

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

AUDIT REPORT

OF

MADISON-GRANT UNITED SCHOOL CORPORATION

GRANT COUNTY, INDIANA

July 1, 2005 to June 30, 2007



FILED

03/12/2008

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Rebecca S. Monroe	07-01-05 to 06-30-08
Superintendent of Schools	Fred G. Herron Dr. Damon B. Peigh John D. Trout	07-01-05 to 03-27-07 03-28-07 to 06-30-07 07-01-07 to 06-30-08
President of the School Board	Elisabeth M. Ellingwood	07-01-05 to 06-30-08



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 MADISON-GRANT UNITED SCHOOL
CORPORATION, GRANT COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madison-Grant United School Corporation (School Corporation), as of and for the years ended June 30, 2006 and 2007, 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, 2006 and 2007, 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 11, 2008, 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.

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

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.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

January 11, 2008



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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 MADISON-GRANT UNITED SCHOOL
CORPORATION, GRANT COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madison-Grant United School Corporation (School Corporation), as of and for the years ended June 30, 2006 and 2007, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated January 11, 2008. 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.

The School Corporation's response to the audit results and comments identified in our audit are described in the accompanying section of the report entitled Official Response. We did not audit the School Corporation's response and accordingly, we express no opinion on it.

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

STATE BOARD OF ACCOUNTS

January 11, 2008

MADISON-GRANT UNITED SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2006

<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 (Disbursements) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 5,020,300	\$ -	\$ 246,802	\$ (4,773,498)
Support services	6,316,885	453,412	251,139	(5,612,334)
Community services	1,877	-	-	(1,877)
Nonprogrammed charges	343,084	-	-	(343,084)
Debt service	<u>3,782,310</u>	<u>-</u>	<u>-</u>	<u>(3,782,310)</u>
Total governmental activities	<u>\$ 15,464,456</u>	<u>\$ 453,412</u>	<u>\$ 497,941</u>	<u>(14,513,103)</u>
General receipts:				
Property taxes				6,632,228
Other local sources				878,724
State aid				6,436,084
Grants and contributions not restricted to specific programs				616,717
Sale of property, adjustments, and refunds				103,167
Investment earnings				<u>65,833</u>
Total general receipts				<u>14,732,753</u>
Change in net assets				219,650
Net assets - beginning				<u>3,526,390</u>
Net assets - ending				<u>\$ 3,746,040</u>
Assets				
Cash and investments				\$ 3,434,671
Restricted assets:				
Cash and investments				<u>311,369</u>
Total assets				<u>\$ 3,746,040</u>
Net Assets				
Restricted for:				
Debt service				\$ 311,369
Unrestricted				<u>3,434,671</u>
Total net assets				<u>\$ 3,746,040</u>

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

MADISON-GRANT UNITED SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 5,056,534	\$ -	\$ 250,650	\$ (4,805,884)
Support services	6,398,978	427,812	244,667	(5,726,499)
Community services	1,348	-	-	(1,348)
Nonprogrammed charges	278,859	-	-	(278,859)
Debt service	1,371,182	-	-	(1,371,182)
Total governmental activities	<u>\$ 13,106,901</u>	<u>\$ 427,812</u>	<u>\$ 495,317</u>	<u>(12,183,772)</u>
General receipts:				
Property taxes				3,132,090
Other local sources				520,733
State aid				6,426,754
Grants and contributions not restricted to specific programs				683,598
Sale of property, adjustments, and refunds				58,637
Investment earnings				120,470
Total general receipts				<u>10,942,282</u>
Change in net assets				(1,241,490)
Net assets - beginning				<u>3,746,040</u>
Net assets - ending				<u>\$ 2,504,550</u>
<u>Assets</u>				
Cash and investments				<u>\$ 2,504,550</u>
<u>Net Assets</u>				
Unrestricted				<u>\$ 2,504,550</u>

