Grants and Contributions	Net (Disbursement) Receipts Total
Governmental activities:			
Instruction	\$ 4,510,916	\$ 149,403	\$ (4,361,513)
Support services	6,524,016	415,742	(6,108,274)
Community services	156,407	-	(156,407)
Nonprogrammed charges	935,517	-	(935,517)
Debt service	2,799,560	-	(2,799,560)
Total governmental activities	\$ 14,926,416	\$ 565,145	(14,361,271)
General receipts:			
Property taxes			3,584,502
Other local sources			989,592
State aid			7,507,041
Grants and contributions not restricted			408,592
Bonds and loans			1,600,000
Sale of property, adjustments, and refunds			243,243
Investment earnings			72,515
Total general receipts			14,405,485
Change in cash and investments			44,214
Net assets - beginning			3,602,679
Net assets - ending			\$ 3,646,893

The accompanying notes are an integral part of the financial statements.

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended June 30, 2005

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
<b>Receipts:</b>							
Local sources	\$ 2,751,397	\$ 547,520	\$ 1,974,298	\$ 1,101,832	\$ 260,559	\$ 363,828	\$ 6,999,434
Intermediate sources	530	-	-	-	-	488	1,018
State sources	7,342,045	-	-	-	-	198,972	7,541,017
Federal sources	-	-	-	-	-	728,562	728,562
Bonds and loans	2,190,000	285,000	-	-	-	-	2,475,000
Sale of property, adjustments and refunds	81,568	280	-	135	-	-	81,983
Intergovernmental transfers	-	-	-	-	-	8,358	8,358
<b>Total receipts</b>	<u>12,365,540</u>	<u>832,800</u>	<u>1,974,298</u>	<u>1,101,967</u>	<u>260,559</u>	<u>1,300,208</u>	<u>17,835,372</u>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	4,269,004	-	-	-	-	304,631	4,573,635
Support services	4,214,000	409,851	-	826,101	-	956,723	6,406,675
Community services	157,364	-	-	-	-	3,592	160,956
Nonprogrammed charges	767,260	-	-	-	-	67,283	834,543
Debt services	1,362,260	-	1,471,743	-	-	-	2,834,003
<b>Total disbursements</b>	<u>10,769,888</u>	<u>409,851</u>	<u>1,471,743</u>	<u>826,101</u>	<u>-</u>	<u>1,332,229</u>	<u>14,809,812</u>
Excess (deficiency) of total receipts over (under) total disbursements	1,595,652	422,949	502,555	275,866	260,559	(32,021)	3,025,560
Cash and investments - beginning	818,457	(96,866)	(43,186)	(259,169)	(108,315)	266,198	577,119
Cash and investments - ending	<u>\$ 2,414,109</u>	<u>\$ 326,083</u>	<u>\$ 459,369</u>	<u>\$ 16,697</u>	<u>\$ 152,244</u>	<u>\$ 234,177</u>	<u>\$ 3,602,679</u>

The accompanying notes are an integral part of the financial statements.

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended June 30, 2006

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
<b>Receipts:</b>							
Local sources	\$ 1,757,088	\$ 313,206	\$ 1,295,533	\$ 791,899	\$ 129,013	\$ 358,402	\$ 4,645,141
Intermediate sources	979	-	-	-	-	488	1,467
State sources	7,643,588	-	-	-	-	173,837	7,817,425
Federal sources	-	-	-	-	-	663,354	663,354
Bonds and loans	1,300,000	-	-	300,000	-	-	1,600,000
Sale of property, adjustments and refunds	240,800	110	-	-	-	2,333	243,243
Intergovernmental transfers	151,472	-	-	-	-	219,033	370,505
<b>Total receipts</b>	<b>11,093,927</b>	<b>313,316</b>	<b>1,295,533</b>	<b>1,091,899</b>	<b>129,013</b>	<b>1,417,447</b>	<b>15,341,135</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	4,280,709	-	-	-	-	230,207	4,510,916
Support services	4,332,488	350,240	-	783,960	157,759	899,569	6,524,016
Community services	153,340	-	-	-	-	3,067	156,407
Nonprogrammed charges	980,958	16,832	55,928	30,816	6,170	215,318	1,306,022
Debt services	1,390,000	285,000	1,124,560	-	-	-	2,799,560
<b>Total disbursements</b>	<b>11,137,495</b>	<b>652,072</b>	<b>1,180,488</b>	<b>814,776</b>	<b>163,929</b>	<b>1,348,161</b>	<b>15,296,921</b>
Excess (deficiency) of total receipts over (under) total disbursements	(43,568)	(338,756)	115,045	277,123	(34,916)	69,286	44,214
Cash and investments - beginning	2,414,109	326,083	459,369	16,697	152,244	234,177	3,602,679
Cash and investments - ending	<u>\$ 2,370,541</u>	<u>\$ (12,673)</u>	<u>\$ 574,414</u>	<u>\$ 293,820</u>	<u>\$ 117,328</u>	<u>\$ 303,463</u>	<u>\$ 3,646,893</u>

The accompanying notes are an integral part of the financial statements.

