

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

AUDIT REPORT

OF

RUSH COUNTY SCHOOLS

RUSH COUNTY, INDIANA

July 1, 2005 to June 30, 2007



FILED

03/17/2008

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sharon Holloway	07-01-05 to 06-30-08
Superintendent of Schools	Dr. Edwin A. Lyskowinski Dr. John E. Williams	07-01-05 to 06-30-06 07-01-06 to 06-30-08
President of the School Board	Charles A. Smith Jeff Slaton	07-01-05 to 06-30-06 07-01-06 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 THE RUSH COUNTY SCHOOLS, RUSH COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rush County Schools (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 23, 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.

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, 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 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 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, 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 THE RUSH COUNTY SCHOOLS, RUSH COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rush County Schools (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 23, 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 findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the School Corporation's response and accordingly, we express no opinion on it.

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

STATE BOARD OF ACCOUNTS

January 23, 2008

RUSH COUNTY SCHOOLS
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>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 9,060,438	\$ -	\$ 106,580	\$ (8,953,858)
Support services	10,847,669	919,085	478,796	(9,449,788)
Community services	306,792	-	-	(306,792)
Nonprogrammed charges	307,803	-	-	(307,803)
Debt service	1,746,280	-	-	(1,746,280)
Total governmental activities	<u>\$ 22,268,982</u>	<u>\$ 919,085</u>	<u>\$ 585,376</u>	<u>(20,764,521)</u>
General receipts:				
Property taxes				9,830,974
Other local sources				1,416,396
State aid				9,619,126
Grants and contributions not restricted to specific programs				968,580
Sale of property, adjustments, and refunds				69,067
Investment earnings				215,379
Total general receipts				<u>22,119,522</u>
Change in net assets				1,355,001
Net assets - beginning				<u>8,495,501</u>
Net assets - ending				<u>\$ 9,850,502</u>
<u>Assets</u>				
Cash and investments				\$ 8,927,972
Restricted assets:				
Cash and investments				<u>922,530</u>
Total assets				<u>\$ 9,850,502</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 922,530
Unrestricted				<u>8,927,972</u>
Total net assets				<u>\$ 9,850,502</u>

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

RUSH COUNTY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				Net (Disbursement) Receipts and Changes in Net Assets
Instruction	\$ 9,072,410	\$ -	\$ 106,944	\$ (8,965,466)
Support services	10,634,904	946,532	406,026	(9,282,346)
Community services	294,463	-	-	(294,463)
Nonprogrammed charges	254,138	-	-	(254,138)
Debt service	<u>1,777,877</u>	<u>-</u>	<u>-</u>	<u>(1,777,877)</u>
 Total governmental activities	 <u>\$ 22,033,792</u>	 <u>\$ 946,532</u>	 <u>\$ 512,970</u>	 <u>(20,574,290)</u>
 General receipts:				
Property taxes				5,386,286
Other local sources				1,070,757
State aid				9,564,832
Grants and contributions not restricted to specific programs				1,137,013
Sale of property, adjustments, and refunds				94,905
Investment earnings				<u>451,535</u>
 Total general receipts				 <u>17,705,328</u>
 Change in net assets				 (2,868,962)
 Net assets - beginning				 <u>9,850,502</u>
 Net assets - ending				 <u>\$ 6,981,540</u>
 <u>Assets</u>				
Cash and investments				\$ 6,844,381
Restricted assets:				
Cash and investments				<u>137,159</u>
 Total assets				 <u>\$ 6,981,540</u>
 <u>Net Assets</u>				
Restricted for:				
Debt service				\$ 137,159
Unrestricted				<u>6,844,381</u>
 Total net assets				 <u>\$ 6,981,540</u>