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

MADISON-GRANT UNITED 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, 2006

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 3,513,520	\$ 888,777	\$ 1,630,454	\$ 1,307,375	\$ 187,616	\$ 501,684	\$ 8,029,426
Intermediate sources	295	-	-	-	-	469	764
State sources	6,595,322	-	-	-	-	76,952	6,672,274
Federal sources	-	-	-	-	-	878,468	878,468
Sale of property, adjustments and refunds	<u>102,502</u>	<u>8</u>	<u>-</u>	<u>275</u>	<u>-</u>	<u>389</u>	<u>103,174</u>
Total receipts	<u>10,211,639</u>	<u>888,785</u>	<u>1,630,454</u>	<u>1,307,650</u>	<u>187,616</u>	<u>1,457,962</u>	<u>15,684,106</u>
Disbursements:							
Current:							
Instruction	4,448,306	-	-	-	-	571,994	5,020,300
Support services	3,816,414	610,945	-	771,678	190,933	926,915	6,316,885
Community services	-	-	-	-	-	1,877	1,877
Nonprogrammed charges	343,084	-	-	-	-	-	343,084
Debt services	<u>1,745,441</u>	<u>257,529</u>	<u>1,517,346</u>	<u>261,994</u>	<u>-</u>	<u>-</u>	<u>3,782,310</u>
Total disbursements	<u>10,353,245</u>	<u>868,474</u>	<u>1,517,346</u>	<u>1,033,672</u>	<u>190,933</u>	<u>1,500,786</u>	<u>15,464,456</u>
Excess (deficiency) of receipts over disbursements	<u>(141,606)</u>	<u>20,311</u>	<u>113,108</u>	<u>273,978</u>	<u>(3,317)</u>	<u>(42,824)</u>	<u>219,650</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	10,497	10,497
Transfers out	<u>-</u>	<u>-</u>	<u>(10,497)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,497)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(10,497)</u>	<u>-</u>	<u>-</u>	<u>10,497</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(141,606)</u>	<u>20,311</u>	<u>102,611</u>	<u>273,978</u>	<u>(3,317)</u>	<u>(32,327)</u>	<u>219,650</u>
Cash and investments - beginning	<u>2,352,738</u>	<u>251,317</u>	<u>208,758</u>	<u>387,992</u>	<u>82,044</u>	<u>243,541</u>	<u>3,526,390</u>
Cash and investments - ending	<u>\$ 2,211,132</u>	<u>\$ 271,628</u>	<u>\$ 311,369</u>	<u>\$ 661,970</u>	<u>\$ 78,727</u>	<u>\$ 211,214</u>	<u>\$ 3,746,040</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 2,211,132	\$ 271,628	\$ -	\$ 661,970	\$ 78,727	\$ 211,214	\$ 3,434,671
Restricted assets:							
Cash and investments	-	-	311,369	-	-	-	311,369
Total cash and investment assets - ending	<u>\$ 2,211,132</u>	<u>\$ 271,628</u>	<u>\$ 311,369</u>	<u>\$ 661,970</u>	<u>\$ 78,727</u>	<u>\$ 211,214</u>	<u>\$ 3,746,040</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ 311,369	\$ -	\$ -	\$ -	\$ 311,369
Unrestricted	<u>2,211,132</u>	<u>271,628</u>	<u>-</u>	<u>661,970</u>	<u>78,727</u>	<u>211,214</u>	<u>3,434,671</u>
Total cash and investment fund balance - ending	<u>\$ 2,211,132</u>	<u>\$ 271,628</u>	<u>\$ 311,369</u>	<u>\$ 661,970</u>	<u>\$ 78,727</u>	<u>\$ 211,214</u>	<u>\$ 3,746,040</u>

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

MADISON-GRANT UNITED 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, 2007

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 1,711,635	\$ 442,279	\$ 803,693	\$ 673,303	\$ 92,970	\$ 475,468	\$ 4,199,348
Intermediate sources	257	-	-	-	-	1,500	1,757
State sources	6,590,058	-	-	-	-	146,983	6,737,041
Federal sources	-	-	-	-	-	868,628	868,628
Sale of property, adjustments and refunds	4,676	46	-	-	-	53,915	58,637
Interfund loans	2,622	-	3,447	-	-	162,608	168,677
Total receipts	8,309,248	442,325	807,140	673,303	92,970	1,709,102	12,034,088
Disbursements:							
Current:							
Instruction	4,514,091	-	-	-	-	542,443	5,056,534
Support services	3,961,239	684,154	-	853,684	-	899,901	6,398,978
Community services	-	-	-	-	-	1,348	1,348
Nonprogrammed charges	278,859	-	-	-	-	-	278,859
Debt services	105,540	-	1,105,656	-	-	159,986	1,371,182
Interfund loans	6,069	-	-	159,986	-	2,622	168,677
Total disbursements	8,865,798	684,154	1,105,656	1,013,670	-	1,606,300	13,275,578
Excess (deficiency) of receipts over disbursements	(556,550)	(241,829)	(298,516)	(340,367)	92,970	102,802	(1,241,490)
Other financing sources (uses):							
Transfers in	4,233	-	-	-	-	30,418	34,651
Transfers out	-	-	(12,853)	-	-	(21,798)	(34,651)
Total other financing sources (uses)	4,233	-	(12,853)	-	-	8,620	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(552,317)	(241,829)	(311,369)	(340,367)	92,970	111,422	(1,241,490)
Cash and investments - beginning	2,211,132	271,628	311,369	661,970	78,727	211,214	3,746,040
Cash and investments - ending	\$ 1,658,815	\$ 29,799	\$ -	\$ 321,603	\$ 171,697	\$ 322,636	\$ 2,504,550
Cash and Investment Assets - Ending							
Cash and investments	\$ 1,658,815	\$ 29,799	\$ -	\$ 321,603	\$ 171,697	\$ 322,636	\$ 2,504,550
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 1,658,815	\$ 29,799	\$ -	\$ 321,603	\$ 171,697	\$ 322,636	\$ 2,504,550

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

MADISON-GRANT UNITED SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2006

	Pension Funds	Private-Purpose Trust Funds
Additions:		
Contributions:		
Employer	\$ 3,155,000	\$ -
Other	60,000	37,427
Total contributions	3,215,000	37,427
Investment earnings:		
Interest	1,789	449
Total additions	3,216,789	37,876
Deductions:		
Benefits	2,320,265	-
Administrative and general	-	45,835
Total deductions	2,320,265	45,835
Excess (deficiency) of total additions over total deductions	896,524	(7,959)
Cash and investment fund balance - beginning	40,219	43,687
Cash and investment fund balance - ending	\$ 936,743	\$ 35,728
Net assets:		
Cash and investments	\$ 936,743	\$ 35,728

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

MADISON-GRANT UNITED SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2007

	Pension Funds	Private-Purpose Trust Funds
Additions:		
Contributions:		
Other	\$ -	\$ 31,847
Investment earnings:		
Interest	-	455
Total additions	-	32,302
Deductions:		
Benefits	936,743	-
Administrative and general	-	34,685
Total deductions	936,743	34,685
Deficiency of total additions over total deductions	(936,743)	(2,383)
Cash and investment fund balance - beginning	936,743	35,728
Cash and investment fund balance - ending	\$ -	\$ 33,345
Net assets:		
Cash and investments	\$ -	\$ 33,345