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH AND INVESTMENTS  
FIDUCIARY FUNDS  
For The Year Ended June 30, 2005

	Private-Purpose Trust Funds
Additions:	
Local sources	\$ 7,270
Sale of property, adjustments and refunds	33,021
Total additions	40,291
Deductions:	
Instruction	13,188
Support services	571
Community services	7,240
Total deductions	20,999
Excess of total additions over total deductions	19,292
Cash and investments - beginning	12,998
Cash and investments - ending	\$ 32,290

The accompanying notes are an integral part of the financial statements.

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH AND INVESTMENTS  
FIDUCIARY FUNDS  
For The Year Ended June 30, 2006

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Local sources	\$ -	\$ 7,558
Transfers	<u>830,000</u>	<u>-</u>
Total additions	<u>830,000</u>	<u>7,558</u>
Deductions:		
Instruction	-	11,940
Support services	678,811	795
Community services	<u>-</u>	<u>7,100</u>
Total deductions	<u>678,811</u>	<u>19,835</u>
Excess (deficiency) of total additions over (under) total deductions	151,189	(12,277)
Cash and investments - beginning	<u>-</u>	<u>32,290</u>
Cash and investments - ending	<u>\$ 151,189</u>	<u>\$ 20,013</u>

The accompanying notes are an integral part of the financial statements.

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION  
 STATEMENT OF CASH AND INVESTMENTS  
 FIDUCIARY FUNDS  
 June 30, 2005

<u>Assets</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 32,290	\$ 62
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ 32,290	

The accompanying notes are an integral part of the financial statements.

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION  
 STATEMENT OF CASH AND INVESTMENTS  
 FIDUCIARY FUNDS  
 June 30, 2006

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 151,189	\$ 20,013	\$ -
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	\$ 151,189	\$ 20,013	

The accompanying notes are an integral part of the financial statements.

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 with 9 other school corporations in a joint venture to operate the North Central Area Vocational Cooperative (NCAVC) which was created for joint planning for future need, operating programs and service for vocational education. The School Corporation is obligated by contract to remit its proportional share annually to supplement the NCAVC budget. 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, 222 North Ohio Street, Culver, IN 46511.

The School Corporation is a participant with 9 other school corporations in a joint venture to operate the 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 its proportional share annually to supplement the JESSE budget. JESSE's continued existence depends on continued funding by the member school corporations. Complete financial statements for JESSE can be obtained from JESSE's administrative office located at 322 North Michigan Street, Plymouth, IN 46563.

The School Corporation is a participant with 41 other school corporations in a joint venture to operate the 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 its proportional share annually to supplement the NIESC budget. NIESC's continued existence depends on continued funding by the member school corporations. Complete financial statements for NIESC can be obtained from NIESC's administrative office located at 56535 Magnetic Drive, Mishawaka, IN 46545.

The School Corporation is a participant with 22 other school corporations in a joint venture to operate the North-Central Energy Cooperative (NEC) which was created to reduce energy costs by procurement of natural gas in a more economical and efficient manner. The School Corporation is

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

obligated by contract to remit its proportional share 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, IN 46517.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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, liabilities, 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, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

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

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

Additionally, the School Corporation reports the following fund types:

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

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

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the individuals who receive the awards.

Agency funds account for assets held by the School Corporation as an agent for employees.

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.

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. Cash and Investments

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

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

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

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 5 to 10 days per year. Unused sick leave may be accumulated to a maximum of 45 days for noncertified personnel and 90 days for certified personnel. Accumulated sick leave is not paid to employees upon termination.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 5 days to 20 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 1 to 3 days per year. Unused personal leave becomes sick leave at each year end.

4. Capital Assets

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

5. Long-Term Debt

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

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

Fund Financial Statements

Governmental fund equity is classified as fund balance.

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

E. Receipts

Program Receipts

Amounts reported as program receipts include operating grants and contributions. Likewise, general receipts include all taxes.