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

RUSH COUNTY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 6,066,544	\$ 1,525,858	\$ 1,643,617	\$ 1,985,053	\$ 193,308	\$ 967,453	\$ 12,381,833
State sources	9,710,405	-	-	-	-	166,656	9,877,061
Federal sources	-	-	-	-	-	1,296,022	1,296,022
Sale of property, adjustments and refunds	<u>18,349</u>	<u>39,306</u>	<u>-</u>	<u>197</u>	<u>11,215</u>	<u>-</u>	<u>69,067</u>
Total receipts	<u>15,795,298</u>	<u>1,565,164</u>	<u>1,643,617</u>	<u>1,985,250</u>	<u>204,523</u>	<u>2,430,131</u>	<u>23,623,983</u>
Disbursements:							
Current:							
Instruction	8,189,939	-	-	-	-	870,501	9,060,440
Support services	5,966,178	1,454,417	-	1,490,346	420,346	1,516,380	10,847,667
Community services	306,792	-	-	-	-	-	306,792
Nonprogrammed charges	307,803	-	-	-	-	-	307,803
Debt services	<u>94,280</u>	<u>-</u>	<u>1,652,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,746,280</u>
Total disbursements	<u>14,864,992</u>	<u>1,454,417</u>	<u>1,652,000</u>	<u>1,490,346</u>	<u>420,346</u>	<u>2,386,881</u>	<u>22,268,982</u>
Excess (deficiency) of receipts over disbursements	<u>930,306</u>	<u>110,747</u>	<u>(8,383)</u>	<u>494,904</u>	<u>(215,823)</u>	<u>43,250</u>	<u>1,355,001</u>
Other financing sources (uses):							
Transfers in	460	-	-	-	-	81,257	81,717
Transfers out	<u>(42,201)</u>	<u>(10,862)</u>	<u>(11,999)</u>	<u>(12,828)</u>	<u>(1,750)</u>	<u>(2,077)</u>	<u>(81,717)</u>
Total other financing sources (uses)	<u>(41,741)</u>	<u>(10,862)</u>	<u>(11,999)</u>	<u>(12,828)</u>	<u>(1,750)</u>	<u>79,180</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	888,565	99,885	(20,382)	482,076	(217,573)	122,430	1,355,001
Cash and investments - beginning	<u>1,540,377</u>	<u>2,045,030</u>	<u>942,912</u>	<u>3,181,773</u>	<u>174,598</u>	<u>610,811</u>	<u>8,495,501</u>
Cash and investments - ending	<u>\$ 2,428,942</u>	<u>\$ 2,144,915</u>	<u>\$ 922,530</u>	<u>\$ 3,663,849</u>	<u>\$ (42,975)</u>	<u>\$ 733,241</u>	<u>\$ 9,850,502</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 2,428,942	\$ 2,144,915	\$ -	\$ 3,663,849	\$ (42,975)	\$ 733,241	\$ 8,927,972
Restricted assets:							
Cash and investments	<u>-</u>	<u>-</u>	<u>922,530</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>922,530</u>
Total cash and investment assets - ending	<u>\$ 2,428,942</u>	<u>\$ 2,144,915</u>	<u>\$ 922,530</u>	<u>\$ 3,663,849</u>	<u>\$ (42,975)</u>	<u>\$ 733,241</u>	<u>\$ 9,850,502</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ 922,530	\$ -	\$ -	\$ -	\$ 922,530
Unrestricted	<u>2,428,942</u>	<u>2,144,915</u>	<u>-</u>	<u>3,663,849</u>	<u>(42,975)</u>	<u>733,241</u>	<u>8,927,972</u>
Total cash and investment fund balance - ending	<u>\$ 2,428,942</u>	<u>\$ 2,144,915</u>	<u>\$ 922,530</u>	<u>\$ 3,663,849</u>	<u>\$ (42,975)</u>	<u>\$ 733,241</u>	<u>\$ 9,850,502</u>

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

RUSH COUNTY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 3,874,153	\$ 841,813	\$ 880,391	\$ 1,197,170	\$ 76,232	\$ 982,145	\$ 7,851,904
Intermediate sources	-	-	-	-	-	3,206	3,206
State sources	9,656,686	-	-	-	-	167,076	9,823,762
Federal sources	-	-	-	-	-	1,391,053	1,391,053
Sale of property, adjustments and refunds	22,208	34,284	-	12,631	10,782	15,000	94,905
Total receipts	<u>13,553,047</u>	<u>876,097</u>	<u>880,391</u>	<u>1,209,801</u>	<u>87,014</u>	<u>2,558,480</u>	<u>19,164,830</u>
Disbursements:							
Current:							
Instruction	8,114,860	-	-	-	-	957,550	9,072,410
Support services	6,483,634	1,486,294	-	1,104,320	-	1,560,656	10,634,904
Community services	294,463	-	-	-	-	-	294,463
Nonprogrammed charges	254,138	-	-	-	-	-	254,138
Debt services	112,115	-	1,665,762	-	-	-	1,777,877
Total disbursements	<u>15,259,210</u>	<u>1,486,294</u>	<u>1,665,762</u>	<u>1,104,320</u>	<u>-</u>	<u>2,518,206</u>	<u>22,033,792</u>
Excess (deficiency) of receipts over disbursements	<u>(1,706,163)</u>	<u>(610,197)</u>	<u>(785,371)</u>	<u>105,481</u>	<u>87,014</u>	<u>40,274</u>	<u>(2,868,962)</u>
Other financing sources (uses):							
Transfers in	7,319	-	-	-	1,750	6,500	15,569
Transfers out	-	(1,750)	-	-	-	(13,819)	(15,569)
Total other financing sources (uses)	<u>7,319</u>	<u>(1,750)</u>	<u>-</u>	<u>-</u>	<u>1,750</u>	<u>(7,319)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(1,698,844)</u>	<u>(611,947)</u>	<u>(785,371)</u>	<u>105,481</u>	<u>88,764</u>	<u>32,955</u>	<u>(2,868,962)</u>
Cash and investments - beginning	<u>2,428,942</u>	<u>2,144,915</u>	<u>922,530</u>	<u>3,663,849</u>	<u>(42,975)</u>	<u>733,241</u>	<u>9,850,502</u>
Cash and investments - ending	<u>\$ 730,098</u>	<u>\$ 1,532,968</u>	<u>\$ 137,159</u>	<u>\$ 3,769,330</u>	<u>\$ 45,789</u>	<u>\$ 766,196</u>	<u>\$ 6,981,540</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 730,098	\$ 1,532,968	\$ -	\$ 3,769,330	\$ 45,789	\$ 766,196	\$ 6,844,381
Restricted assets:							
Cash and investments	-	-	137,159	-	-	-	137,159
Total cash and investment assets - ending	<u>\$ 730,098</u>	<u>\$ 1,532,968</u>	<u>\$ 137,159</u>	<u>\$ 3,769,330</u>	<u>\$ 45,789</u>	<u>\$ 766,196</u>	<u>\$ 6,981,540</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ 137,159	\$ -	\$ -	\$ -	\$ 137,159
Unrestricted	730,098	1,532,968	-	3,769,330	45,789	766,196	6,844,381
Total cash and investment fund balance - ending	<u>\$ 730,098</u>	<u>\$ 1,532,968</u>	<u>\$ 137,159</u>	<u>\$ 3,769,330</u>	<u>\$ 45,789</u>	<u>\$ 766,196</u>	<u>\$ 6,981,540</u>