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

MADISON-GRANT UNITED 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 primary government, Madison-Grant United 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 Marion Community Schools, Oak Hill United School Corporation, Mississinewa Community School Corporation, and Eastbrook Community School Corporation in a joint venture to operate Grant County Special Services Cooperative (Co-op) which was created to provide programs and services for children with special needs. The Co-op's continued existence depends on continued funding by the participating School Corporations. Complete financial statements for the Co-op can be obtained from their administrative office at 424 E South A Street, Gas City, IN 46933.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statements of Activities and Net Assets – Cash and Investment Basis display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund Financial Statements

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

MADISON-GRANT UNITED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 funds are used to account for bonds and payments authorized by Indiana Code 20-48-1-2.

The private-purpose trust funds report trust arrangements under which principal and income benefit the students.

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.

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

MADISON-GRANT UNITED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. The June 2007 tax distribution has been delayed due to property reassessment problems at the County level.

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at rates from 5 days to 10 days per year. Unused sick leave may be accumulated to a maximum of 90 days for certified employees hired after October 1, 2000; and 177 days for certified employees hired prior to October 1, 2000. Accumulated sick leave is not paid to employees.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 5 days to 15 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 rates from 2 days to 3 days per year. Unused personal leave may be accumulated to a maximum of 5 days. Accumulated personal leave is not paid to employees.

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.

MADISON-GRANT UNITED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

5. Long-Term Debt

Long-term debt arising from cash basis transactions of the governmental fund are 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.

E. Receipts and Disbursements

Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, and (2) operating grants and contributions, 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 Balances and Activities

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

Fund Financial Statements

Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

MADISON-GRANT UNITED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Government-Wide Financial Statements

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

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

II. Stewardship, Compliance and Accountability

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 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.

III. Detailed Notes on All Funds

A. Deposits and Investments

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.

MADISON-GRANT UNITED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2006 and 2007, were as follows:

Transfer From	Transfer To	For the Year Ended June 30, 2006	For the Year Ended June 30, 2007
Debt Service Fund	Other governmental funds	\$ 10,497	\$ 12,853
Other governmental funds	General Fund	-	4,233
Other governmental funds	Other governmental funds	-	17,565
Totals		<u>\$ 10,497</u>	<u>\$ 34,651</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; and natural disasters.

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

B. Holding Corporations

The School Corporation has entered into capital leases with Madison-Grant Multi-School Building Corporation and Madison-Grant School Building Corporation (the lessors). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessors have been determined to be related parties of the School Corporation. Lease payments during the year ended June 30, 2007, totaled \$1,018,500.

MADISON-GRANT UNITED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of 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	\$	52,264
Interest on net pension obligation		(4,937)
Adjustment to annual required contribution		5,626
Annual pension cost		52,953
Contributions made		39,427
Increase in net pension obligation		13,526
Net pension obligation, beginning of year		(68,096)
Net pension obligation, end of year	\$	(54,570)

MADISON-GRANT UNITED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF
Contribution rates:	
School Corporation	6.25%
Plan members	3%
Actuarial valuation date	07-01-06
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

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	06-30-04	\$ 30,142	176%	\$ (66,411)
	06-30-05	42,714	104%	(68,096)
	06-30-06	52,953	74%	(54,570)

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.

MADISON-GRANT UNITED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

Funding Policy and Annual Pension Costs

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

Plan members are required to contribute 3% of their salary and the School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 7% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2007, 2006, and 2005, were \$165,885, \$157,122, and \$141,134, respectively. The School Corporation contributed 100% of the required contribution for each of the fiscal years.

MADISON-GRANT UNITED SCHOOL CORPORATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 1,087,408	\$ 1,054,282	\$ 33,126	103%	\$ 893,821	4%
07-01-05	1,122,230	1,208,589	(86,359)	93%	855,334	(10%)
07-01-06	1,060,656	1,140,676	(80,020)	93%	824,383	(10%)

MADISON-GRANT UNITED 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, 2006

	Special Education Preschool	School Lunch	Textbook Rental	Education License Plates	Safe Haven	Summitville Class of 1948 Accelerated Reading	FY 2005-2006 Gifted and Talented
Receipts:							
Local sources	\$ 18,951	\$ 361,662	\$ 90,944	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	469	-	-	-
State sources	30,855	9,775	21,455	-	1,610	-	13,125
Federal sources	-	219,909	-	-	-	-	-
Sale of property, adjustments and refunds	45	114	30	-	-	200	-
Total receipts	49,851	591,460	112,429	469	1,610	200	13,125
Disbursements:							
Current:							
Instruction	40,162	-	-	-	-	-	13,623
Support services	9,689	550,258	130,799	-	1,610	-	-
Community services	-	-	-	-	-	-	-
Total disbursements	49,851	550,258	130,799	-	1,610	-	13,623
Excess (deficiency) of receipts over disbursements	-	41,202	(18,370)	469	-	200	(498)
Other financing sources:							
Transfers in	-	-	10,497	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements	-	41,202	(7,873)	469	-	200	(498)
Cash and investments - beginning	-	39,769	8,119	169	-	-	1,235
Cash and investments - ending	\$ -	\$ 80,971	\$ 246	\$ 638	\$ -	\$ 200	\$ 737
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ -	\$ 80,971	\$ 246	\$ 638	\$ -	\$ 200	\$ 737
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	\$ -	\$ 80,971	\$ 246	\$ 638	\$ -	\$ 200	\$ 737