F. Internal and Interfund Balances and Activities

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

Fund Financial Statements

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

Government-Wide Financial Statements

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

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Cash Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Cash Activities.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Cash and Investment Balance Deficit

At June 30, 2006, the following fund reported a deficit in cash and investments, which is a violation of the Uniform Compliance Guidelines as referenced in state statute:

Fund	2005	2006
Transportation Operating Fund	\$ -	\$ 12,673

Cash and investment deficit arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; this deficit is to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. 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, 2005 and 2006, were as follows:

Transfer From	Transfer To	2005	2006
General Fund	Other governmental	\$ -	\$ 84,330
Debt Service	Other governmental	-	55,928
Capital Projects	Other governmental	-	30,816
Transportation Operating	Other governmental	-	16,832
School Bus Replacement	Other governmental	-	6,170
Other governmental	Other governmental	8,358	24,957
Other governmental	General Fund	-	151,472
Totals		\$ 8,358	\$ 370,505

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

The School Corporation typically uses transfers for cash flow purposes according to various statutes.

IV. Other Information

A. Risk Management

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

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

B. Holding Corporation

The School Corporation has entered into a capital leases 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 2005-2006 school year totaled \$1,072,999.

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health care benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55 with at least 15 years of service. Currently, 3 retirees meet these eligibility requirements. The School Corporation and retirees provide 35% and 65%, respectively, of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2006, disbursements of \$32,990 were recognized for postemployment benefits.

D. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and 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

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

pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Cost

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

Actuarial Information for the Above Plan

		PERF
Annual required contribution	\$	75,670
Interest on net pension obligation		(10,605)
Adjustment to annual required contribution		12,085
Annual pension cost		77,150
Contributions made		83,931
Decrease in net pension obligation		(6,781)
Net pension obligation, beginning of year		(146,271)
Net pension obligation, end of year	\$	(153,052)
Contribution rates:		
School Corporation		7.25%
Plan members		3%
Actuarial valuation date		07-01-05
Actuarial cost method		Entry age
Amortization method		Level percentage of projected payroll, closed
Amortization period		40 years
Amortization period (from date)		07-01-97
Asset valuation method		75% of expected actuarial value plus 25% of market value

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

Actuarial Assumptions	PERF
Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 85,900	97%	\$ (125,867)
	06-30-04	67,650	130%	(146,271)
	06-30-05	77,150	124%	(153,052)

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

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

Funding Policy and Annual Pension Costs

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

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2006, 2005, and 2004, were \$128,950, \$124,600, and \$127,698, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

NORTH JUDSON-SAN PIERRE 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 Assets as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 856,593	\$ 1,004,448	\$ (147,855)	85%	\$ 1,086,672	(14%)
07-01-04	905,108	1,135,529	(230,421)	80%	1,120,876	(21%)
07-01-05	978,142	1,291,077	(312,935)	76%	1,157,346	(27%)

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 June 30, 2006

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement costs. 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
Building	17,073,987
Improvements other than buildings	641,611
Machinery and equipment	<u>3,268,025</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 21,238,073</u>

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 June 30, 2006

The School Corporation has entered into the following capital leases and long-term debt:

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Junior High School	\$ 3,740,000	\$ 78,000
High School Renovation	1,970,000	10,000
High School Auditorium	4,975,000	-
Notes and loans payable	<u>2,471,103</u>	<u>1,755,184</u>
Total governmental activities long-term debt	<u>\$ 13,156,103</u>	<u>\$ 1,843,184</u>

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCE

The cash balance of the Transportation Operating Fund was overdrawn in 2006.

The cash balance of any fund may not be reduced below zero. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

NONCOMPLIANCE WITH GRANT REQUIREMENTS

The amounts reported on seven out of eight Title I quarterly reports and both annual expenditure reports did not agree to the School Corporation's financial records.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Non-compliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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

Receipts were not always completed properly. Numerous receipts had no date and the classification of the money received was not always present.

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

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)

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

Some educational fees were being receipted to and retained in extra-curricular funds. A similar comment was also noted in prior Report B24683.

Indiana Code 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)

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE 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, 2005 and 2006. 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, 2005 and 2006. 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 2006-1.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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)

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the School Corporation's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item 2006-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