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

RUSH COUNTY SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2006

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Additions:		
Contributions:		
Other	\$ 16,457	
Deductions:		
Administrative and general	<u>11,776</u>	
Excess of total additions over total deductions	4,681	
Cash and investment fund balance - beginning	<u>3,881</u>	
Cash and investment fund balance - ending	<u><u>\$ 8,562</u></u>	
Net assets:		
Cash and investments	<u>\$ 8,562</u>	<u>\$ 372,621</u>
Total net assets - cash and investment basis held in trust	<u><u>\$ 8,562</u></u>	<u><u>\$ 372,621</u></u>

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

RUSH COUNTY SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2007

	Private-Purpose Trust Funds	Agency Funds
Additions:		
Contributions:		
Other	\$ 8,863	
Deductions:		
Administrative and general	8,441	
Excess of total additions over total deductions	422	
Cash and investment fund balance - beginning	8,562	
Cash and investment fund balance - ending	\$ 8,984	
Net assets:		
Cash and investments	\$ 8,984	\$ 475,629
Total net assets - cash and investment basis held in trust	\$ 8,984	\$ 475,629

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

RUSH COUNTY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

The accompanying financial statements present the activities of the School Corporation (primary government). There are no significant component units which require inclusion.

Joint Venture

The School Corporation is a participant with Centerville-Abington School Corporation and Fayette County School Corporation in a joint venture to operate CFR Special Services for Exceptional Learners which was created to provide instruction for handicapped students. The School Corporation is obligated by contract to remit a proportionate share of the anticipated administrative and operational costs annually. Complete financial statements for CFR can be obtained from Fayette County School Corporation at 1200 Spartan Drive, Connersville, IN 47331.

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, 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.

RUSH COUNTY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

Agency funds account for assets held by the School Corporation as an agent for various taxing authorities and benefit providers of school corporation employees.

C. Measurement Focus and Basis of Accounting

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

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

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.

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.

RUSH COUNTY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

3. Compensated Absences

a. Sick Leave

Certified personnel do not accrue sick days except for unused compensatory leave added to prior cumulative sick days. School corporation noncertified employees earn sick leave at the rate of 6 to 10 days per school year. Unused sick leave may be accumulated to a maximum of 190 days for certified personnel, and 130 to 165 days for various classifications of noncertified employees. Accumulated sick leave is paid to employees through cash payments upon retirement.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 1 day to 20 days per year based upon the number of years of service. Vacation leave may be accumulated indefinitely. Accumulated vacation leave is paid to employees through cash payments upon retirement.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 2 to 3 days per year depending on employee classification. Unused personal leave may be accumulated to a maximum of 2 to 3 days, with excess of said accumulation transferred to the employee's accumulated sick leave. Accumulated personal leave is paid to employees through cash payments upon retirement.

d. Compensatory Leave

Certified personnel earn compensatory leave at the rate of 13 days for the first year of employment, then 12 days per school year for each year thereafter. Unused compensatory leave is added to prior cumulative sick leave up to a maximum of 190 days.

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.

RUSH COUNTY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

E. Receipts and Disbursements

Program Receipts

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

F. Internal and Interfund 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.

RUSH COUNTY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

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 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 Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following 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.