MADISON-GRANT UNITED 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, 2006
 (Continued)

	Non-English Speaking Program	Latch Key	School Lunch Banquet	Cape Consortium	Cape Consortium - Parents	FY 2005-2006 Title I	FY 2005-2006 Title V
Receipts:							
Local sources	\$ -	\$ 29,187	\$ 799	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	132	-	-	-	-	-	-
Federal sources	-	-	-	-	-	256,350	5,199
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	132	29,187	799	-	-	256,350	5,199
Disbursements:							
Current:							
Instruction	372	19,335	-	-	-	218,063	42
Support services	-	3,503	803	4,364	-	46,188	5,157
Community services	-	-	-	-	-	1,877	-
Total disbursements	372	22,838	803	4,364	-	266,128	5,199
Excess (deficiency) of receipts over disbursements	(240)	6,349	(4)	(4,364)	-	(9,778)	-
Other financing sources:							
Transfers in	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements	(240)	6,349	(4)	(4,364)	-	(9,778)	-
Cash and investments - beginning	1,675	20,856	222	7,473	555	57,184	-
Cash and investments - ending	<u>\$ 1,435</u>	<u>\$ 27,205</u>	<u>\$ 218</u>	<u>\$ 3,109</u>	<u>\$ 555</u>	<u>\$ 47,406</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 1,435</u>	<u>\$ 27,205</u>	<u>\$ 218</u>	<u>\$ 3,109</u>	<u>\$ 555</u>	<u>\$ 47,406</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 1,435</u>	<u>\$ 27,205</u>	<u>\$ 218</u>	<u>\$ 3,109</u>	<u>\$ 555</u>	<u>\$ 47,406</u>	<u>\$ -</u>

MADISON-GRANT UNITED 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, 2006
 (Continued)

	FY 2005-2006 PL 108	FY 2003-2004 Drug-Free Schools	FY 2005-2006 Title II Part A	FY 2005-2006 Title II Part D	Construction	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 141	\$ 501,684
Intermediate sources	-	-	-	-	-	469
State sources	-	-	-	-	-	76,952
Federal sources	317,942	-	74,307	4,761	-	878,468
Sale of property, adjustments and refunds	-	-	-	-	-	389
Total receipts	317,942	-	74,307	4,761	141	1,457,962
Disbursements:						
Current:						
Instruction	231,520	4,228	44,649	-	-	571,994
Support services	96,398	1,936	33,160	5,772	37,278	926,915
Community services	-	-	-	-	-	1,877
Total disbursements	327,918	6,164	77,809	5,772	37,278	1,500,786
Excess (deficiency) of receipts over disbursements	(9,976)	(6,164)	(3,502)	(1,011)	(37,137)	(42,824)
Other financing sources:						
Transfers in	-	-	-	-	-	10,497
Excess (deficiency) of receipts and other financing sources over disbursements	(9,976)	(6,164)	(3,502)	(1,011)	(37,137)	(32,327)
Cash and investments - beginning	18,933	6,164	39,428	4,622	37,137	243,541
Cash and investments - ending	\$ 8,957	\$ -	\$ 35,926	\$ 3,611	\$ -	\$ 211,214
Cash and Investment Assets - Ending						
Cash and investments	\$ 8,957	\$ -	\$ 35,926	\$ 3,611	\$ -	\$ 211,214
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 8,957	\$ -	\$ 35,926	\$ 3,611	\$ -	\$ 211,214

MADISON-GRANT UNITED 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, 2007

	Special Education Preschool	School Lunch	Textbook Rental	Education License Plates	Summitville Class of 1948 Accelerated Reading	Round Robbins Marion General Donation	Boren Foundation Donation
Receipts:							
Local sources	\$ 12,268	\$ 343,370	\$ 83,187	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	1,500	-	-	-
State sources	26,833	9,548	20,904	-	-	-	-
Federal sources	-	214,215	-	-	-	-	-
Sale of property, adjustments and refunds	103	145	54	-	-	16,780	36,724
Interfund loans	-	-	-	-	-	-	-
Total receipts	39,204	567,278	104,145	1,500	-	16,780	36,724
Disbursements:							
Current:							
Instruction	21,518	-	-	-	-	-	-
Support services	10,719	598,278	115,465	-	-	8,780	-
Community services	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	32,237	598,278	115,465	-	-	8,780	-
Excess (deficiency) of receipts over disbursements	6,967	(31,000)	(11,320)	1,500	-	8,000	36,724
Other financing sources (uses):							
Transfers in	-	-	12,853	-	-	-	-
Transfers out	(4,233)	-	-	-	-	-	-
Total other financing sources (uses)	(4,233)	-	12,853	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,734	(31,000)	1,533	1,500	-	8,000	36,724
Cash and investments - beginning	-	80,971	246	638	200	-	-
Cash and investments - ending	\$ 2,734	\$ 49,971	\$ 1,779	\$ 2,138	\$ 200	\$ 8,000	\$ 36,724
Cash and Investment Assets - Ending							
Cash and investments	\$ 2,734	\$ 49,971	\$ 1,779	\$ 2,138	\$ 200	\$ 8,000	\$ 36,724
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 2,734	\$ 49,971	\$ 1,779	\$ 2,138	\$ 200	\$ 8,000	\$ 36,724

MADISON-GRANT UNITED 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, 2007
 (Continued)