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

January 23, 2007

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2005 and 2006

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 06-30-05	Total Federal Awards Expended 06-30-06
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Pass-Through Indiana Department of Education Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 86,408	\$ 104,243
National School Lunch Program	10.555		171,783	205,265
Summer Food Service Program for Children	10.559		<u>7,539</u>	<u>5,350</u>
Total for federal grantor agency			<u>265,730</u>	<u>314,858</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Pass-Through Indiana Department of Education Title I Grants to Local Educational Agencies	84.010			
		03-7515	43,607	19,312
		04-7515	37,358	-
		05-7515	230,318	39,023
		06-7515	<u>-</u>	<u>227,314</u>
Total for program			<u>311,283</u>	<u>285,649</u>
Safe and Drug Free Schools and Communities - State Grants	84.186			
		03-163	<u>8,187</u>	<u>3,833</u>
State Grants for Innovative Programs	84.298			
		02-270	267	-
		03-182	4,935	3,451
		04-129	<u>1,413</u>	<u>5,248</u>
Total for program			<u>6,615</u>	<u>8,699</u>
Educational Technology State Grants	84.318			
		S318X020014	<u>2,910</u>	<u>2,842</u>
Comprehensive School Reform Demonstration	84.332			
		7851-03-04	<u>32,260</u>	<u>-</u>
Reading Excellence	84.338			
		S338A010016A	<u>20,751</u>	<u>1,482</u>
Improving Teacher Quality State Grants	84.367			
		03-166	45,884	-
		04-076	48,613	39,217
		05-245	<u>-</u>	<u>41,476</u>
Total for program			<u>94,497</u>	<u>80,693</u>
Total for federal grantor agency			<u>476,503</u>	<u>383,198</u>
Total federal awards expended			<u>\$ 742,233</u>	<u>\$ 698,056</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 requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of school corporation 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, 2005 and 2006. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2005	2006
School Breakfast Program	10.553	\$ 7,393	\$ 8,578
National School Lunch Program	10.555	14,699	12,773

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?	no
Reportable conditions identified that are not considered to be material weaknesses?	no

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	yes

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

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies

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.

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

Section III – Federal Award Findings and Questioned Costs

FINDING 2006-1, INTERNAL CONTROLS OVER FILING FEDERAL REPORTS

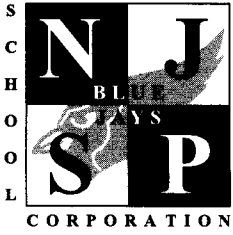
Federal Agency: U.S. Department of Education  
Federal Program: Title I  
CFDA Number: 84.010  
Pass-Through Entity: Indiana Department of Education

The School Corporation does not have adequate internal control procedures to ensure accuracy of reports filed with the State. Amounts reported in some quarterly and final annual expenditure reports did not agree to the records. Seven out of eight quarterly reports and both annual expenditure reports did not agree to the records.

34 CFR 80.20(b)(1) states: "Finance reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant."

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 recommend that the School Corporation design and implement internal control procedures that will ensure accurate reports to the State.



# NORTH JUDSON-SAN PIERRE

## SCHOOL CORPORATION

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

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Original SBA Audit Report Number: B24683

Fiscal Year: 7/01/04 – 6/30/06

Auditee Contact Person: Guy Richie

Title of Contact Person: Treasurer

Phone Number: 574-896-2155 ext. 3

FINDING NO. 2004-2 Capital Assets

#### STATUS OF FINDING:

The North Judson-San Pierre School Corporation hired a new fixed asset vendor (Deyo Associates) to conduct a physical inventory in January 2005. Deyo Associates is contacted by NJ-SP whenever fixed assets are added or deleted from inventory. This procedure should help the school corporation to meet the requirements of GASB 34 for asset control, financial reporting, and asset recording.

Guy Richie

Treasurer

1-9-07



# NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION

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

## CORRECTIVE ACTION PLAN

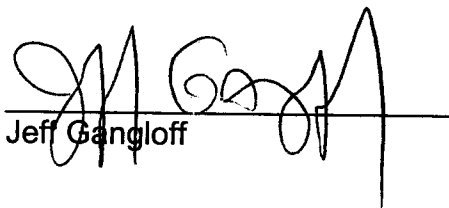
### FINDING NO. 2006-1

Federal Agency: Department of Education  
Federal Program: Title I  
Auditee Contact Person: Guy Richie  
Title of Contact Person: Business Manager/Treasurer  
Phone Number: (574) 896-2155  
Expected Completion Date: January 2007

### **Corrective Action:**

The Summary of Expenditures and Receipts report will be printed on a monthly basis. We will then print off a monthly Title I report. We will compare and balance these two forms on a monthly basis to assure that all expenditure and receipts are in agreement.

On a monthly basis, the Title I director and business manager will examine the monthly ledgers to determine if any discrepancies exist.

  
\_\_\_\_\_  
Jeff Gangloff

  
\_\_\_\_\_  
Guy Richie

1-9-07

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on January 23, 2007, with John R. Heath, Interim Superintendent of Schools; and Guy Richie, Treasurer. The officials concurred with our audit findings.