B. Cash and Investment Balance Deficits

At June 30, 2006 and 2007, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2005-2006	2006-2007
School Bus Replacement	\$ 42,975	\$ -
CFR Part B Grant Employees 05-06	17,778	-
Class Size Reduction	6,285	-
CFR Part B Grant Employees 06-07	-	21,020

RUSH COUNTY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

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, 2006 and 2007, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2005-2006</u>	<u>2006-2007</u>
General Fund	Other governmental funds	\$ 42,201	\$ -
Major Fund	Major Fund	-	1,750
	Other governmental funds	37,439	-
Other governmental funds	General Fund	460	7,319
	Other governmental funds	1,617	6,500
Totals		<u>\$ 81,717</u>	<u>\$ 15,569</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.

RUSH COUNTY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Holding Corporation

The School Corporation has entered into a capital lease with Rush County Students Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the year totaled \$1,225,000.

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment medical insurance 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 20 years of service. Currently, 20 retirees meet these eligibility requirements. The School Corporation provides 100% of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2007, disbursements of \$313,509 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 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

RUSH COUNTY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Information to segregate the assets/liabilities and the actuarial study figures between the School Corporation and the Utilities is not available.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 169,527
Interest on net pension obligation	(17,824)
Adjustment to annual required	20,312
Annual pension cost	172,015
Contributions made	147,417
Increase in net pension obligation	24,598
Net pension obligation, beginning of year	(245,855)
Net pension obligation, end of year	\$ (221,257)
Contribution rates:	
School Corporation	5.75%
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%

RUSH COUNTY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 106,134	143%	\$ (221,638)
	06-30-05	126,061	119%	(245,855)
	06-30-06	172,015	86%	(221,257)

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

Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy 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, 2007, 2006, and 2005, were \$262,812, \$247,001, and \$222,215, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

RUSH COUNTY SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 2,323,107	\$ 2,346,297	\$ (23,190)	99%	\$ 2,458,658	(1%)
07-01-05	2,442,345	2,837,271	(394,926)	86%	2,662,247	(15%)
07-01-06	2,385,385	2,958,959	(573,574)	81%	2,614,170	(22%)

RUSH COUNTY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year ended June 30, 2006

	Special Education Preschool	School Lunch	Textbook Rental	Levy Excess	Education License Plates	Early Intervention Reading Recovery	Gifted and Talented 2005-2006
Receipts:							
Local sources	\$ 16,287	\$ 738,943	\$ 180,188	\$ -	\$ -	\$ -	\$ -
State sources	45,399	-	63,647	-	-	16,000	15,214
Federal sources	-	413,914	-	-	-	-	-
Total receipts	<u>61,686</u>	<u>1,152,857</u>	<u>243,835</u>	<u>-</u>	<u>-</u>	<u>16,000</u>	<u>15,214</u>
Disbursements:							
Current:							
Instruction	38,957	-	-	-	-	-	15,206
Support services	11,027	1,055,960	261,783	-	-	16,000	-
Total disbursements	<u>49,984</u>	<u>1,055,960</u>	<u>261,783</u>	<u>-</u>	<u>-</u>	<u>16,000</u>	<u>15,206</u>
Excess (deficiency) of receipts over disbursements	<u>11,702</u>	<u>96,897</u>	<u>(17,948)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8</u>
Other financing sources (uses):							
Transfers in	-	-	-	79,757	-	-	-
Transfers out	(117)	-	-	-	-	-	-
Total other financing sources (uses)	<u>(117)</u>	<u>-</u>	<u>-</u>	<u>79,757</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	11,585	96,897	(17,948)	79,757	-	-	8
Cash and investments - beginning	<u>144,089</u>	<u>224,910</u>	<u>54,360</u>	<u>-</u>	<u>5,694</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 155,674</u>	<u>\$ 321,807</u>	<u>\$ 36,412</u>	<u>\$ 79,757</u>	<u>\$ 5,694</u>	<u>\$ -</u>	<u>\$ 8</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 155,674</u>	<u>\$ 321,807</u>	<u>\$ 36,412</u>	<u>\$ 79,757</u>	<u>\$ 5,694</u>	<u>\$ -</u>	<u>\$ 8</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 155,674</u>	<u>\$ 321,807</u>	<u>\$ 36,412</u>	<u>\$ 79,757</u>	<u>\$ 5,694</u>	<u>\$ -</u>	<u>\$ 8</u>

RUSH COUNTY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year ended June 30, 2006
 (Continued)

	Gifted and Talented 2004-2005	Tech Prep Careers	Economic Education Grant 2005	Medicaid State	Non-English Program	Safe Schools Program 2000	CPI - Inservice
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	1,000	460	88	5,408	-
Federal sources	-	-	-	-	-	-	-
Total receipts	-	-	1,000	460	88	5,408	-
Disbursements:							
Current:							
Instruction	422	-	947	-	499	7,754	-
Support services	-	-	-	-	-	-	-
Total disbursements	422	-	947	-	499	7,754	-
Excess (deficiency) of receipts over disbursements	(422)	-	53	460	(411)	(2,346)	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	(460)	-	-	-
Total other financing sources (uses)	-	-	-	(460)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(422)	-	53	-	(411)	(2,346)	-
Cash and investments - beginning	422	100	-	-	1,627	5,872	22
Cash and investments - ending	\$ -	\$ 100	\$ 53	\$ -	\$ 1,216	\$ 3,526	\$ 22
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 100	\$ 53	\$ -	\$ 1,216	\$ 3,526	\$ 22
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ -	\$ 100	\$ 53	\$ -	\$ 1,216	\$ 3,526	\$ 22