	FY 2006-2007 Gifted and Talented	FY 2005-2006 Gifted and Talented	Technology Planning Grant	Non-English Speaking Program	Latch Key	School Lunch Banquet
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 35,388	\$ 1,255
Intermediate sources	-	-	-	-	-	-
State sources	13,125	-	76,341	232	-	-
Federal sources	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total receipts	13,125	-	76,341	232	35,388	1,255
Disbursements:						
Current:						
Instruction	12,267	737	5,725	227	23,280	-
Support services	-	-	-	-	5,267	1,247
Community services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	12,267	737	5,725	227	28,547	1,247
Excess (deficiency) of receipts over disbursements	858	(737)	70,616	5	6,841	8
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	858	(737)	70,616	5	6,841	8
Cash and investments - beginning	-	737	-	1,435	27,205	218
Cash and investments - ending	<u>\$ 858</u>	<u>\$ -</u>	<u>\$ 70,616</u>	<u>\$ 1,440</u>	<u>\$ 34,046</u>	<u>\$ 226</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ 858</u>	<u>\$ -</u>	<u>\$ 70,616</u>	<u>\$ 1,440</u>	<u>\$ 34,046</u>	<u>\$ 226</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ 858</u>	<u>\$ -</u>	<u>\$ 70,616</u>	<u>\$ 1,440</u>	<u>\$ 34,046</u>	<u>\$ 226</u>

MADISON-GRANT UNITED 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, 2007
 (Continued)

	Cape Consortium	Cape Consortium - Parents	FY 2005-2006 Title I	FY 2006-2007 Title I	FY 2006-2007 Title V	FY 2005-2006 PL 108
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	-	272,911	2,571	59,963
Sale of property, adjustments and refunds	-	-	-	27	-	-
Interfund loans	-	-	-	-	-	-
Total receipts	-	-	-	272,938	2,571	59,963
Disbursements:						
Current:						
Instruction	-	-	26,537	191,585	-	49,472
Support services	3,109	-	3,304	27,917	2,571	19,448
Community services	-	-	-	1,348	-	-
Debt services	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	3,109	-	29,841	220,850	2,571	68,920
Excess (deficiency) of receipts over disbursements	(3,109)	-	(29,841)	52,088	-	(8,957)
Other financing sources (uses):						
Transfers in	-	-	-	17,565	-	-
Transfers out	-	-	(17,565)	-	-	-
Total other financing sources (uses)	-	-	(17,565)	17,565	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,109)	-	(47,406)	69,653	-	(8,957)
Cash and investments - beginning	3,109	555	47,406	-	-	8,957
Cash and investments - ending	\$ -	\$ 555	\$ -	\$ 69,653	\$ -	\$ -
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ 555	\$ -	\$ 69,653	\$ -	\$ -
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ -	\$ 555	\$ -	\$ 69,653	\$ -	\$ -

MADISON-GRANT UNITED 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, 2007
 (Continued)

	FY 2006-2007 PL 108	FY 2005-2006 Title II Part A	FY 2004-2006 Title II Part D	FY 2005-2006 Title II Part D	Pension Debt	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 475,468
Intermediate sources	-	-	-	-	-	1,500
State sources	-	-	-	-	-	146,983
Federal sources	238,753	73,989	6,226	-	-	868,628
Sale of property, adjustments and refunds	54	28	-	-	-	53,915
Interfund loans	2,622	-	-	-	159,986	162,608
Total receipts	241,429	74,017	6,226	-	159,986	1,709,102
Disbursements:						
Current:						
Instruction	149,815	58,283	2,997	-	-	542,443
Support services	76,786	22,007	3,229	1,774	-	899,901
Community services	-	-	-	-	-	1,348
Debt services	-	-	-	-	159,986	159,986
Interfund loans	2,622	-	-	-	-	2,622
Total disbursements	229,223	80,290	6,226	1,774	159,986	1,606,300
Excess (deficiency) of receipts over disbursements	12,206	(6,273)	-	(1,774)	-	102,802
Other financing sources (uses):						
Transfers in	-	-	-	-	-	30,418
Transfers out	-	-	-	-	-	(21,798)
Total other financing sources (uses)	-	-	-	-	-	8,620
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	12,206	(6,273)	-	(1,774)	-	111,422
Cash and investments - beginning	-	35,926	-	3,611	-	211,214
Cash and investments - ending	\$ 12,206	\$ 29,653	\$ -	\$ 1,837	\$ -	\$ 322,636
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 12,206	\$ 29,653	\$ -	\$ 1,837	\$ -	\$ 322,636
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ 12,206	\$ 29,653	\$ -	\$ 1,837	\$ -	\$ 322,636

MADISON-GRANT UNITED SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For the Year Ended June 30, 2006

	Retirement/ Severance Bond	Postretirement/ Severance Future Benefit	Totals
Additions:			
Contributions:			
Employer	\$ 3,155,000	\$ -	\$ 3,155,000
Other	-	60,000	60,000
Total contributions	3,155,000	60,000	3,215,000
Investment earnings:			
Interest	-	1,789	1,789
Total additions	3,155,000	61,789	3,216,789
Deductions:			
Benefits	2,218,257	102,008	2,320,265
Excess (deficiency) of total additions over total deductions	936,743	(40,219)	896,524
Cash and investment fund balance - beginning	-	40,219	40,219
Cash and investment fund balance - ending	\$ 936,743	\$ -	\$ 936,743
Net assets:			
Cash and investments	\$ 936,743	\$ -	\$ 936,743
Total net assets - cash and investment basis held in trust	\$ 936,743	\$ -	\$ 936,743