RUSH COUNTY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year ended June 30, 2006
 (Continued)

	DFS and Community (LLC)	Technology Rebates	Title I 2005-2006	Title I 2004-2005	Title I Program Improvement	Title V Part A Innovative	Title V, Part A Innovative 2005-2006
Receipts:							
Local sources	\$ 32,035	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	19,440	-	-	-	-	-
Federal sources	-	-	374,487	-	-	-	8,957
Total receipts	32,035	19,440	374,487	-	-	-	8,957
Disbursements:							
Current:							
Instruction	51,936	36,135	236,685	57,438	4,314	-	-
Support services	-	-	64,196	16,601	-	3,651	8,532
Total disbursements	51,936	36,135	300,881	74,039	4,314	3,651	8,532
Excess (deficiency) of receipts over disbursements	(19,901)	(16,695)	73,606	(74,039)	(4,314)	(3,651)	425
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	(19,901)	(16,695)	73,606	(74,039)	(4,314)	(3,651)	425
Cash and investments - beginning	54,587	33,589	-	74,039	4,314	3,651	-
Cash and investments - ending	<u>\$ 34,686</u>	<u>\$ 16,894</u>	<u>\$ 73,606</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 425</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 34,686</u>	<u>\$ 16,894</u>	<u>\$ 73,606</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 425</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 34,686</u>	<u>\$ 16,894</u>	<u>\$ 73,606</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 425</u>

RUSH COUNTY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year ended June 30, 2006
 (Continued)

	Title V, Part A Innovative 2004-2005	Preschool Handicap	Title IV, Part A Safe and DFS 2003/2004	Title IV, Part A Safe and DFS 2004/2005	Title IV, Part A Safe and DFS 2005-2006	Medicaid Federal	Class Reduction
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-	-
Federal sources	-	1,954	-	4,500	6,830	775	125,671
Total receipts	-	1,954	-	4,500	6,830	775	125,671
Disbursements:							
Current:							
Instruction	-	1,954	901	6,696	603	13,377	85,607
Support services	8,521	-	-	-	-	-	20,901
Total disbursements	8,521	1,954	901	6,696	603	13,377	106,508
Excess (deficiency) of receipts over disbursements	(8,521)	-	(901)	(2,196)	6,227	(12,602)	19,163
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	1,500
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	1,500
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(8,521)	-	(901)	(2,196)	6,227	(12,602)	20,663
Cash and investments - beginning	9,258	-	901	4,734	-	20,741	(26,948)
Cash and investments - ending	<u>\$ 737</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,538</u>	<u>\$ 6,227</u>	<u>\$ 8,139</u>	<u>\$ (6,285)</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 737</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,538</u>	<u>\$ 6,227</u>	<u>\$ 8,139</u>	<u>\$ (6,285)</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 737</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,538</u>	<u>\$ 6,227</u>	<u>\$ 8,139</u>	<u>\$ (6,285)</u>

RUSH COUNTY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year ended June 30, 2006
 (Continued)

	Title II, Part D Technology 2003-2004	Title II, Part D Technology 2004-2005	Fund 2005-2006	CFR Part B Grant Employees 2004-2005	CFR Part B Grant Employees 2005-2006	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 967,453
State sources	-	-	-	-	-	166,656
Federal sources	-	-	6,484	91,594	260,856	1,296,022
Total receipts	-	-	6,484	91,594	260,856	2,430,131
Disbursements:						
Current:						
Instruction	-	-	-	63,496	247,574	870,501
Support services	4,059	990	296	12,803	31,060	1,516,380
Total disbursements	4,059	990	296	76,299	278,634	2,386,881
Excess (deficiency) of receipts over disbursements	(4,059)	(990)	6,188	15,295	(17,778)	43,250
Other financing sources (uses):						
Transfers in	-	-	-	-	-	81,257
Transfers out	-	-	(1,500)	-	-	(2,077)
Total other financing sources (uses)	-	-	(1,500)	-	-	79,180
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,059)	(990)	4,688	15,295	(17,778)	122,430
Cash and investments - beginning	4,059	6,085	-	(15,295)	-	610,811
Cash and investments - ending	\$ -	\$ 5,095	\$ 4,688	\$ -	\$ (17,778)	\$ 733,241
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 5,095	\$ 4,688	\$ -	\$ (17,778)	\$ 733,241
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ -	\$ 5,095	\$ 4,688	\$ -	\$ (17,778)	\$ 733,241

RUSH COUNTY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	Special Education Preschool	School Lunch	Textbook Rental	Levy Excess	Education License Plates	Early Intervention Reading Recovery	Gifted and Talented 2006-2007
Receipts:							
Local sources	\$ 8,906	\$ 750,882	\$ 195,966	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	3,206	-	-
State sources	48,010	-	39,447	-	-	8,500	15,214
Federal sources	-	346,811	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	56,916	1,097,693	235,413	-	3,206	8,500	15,214
Disbursements:							
Current:							
Instruction	39,571	-	-	-	-	-	15,181
Support services	17,268	1,161,598	208,086	-	-	8,500	-
Total disbursements	56,839	1,161,598	208,086	-	-	8,500	15,181
Excess (deficiency) of receipts over disbursements	77	(63,905)	27,327	-	3,206	-	33
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	77	(63,905)	27,327	-	3,206	-	33
Cash and investments - beginning	155,674	321,807	36,412	79,757	5,694	-	-
Cash and investments - ending	\$ 155,751	\$ 257,902	\$ 63,739	\$ 79,757	\$ 8,900	\$ -	\$ 33
Cash and Investment Assets - Ending							
Cash and investments	\$ 155,751	\$ 257,902	\$ 63,739	\$ 79,757	\$ 8,900	\$ -	\$ 33
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 155,751	\$ 257,902	\$ 63,739	\$ 79,757	\$ 8,900	\$ -	\$ 33

RUSH COUNTY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Gifted and Talented 2005-2006	Tech Prep Careers	Economic Education Grant 2005	Medicaid State	Non-English Program	Safe Schools Program 2000	CPI - Inservice
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	7,319	176	4,447	-
Federal sources	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	-	-	-	7,319	176	4,447	-
Disbursements:							
Current:							
Instruction	8	-	18	-	98	7,725	-
Support services	-	-	-	-	-	-	-
Total disbursements	8	-	18	-	98	7,725	-
Excess (deficiency) of receipts over disbursements	(8)	-	(18)	7,319	78	(3,278)	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	(7,319)	-	-	-
Total other financing sources (uses)	-	-	-	(7,319)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(8)	-	(18)	-	78	(3,278)	-
Cash and investments - beginning	8	100	53	-	1,216	3,526	22
Cash and investments - ending	\$ -	\$ 100	\$ 35	\$ -	\$ 1,294	\$ 248	\$ 22
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 100	\$ 35	\$ -	\$ 1,294	\$ 248	\$ 22
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ -	\$ 100	\$ 35	\$ -	\$ 1,294	\$ 248	\$ 22

RUSH COUNTY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	DFS and Community (LLC)	Technology Rebates	Title I 2005-2006	Title I 2006-2007	Title V, Part A Innovative	Title V, Part A Innovative 2005-2006	Title V, Part A Innovative 2004-2005
Receipts:							
Local sources	\$ 26,391	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	43,963	-	-	-	-	-
Federal sources	-	-	-	329,160	4,539	-	-
Sale of property, adjustments and refunds	15,000	-	-	-	-	-	-
Total receipts	41,391	43,963	-	329,160	4,539	-	-
Disbursements:							
Current:							
Instruction	30,496	37,743	58,510	209,314	-	-	-
Support services	-	-	15,096	82,853	4,157	-	737
Total disbursements	30,496	37,743	73,606	292,167	4,157	-	737
Excess (deficiency) of receipts over disbursements	10,895	6,220	(73,606)	36,993	382	-	(737)
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	10,895	6,220	(73,606)	36,993	382	-	(737)
Cash and investments - beginning	34,686	16,894	73,606	-	-	425	737
Cash and investments - ending	\$ 45,581	\$ 23,114	\$ -	\$ 36,993	\$ 382	\$ 425	\$ -
Cash and Investment Assets - Ending							
Cash and investments	\$ 45,581	\$ 23,114	\$ -	\$ 36,993	\$ 382	\$ 425	\$ -
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 45,581	\$ 23,114	\$ -	\$ 36,993	\$ 382	\$ 425	\$ -