MADISON-GRANT UNITED SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2006

	<u>Liberty Elementary PTO Award</u>	<u>Citizen's Exchange Bank Award - Liberty</u>	<u>Rollins - Paul Scholarship</u>	<u>Summitville Library Automation</u>	<u>Junior High Community Foundation</u>	<u>Round Robins Award - Liberty</u>
Additions:						
Contributions:						
Other	\$ 1,395	\$ 50	\$ 150	\$ -	\$ 300	\$ -
Investment earnings:						
Interest	-	-	26	-	-	-
Total additions	<u>1,395</u>	<u>50</u>	<u>176</u>	<u>-</u>	<u>300</u>	<u>-</u>
Deductions:						
Administrative and general	<u>1,395</u>	<u>50</u>	<u>1,000</u>	<u>5,000</u>	<u>298</u>	<u>4,685</u>
Excess (deficiency) of total additions over total deductions	-	-	(824)	(5,000)	2	(4,685)
Cash and investment fund balance - beginning	-	-	1,600	5,000	-	5,000
Cash and Investments - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 776</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 315</u>
Net assets:						
Cash and investments	\$ -	\$ -	\$ 776	\$ -	\$ 2	\$ 315
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 776</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 315</u>

MADISON-GRANT UNITED SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	<u>Cultural Arts</u>	<u>Liberty Community Foundation</u>	<u>Park Community Foundation</u>	<u>Summitville Community Foundation</u>	<u>Summitville PSI IOTA XI</u>	<u>Wal-Mart Award - Summitville</u>
Additions:						
Contributions:						
Other	\$ 550	\$ 590	\$ 2,375	\$ 374	\$ 200	\$ -
Investment earnings:						
Interest	-	-	-	-	-	-
Total additions	<u>550</u>	<u>590</u>	<u>2,375</u>	<u>374</u>	<u>200</u>	<u>-</u>
Deductions:						
Administrative and general	<u>550</u>	<u>749</u>	<u>1,413</u>	<u>243</u>	<u>-</u>	<u>208</u>
Excess (deficiency) of total additions over total deductions	-	(159)	962	131	200	(208)
Cash and investment fund balance - beginning	<u>500</u>	<u>160</u>	<u>208</u>	<u>256</u>	<u>-</u>	<u>488</u>
Cash and Investments - June 30	<u><u>\$ 500</u></u>	<u><u>\$ 1</u></u>	<u><u>\$ 1,170</u></u>	<u><u>\$ 387</u></u>	<u><u>\$ 200</u></u>	<u><u>\$ 280</u></u>
Net assets:						
Cash and investments	<u>\$ 500</u>	<u>\$ 1</u>	<u>\$ 1,170</u>	<u>\$ 387</u>	<u>\$ 200</u>	<u>\$ 280</u>
Total net assets - cash and investment basis held in trust	<u><u>\$ 500</u></u>	<u><u>\$ 1</u></u>	<u><u>\$ 1,170</u></u>	<u><u>\$ 387</u></u>	<u><u>\$ 200</u></u>	<u><u>\$ 280</u></u>

MADISON-GRANT UNITED SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	<u>First Christian Church - Summitville</u>	<u>Indiana Wesleyan Award - Park</u>	<u>Galey Scholarship</u>	<u>HM Dick Scholarship</u>	<u>Hazel Baker Foundation</u>
Additions:					
Contributions:					
Other	\$ -	\$ -	\$ 10,801	\$ -	\$ 15,054
Investment earnings:					
Interest	-	-	161	140	-
Total additions	<u>-</u>	<u>-</u>	<u>10,962</u>	<u>140</u>	<u>15,054</u>
Deductions:					
Administrative and general	<u>700</u>	<u>517</u>	<u>10,801</u>	<u>140</u>	<u>15,929</u>
Excess (deficiency) of total additions over total deductions	(700)	(517)	161	-	(875)
Cash and investment fund balance - beginning	<u>700</u>	<u>517</u>	<u>11,440</u>	<u>10,000</u>	<u>3,000</u>
Cash and Investments - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,601</u>	<u>\$ 10,000</u>	<u>\$ 2,125</u>
Net assets:					
Cash and investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,601</u>	<u>\$ 10,000</u>	<u>\$ 2,125</u>
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,601</u>	<u>\$ 10,000</u>	<u>\$ 2,125</u>

MADISON-GRANT UNITED SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	<u>Robert Huff Scholarship</u>	<u>Janice Phipps Scholarship</u>	<u>Family and Consumer Science Scholarship</u>	<u>Indiana Next - Grant</u>	<u>Totals</u>
Additions:					
Contributions:					
Other	\$ 200	\$ -	\$ 2,388	\$ 3,000	\$ 37,427
Investment earnings:					
Interest	<u>72</u>	<u>50</u>	<u>-</u>	<u>-</u>	<u>449</u>
Total additions	<u>272</u>	<u>50</u>	<u>2,388</u>	<u>3,000</u>	<u>37,876</u>
Deductions:					
Administrative and general	<u>250</u>	<u>250</u>	<u>200</u>	<u>1,457</u>	<u>45,835</u>
Excess (deficiency) of total additions over total deductions	22	(200)	2,188	1,543	(7,959)
Cash and investment fund balance - beginning	<u>2,759</u>	<u>2,059</u>	<u>-</u>	<u>-</u>	<u>43,687</u>
Cash and Investments - June 30	<u>\$ 2,781</u>	<u>\$ 1,859</u>	<u>\$ 2,188</u>	<u>\$ 1,543</u>	<u>\$ 35,728</u>
Net assets:					
Cash and investments	<u>\$ 2,781</u>	<u>\$ 1,859</u>	<u>\$ 2,188</u>	<u>\$ 1,543</u>	<u>\$ 35,728</u>
Total net assets - cash and investment basis held in trust	<u>\$ 2,781</u>	<u>\$ 1,859</u>	<u>\$ 2,188</u>	<u>\$ 1,543</u>	<u>\$ 35,728</u>

MADISON-GRANT UNITED SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007

	<u>Rollins - Paul Scholarship</u>	<u>Junior High Community Foundation</u>	<u>Round Robins Award - Liberty</u>	<u>Cultural Arts</u>	<u>Liberty Community Foundation</u>	<u>Park Community Foundation</u>	<u>Summitville Community Foundation</u>
Additions:							
Contributions:							
Other	\$ 1,865	\$ -	\$ -	\$ 500	\$ 546	\$ 2,344	\$ 593
Investment earnings:							
Interest	<u>61</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total additions	<u>1,926</u>	<u>-</u>	<u>-</u>	<u>500</u>	<u>546</u>	<u>2,344</u>	<u>593</u>
Deductions:							
Administrative and general	<u>-</u>	<u>-</u>	<u>-</u>	<u>720</u>	<u>316</u>	<u>2,991</u>	<u>980</u>
Excess (deficiency) of total additions over total deductions	1,926	-	-	(220)	230	(647)	(387)
Cash and investment fund balance - beginning	<u>776</u>	<u>2</u>	<u>315</u>	<u>500</u>	<u>1</u>	<u>1,170</u>	<u>387</u>
Cash and Investments - June 30	<u>\$ 2,702</u>	<u>\$ 2</u>	<u>\$ 315</u>	<u>\$ 280</u>	<u>\$ 231</u>	<u>\$ 523</u>	<u>\$ -</u>
Net assets:							
Cash and investments	<u>\$ 2,702</u>	<u>\$ 2</u>	<u>\$ 315</u>	<u>\$ 280</u>	<u>\$ 231</u>	<u>\$ 523</u>	<u>\$ -</u>
Total net assets - cash and investment basis held in trust	<u>\$ 2,702</u>	<u>\$ 2</u>	<u>\$ 315</u>	<u>\$ 280</u>	<u>\$ 231</u>	<u>\$ 523</u>	<u>\$ -</u>

MADISON-GRANT UNITED SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	<u>Summitville PSI IOTA XI</u>	<u>Wal-Mart Award - Summitville</u>	<u>First Christian Church - Summitville</u>	<u>Galey Scholarship</u>	<u>HM Dick Scholarship</u>	<u>Hazel Baker Foundation</u>	<u>Robert Huff Scholarship</u>
Additions:							
Contributions:							
Other	\$ 200	\$ -	\$ 746	\$ -	\$ -	\$ 24,323	\$ 100
Investment earnings:							
Interest	-	-	-	-	225	-	104
Total additions	<u>200</u>	<u>-</u>	<u>746</u>	<u>-</u>	<u>225</u>	<u>24,323</u>	<u>204</u>
Deductions:							
Administrative and general	<u>200</u>	<u>280</u>	<u>746</u>	<u>800</u>	<u>225</u>	<u>26,427</u>	<u>250</u>
Excess (deficiency) of total additions over total deductions	-	(280)	-	(800)	-	(2,104)	(46)
Cash and investment fund balance - beginning	<u>200</u>	<u>280</u>	<u>-</u>	<u>11,601</u>	<u>10,000</u>	<u>2,125</u>	<u>2,781</u>
Cash and Investments - June 30	<u>\$ 200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,801</u>	<u>\$ 10,000</u>	<u>\$ 21</u>	<u>\$ 2,735</u>
Net assets:							
Cash and investments	<u>\$ 200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,801</u>	<u>\$ 10,000</u>	<u>\$ 21</u>	<u>\$ 2,735</u>
Total net assets - cash and investment basis held in trust	<u>\$ 200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,801</u>	<u>\$ 10,000</u>	<u>\$ 21</u>	<u>\$ 2,735</u>

MADISON-GRANT UNITED SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Janice Phipps Scholarship	Family and Consumer Science Scholarship	Team Nutrition Grant	Wellness Grant	Indiana Next - Grant	Totals
Additions:						
Contributions:						
Other	\$ -	\$ -	\$ 500	\$ 130	\$ -	\$ 31,847
Investment earnings:						
Interest	65	-	-	-	-	455
Total additions	<u>65</u>	<u>-</u>	<u>500</u>	<u>130</u>	<u>-</u>	<u>32,302</u>
Deductions:						
Administrative and general	<u>250</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>-</u>	<u>34,685</u>
Excess (deficiency) of total additions over total deductions	(185)	-	-	130	-	(2,383)
Cash and investment fund balance - beginning	<u>1,859</u>	<u>2,188</u>	<u>-</u>	<u>-</u>	<u>1,543</u>	<u>35,728</u>
Cash and Investments - June 30	<u>\$ 1,674</u>	<u>\$ 2,188</u>	<u>\$ -</u>	<u>\$ 130</u>	<u>\$ 1,543</u>	<u>\$ 33,345</u>
Net assets:						
Cash and investments	\$ 1,674	\$ 2,188	\$ -	\$ 130	\$ 1,543	\$ 33,345
Total net assets - cash and investment basis held in trust	<u>\$ 1,674</u>	<u>\$ 2,188</u>	<u>\$ -</u>	<u>\$ 130</u>	<u>\$ 1,543</u>	<u>\$ 33,345</u>

MADISON-GRANT UNITED SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

June 30, 2007

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	\$ 19,200
Buildings	16,022,651
Improvements other than buildings	2,770,421
Machinery and equipment	<u>3,212,571</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 22,024,843</u>

MADISON-GRANT UNITED SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

June 30, 2007

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Multi-School Building Corporation 1997	\$ 3,580,000	\$ 660,000
School Building Corporation 2003	3,605,000	400,000
Bonds payable:		
General obligation bonds:		
Pension Bond 2006	3,090,000	163,120
Total governmental activities long-term debt	\$ 10,275,000	\$ 1,223,120

MADISON-GRANT UNITED SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

AVERAGE DAILY MEMBERSHIP (ADM) - INCORRECT REPORTING TO THE STATE

The information presented for audit indicated enrollment figures on Form 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for the school year ending June 30, 2007.