RUSH COUNTY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Preschool Handicap	Title IV, Part A Safe and DFS 2006-2007	Title IV, Part A Safe and DFS 2004-2005	Title IV, Part A Safe and DFS 2005-2006	Medicare Federal	Class Reduction
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	1,179	5,782	-	6,000	12,449	123,415
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	<u>1,179</u>	<u>5,782</u>	<u>-</u>	<u>6,000</u>	<u>12,449</u>	<u>123,415</u>
Disbursements:						
Current:						
Instruction	1,179	-	2,538	7,358	9,658	76,501
Support services	-	-	-	-	-	6,167
Total disbursements	<u>1,179</u>	<u>-</u>	<u>2,538</u>	<u>7,358</u>	<u>9,658</u>	<u>82,668</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>5,782</u>	<u>(2,538)</u>	<u>(1,358)</u>	<u>2,791</u>	<u>40,747</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	6,500
Transfers out	-	(3,000)	-	(3,500)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(3,000)</u>	<u>-</u>	<u>(3,500)</u>	<u>-</u>	<u>6,500</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>2,782</u>	<u>(2,538)</u>	<u>(4,858)</u>	<u>2,791</u>	<u>47,247</u>
Cash and investments - beginning	<u>-</u>	<u>-</u>	<u>2,538</u>	<u>6,227</u>	<u>8,139</u>	<u>(6,285)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 2,782</u>	<u>\$ -</u>	<u>\$ 1,369</u>	<u>\$ 10,930</u>	<u>\$ 40,962</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ -</u>	<u>\$ 2,782</u>	<u>\$ -</u>	<u>\$ 1,369</u>	<u>\$ 10,930</u>	<u>\$ 40,962</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ -</u>	<u>\$ 2,782</u>	<u>\$ -</u>	<u>\$ 1,369</u>	<u>\$ 10,930</u>	<u>\$ 40,962</u>

RUSH COUNTY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Title III, Part D Technology 2006-2007	Title III, Part D Technology 2004-2005	Title III, Part D Technology 2005-2006	CFR Part B Grant Employees 2005-2006	CFR Part B Grant Employees 2006-2007	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 982,145
Intermediate sources	-	-	-	-	-	3,206
State sources	-	-	-	-	-	167,076
Federal sources	200,540	-	-	127,877	233,301	1,391,053
Sale of property, adjustments and refunds	-	-	-	-	-	15,000
Total receipts	200,540	-	-	127,877	233,301	2,558,480
Disbursements:						
Current:						
Instruction	147,111	-	-	90,295	224,246	957,550
Support services	-	5,095	1,220	19,804	30,075	1,560,656
Total disbursements	147,111	5,095	1,220	110,099	254,321	2,518,206
Excess (deficiency) of receipts over disbursements	53,429	(5,095)	(1,220)	17,778	(21,020)	40,274
Other financing sources (uses):						
Transfers in	-	-	-	-	-	6,500
Transfers out	-	-	-	-	-	(13,819)
Total other financing sources (uses)	-	-	-	-	-	(7,319)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	53,429	(5,095)	(1,220)	17,778	(21,020)	32,955
Cash and investments - beginning	-	5,095	4,688	(17,778)	-	733,241
Cash and investments - ending	\$ 53,429	\$ -	\$ 3,468	\$ -	\$ (21,020)	\$ 766,196
Cash and Investment Assets - Ending						
Cash and investments	\$ 53,429	\$ -	\$ 3,468	\$ -	\$ (21,020)	\$ 766,196
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 53,429	\$ -	\$ 3,468	\$ -	\$ (21,020)	\$ 766,196

RUSH COUNTY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2006

	<u>Donations</u>	<u>Wal-Mart Donation</u>	<u>Rush County Community Foundation</u>	<u>Outdoor Nature Lab</u>	<u>Totals</u>
Additions:					
Contributions:					
Other	\$ 12,027	\$ -	\$ 1,000	\$ 3,430	\$ 16,457
Deductions:					
Administrative and general	<u>7,657</u>	<u>-</u>	<u>893</u>	<u>3,226</u>	<u>11,776</u>
Excess of total additions over total deductions	4,370	-	107	204	4,681
Cash and investment fund balance - beginning	<u>1,682</u>	<u>1,000</u>	<u>893</u>	<u>306</u>	<u>3,881</u>
Cash and Investments - June 30	<u>\$ 6,052</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 510</u>	<u>\$ 8,562</u>
Net assets:					
Cash and investments	<u>\$ 6,052</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 510</u>	<u>\$ 8,562</u>
Total net assets - cash and investment basis held in trust	<u>\$ 6,052</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 510</u>	<u>\$ 8,562</u>

RUSH COUNTY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007

	Donations	High Writing RCHS Grant 2006	Wal-Mart Donation	Rush County Community Foundation	Outdoor Nature Lab	Totals
Additions:						
Contributions:						
Other	\$ 7,383	\$ 500	\$ -	\$ -	\$ 980	\$ 8,863
Deductions:						
Administrative and general	7,929	-	-	-	512	8,441
Excess (deficiency) of total additions over total deductions	(546)	500	-	-	468	422
Cash and investment fund balance - beginning	6,052	-	1,000	1,000	510	8,562
Cash and Investments - June 30	<u>\$ 5,506</u>	<u>\$ 500</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 978</u>	<u>\$ 8,984</u>
Net assets:						
Cash and investments	\$ 5,506	\$ 500	\$ 1,000	\$ 1,000	\$ 978	\$ 8,984
Total net assets - cash and investment basis held in trust	<u>\$ 5,506</u>	<u>\$ 500</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 978</u>	<u>\$ 8,984</u>

RUSH COUNTY SCHOOLS
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended 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:	
Buildings	\$ 27,744,361
Improvements other than buildings	361,701
Machinery and equipment	<u>5,716,712</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 33,822,774</u>

RUSH COUNTY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2007

Rush County Schools has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Rush County High School	<u>\$ 6,450,000</u>	<u>\$ 1,651,500</u>

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 RUSH COUNTY SCHOOLS, RUSH COUNTY, INDIANA

Compliance

We have audited the compliance of the Rush County Schools (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2006 and 2007. 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, 2006 and 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as items 2007-1.