The enrollment count date for 2006-2007 was September 15, 2006. The difference between the count reported on the ADM and the verified figures are shown below:

<u>School Year</u>	<u>Grade</u>	<u>Count as Reported on Form 30A</u>	<u>Actual Enrollment Figures</u>	<u>Difference</u>
2006-2007	Kindergarten	59.5	60.0	(0.50)
2006-2007	1 Through 12	1,447.0	1,454.0	(7.00)

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

HONORS DIPLOMAS - INCORRECT REPORTING TO THE STATE

The information presented for audit indicated twenty-nine students earned honors diplomas in the 2004-2005 school year. Thirty-one students were subsequently reported to the Indiana Department of Education.

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

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 MADISON-GRANT UNITED SCHOOL
CORPORATION, GRANT COUNTY, INDIANA

Compliance

We have audited the compliance of Madison-Grant United 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 its major federal program for the years ended June 30, 2006 and 2007. The School Corporation's major federal program is 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 its major federal program 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 its major federal program for the years ended June 30, 2006 and 2007.

Internal Control Over Compliance

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

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

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

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

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

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

STATE BOARD OF ACCOUNTS

January 11, 2008

MADISON-GRANT UNITED SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2006 and 2007

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 06-30-06	Total Federal Awards Expended 06-30-07
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 32,705	\$ 32,322
National School Lunch Program	10.555		<u>202,404</u>	<u>226,585</u>
Total for federal grantor agency			<u>235,109</u>	<u>258,907</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Marion Community Schools				
Special Education Cluster				
Special Education - Grants to States	84.027			
		FY 2004-05	80,855	-
Pass-Through Mississinewa Community School Corporation				
Special Education Cluster				
Special Education - Grants to States	84.027			
		FY 2005-06	247,062	68,920
		FY 2006-07	<u>-</u>	<u>226,601</u>
Total for cluster			<u>327,917</u>	<u>295,521</u>
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies	84.010			
		05-2825	31,396	-
		06-2825	234,732	29,841
		07-2825	<u>-</u>	<u>220,849</u>
Total for program			<u>266,128</u>	<u>250,690</u>
Safe and Drug Free Schools and Communities - State Grants	84.186			
		03-273	<u>6,164</u>	<u>-</u>
State Grants for Innovative Programs	84.298			
		05-2825	5,199	-
		06-2825	<u>-</u>	<u>2,571</u>
Total for program			<u>5,199</u>	<u>2,571</u>
Education Technology State Grants	84.318			
		FY 03-05	4,622	-
		FY 04-06	-	6,226
		FY 05-07	<u>1,150</u>	<u>1,774</u>
Total for program			<u>5,772</u>	<u>8,000</u>
Improving Teacher Quality State Grants	84.367			
		04-023	39,428	-
		05-050	38,381	35,926
		06-2825	<u>-</u>	<u>44,363</u>
Total for program			<u>77,809</u>	<u>80,289</u>
Total for federal grantor agency			<u>688,989</u>	<u>637,071</u>
Total federal awards expended			<u>\$ 924,098</u>	<u>\$ 895,978</u>

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

MADISON-GRANT UNITED 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 Madison-Grant United 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 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, 2006 and 2007. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	For the Year Ended June 30, 2006	For the Year Ended June 30, 2007
Child Nutrition Cluster:			
Food Commodities			
National School Lunch Program	10.555	\$ <u>23,956</u>	\$ <u>42,951</u>

MADISON-GRANT UNITED 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

Special Education Cluster

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

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

MADISON-GRANT UNITED SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

MADISON-GRANT UNITED SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on January 11, 2008, with John D. Trout, Superintendent of Schools; and Rebecca S. Monroe, Treasurer. The official response has been made a part of this report and may be found on page 49.



MADISON-GRANT UNITED SCHOOL CORPORATION

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Fairmount, Indiana 46928
Telephone: 765-948-4143
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John D. Trout, Ed.S., Superintendent
Richard Hindman, Director of Technology/Facilities
Rebecca Monroe, Director of Business Affairs

January 11, 2008

TO: State Board of Accounts
FROM: Madison-Grant United School Corporation
RE: Audit Comments

We have addressed the 2006-2007 ADM problem of under-reporting students through our STN department. We have made a correction to the 2006-2007 ADM and submitted that to Debbie Hine at the Department of Education. Our STN department will institute another "checking" procedure to try and avoid problems like this in the future.

We have also addressed the problem of over-reporting two students for the Academic Honors Diploma (2005 graduates). The problem was with the DOE-GR report filed by our High School. They over-reported by two students. Working with Debbie Hine, we have identified the two students and will be expecting to receive a billing from the DOE because we were overpaid in 2006.

We apologize for these errors and will strive, in the future, to avoid the problems above.

Sincerely,

John D. Trout
Superintendent

Rebecca Monroe
Treasurer/Business Director