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

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)

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.

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.

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan section of the report. 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, the School Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

January 23, 2008

RUSH COUNTY SCHOOLS
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		\$ 45,255	\$ 45,308
National School Lunch Program	10.555		374,632	470,400
Special Milk Program for Children	10.556		<u>1,488</u>	<u>1,494</u>
Total for federal grantor agency			<u>421,375</u>	<u>517,202</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies	84.010	FY 06 FY 07	374,487	-
			<u>-</u>	<u>363,220</u>
Total for program			<u>374,487</u>	<u>363,220</u>
Safe and Drug Free Schools and Communities - State Grants	84.186	04-104 05-164	7,596	2,538
			<u>603</u>	<u>7,358</u>
Total for program			<u>8,199</u>	<u>9,896</u>
Title VI Innovative Education Program Strategies	84.298	04-231 05-211 06-6995	12,172	737
			8,532	-
			<u>-</u>	<u>4,157</u>
Total for program			<u>20,704</u>	<u>4,894</u>
Enhancing Education Through Technology	84.318	03-6995 04-6995 05-6995 S318X040014 S318X050014	1,481	-
			5,364	3,299
			-	3,015
			-	115,490
			<u>-</u>	<u>31,621</u>
Total for program			<u>6,845</u>	<u>153,425</u>
Improving Teacher Quality State Grants	84.367	05-123 06-6995	105,008	-
			<u>-</u>	<u>82,668</u>
Total for program			<u>105,008</u>	<u>82,668</u>
Total for federal grantor agency			<u>515,243</u>	<u>614,103</u>
Total federal awards expended			<u>\$ 936,618</u>	<u>\$ 1,131,305</u>

RUSH COUNTY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Rush County Schools (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 schools 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	2006	2007
National School Lunch Program	10.555	\$ 53,304	\$ 115,391

RUSH COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions 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
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

RUSH COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II – Financial Statement Findings

No matters are reportable.

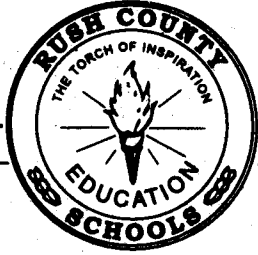
Section III – Federal Award Findings and Questioned Costs

FINDING 2007-1, TITLE I – CASH MANAGEMENT

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

The Rush County School Corporation has not implemented adequate controls to minimize the time elapsing between the transfer of funds and their disbursement. The month end cash balances exceeded 10% of the total budget during the period of July 1, 2006 to September 30, 2007, and were greater than that month's drawdown for 4 of the 15 months in the grant period.

EDGAR 80.20(b)(7) states in part: "Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. . . . Grantees must monitor cash drawdown by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."



RUSH COUNTY SCHOOLS

Dr. John E. Williams, Superintendent

Dennis G. Chambers, Assistant Superintendent

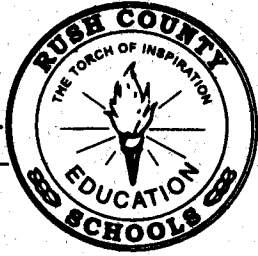
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2005-1

Original SBA Audit Report Number:	B26688
Fiscal Year	2005
Auditee Contact Person	Dr. John E. Williams
Title of Contact Person	Superintendent
Phone Number	765-932-4186

Status of Finding

Rush County Schools' personnel reviewed and re-evaluated the timing of cash requests for Title I funds as these requests relate to spending patterns. We will continue to make these requests on a twelve month basis. Our goal will be to minimize the amount of cash on hand at the end of the month.



RUSH COUNTY SCHOOLS

Dr. John E. Williams, Superintendent

Dennis G. Chambers, Assistant Superintendent

RUSH COUNTY SCHOOLS CORRECTIVE ACTION

Finding No. 2007-1

Fiscal Year	2007
Auditee Contact Person	Dr. John E. Williams
Title of Contact Person	Superintendent
Phone Number	765-932-4186

Status of Finding

Rush County Schools' personnel reviewed and re-evaluated the timing of cash requests for Title I funds as these requests relate to spending patterns. We will continue to make these requests on a twelve month basis. Our goal will be to minimize the amount of cash on hand at the end of the month.

Dr. John E. Williams
Superintendent
Rush County Schools
January 23, 2008

RUSH COUNTY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on January 23, 2008, with Dr. John E. Williams, Superintendent of Schools; Sharon Holloway, Treasurer; and Dennis G. Chambers, Assistant Superintendent of Schools.