

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

AUDIT REPORT

OF

SPENCER-OWEN COMMUNITY SCHOOLS

OWEN COUNTY, INDIANA

July 1, 2006 to June 30, 2008



FILED

05/11/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Evelyn Hamilton	07-01-06 to 06-30-09
Superintendent of Schools	Marsha Turner-Shear	07-01-06 to 06-30-09
President of the School Board	Terry Tackett Tom Abrell	07-01-06 to 06-30-08 07-01-08 to 06-30-09



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 SPENCER-OWEN COMMUNITY SCHOOLS, OWEN COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Spencer-Owen Community Schools (School Corporation), as of and for the years ended June 30, 2007 and 2008, 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, 2007 and 2008, 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 March 12, 2009, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the

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

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

March 12, 2009



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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 SPENCER-OWEN COMMUNITY SCHOOLS, OWEN COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Spencer-Owen Community Schools (School Corporation), as of and for the years ended June 30, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated March 12, 2009. 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 Official Response and Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

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

STATE BOARD OF ACCOUNTS

March 12, 2009

SPENCER-OWEN COMMUNITY 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>	<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	\$ 15,861,492	\$ -	\$ 104,766	\$ (15,756,726)
Support services	10,733,911	578,861	648,912	(9,506,138)
Community services	84,561	-	-	(84,561)
Nonprogrammed charges	724,646	-	-	(724,646)
Debt service	6,079,583	-	-	(6,079,583)
Total government	\$ 33,484,193	\$ 578,861	\$ 753,678	(32,151,654)
General receipts:				
Property taxes				9,634,408
Other local sources				2,557,971
State aid				14,712,478
Bonds and loans				2,151,569
Grants and contributions not restricted to specific programs				1,497,704
Sale of property, adjustments, and refunds				15,433
Investment earnings				213,449
Total general receipts, interfund loans, transfers, and special items				30,783,012
Change in net assets				(1,368,642)
Net assets - beginning				7,746,149
Net assets - ending				\$ 6,377,507
<u>Assets</u>				
Cash and investments				\$ 5,832,397
Restricted assets:				
Cash and investments				545,110
Total assets				\$ 6,377,507
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 545,110
Unrestricted				5,832,397
Total net assets				\$ 6,377,507

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

SPENCER-OWEN COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 15,851,686	\$ -	\$ 142,572	\$ (15,709,114)
Support services	11,474,515	612,938	674,477	(10,187,100)
Community services	132,681	-	-	(132,681)
Nonprogrammed charges	779,600	-	-	(779,600)
Debt service	5,408,945	-	-	(5,408,945)
	<u>\$ 33,647,427</u>	<u>\$ 612,938</u>	<u>\$ 817,049</u>	<u>(32,217,440)</u>
General receipts:				
Property taxes				5,488,131
Other local sources				2,786,515
State aid				14,150,745
Bonds and loans				4,000,000
Grants and contributions not restricted to specific programs				1,685,816
Sale of property, adjustments, and refunds				40,324
Investment earnings				147,279
Total general receipts, interfund loans, transfers, and special items				28,298,810
Change in net assets				(3,918,630)
Net assets - beginning				6,377,507
Net assets - ending				\$ 2,458,877
<u>Assets</u>				
Cash and investments				\$ 2,458,877
Total assets				\$ 2,458,877
<u>Net Assets</u>				
Unrestricted				\$ 2,458,877
Total net assets				\$ 2,458,877

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

SPENCER-OWEN COMMUNITY 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	School Lunch	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 4,890,438	\$ 2,003,801	\$ 534,614	\$ 2,723,499	\$ 2,056,736	\$ 47,795	\$ 570,201	\$ 12,827,084
Intermediate sources	27,475	-	-	-	-	-	130,129	157,604
State sources	14,766,370	-	9,924	-	-	-	372,183	15,148,477
Federal sources	714	-	585,808	-	-	-	1,228,861	1,815,383
Bonds and loans	2,151,570	-	-	-	-	-	-	2,151,570
Sale of property, adjustments and refunds	12,129	-	-	-	-	-	3,304	15,433
Total receipts	21,848,696	2,003,801	1,130,346	2,723,499	2,056,736	47,795	2,304,678	32,115,551
Disbursements:								
Current:								
Instruction	14,574,380	-	-	-	-	-	1,287,111	15,861,491
Support services	4,757,964	2,068,824	1,024,664	-	2,005,194	183,372	693,893	10,733,911
Community services	33,752	-	-	-	-	-	50,809	84,561
Nonprogrammed charges	716,034	-	-	-	-	-	8,612	724,646
Debt services	2,850,000	-	-	2,976,810	-	-	252,774	6,079,584
Total disbursements	22,932,130	2,068,824	1,024,664	2,976,810	2,005,194	183,372	2,293,199	33,484,193
Excess (deficiency) of receipts over disbursements	(1,083,434)	(65,023)	105,682	(253,311)	51,542	(135,577)	11,479	(1,368,642)
Other financing sources (uses):								
Transfers in	1,833,697	900,000	-	-	675,000	-	41,899	3,450,596
Transfers out	(1,616,899)	(650,000)	-	-	(900,000)	-	(283,697)	(3,450,596)
Total other financing sources (uses)	216,798	250,000	-	-	(225,000)	-	(241,798)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(866,636)	184,977	105,682	(253,311)	(173,458)	(135,577)	(230,319)	(1,368,642)
Cash and investments - beginning	3,335,711	810,294	180,230	762,640	1,225,624	174,261	1,257,389	7,746,149
Cash and investments - ending	\$ 2,469,075	\$ 995,271	\$ 285,912	\$ 509,329	\$ 1,052,166	\$ 38,684	\$ 1,027,070	\$ 6,377,507
Cash and Investment Assets - Ending								
Cash and investments	\$ 2,469,075	\$ 995,271	\$ 285,912	\$ -	\$ 1,052,166	\$ 38,684	\$ 991,289	\$ 5,832,397
Restricted assets:								
Cash and investments	-	-	-	509,329	-	-	35,781	545,110
Total cash and investment assets - ending	\$ 2,469,075	\$ 995,271	\$ 285,912	\$ 509,329	\$ 1,052,166	\$ 38,684	\$ 1,027,070	\$ 6,377,507
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ 509,329	\$ -	\$ -	\$ 35,781	\$ 545,110
Unrestricted	2,469,075	995,271	285,912	-	1,052,166	38,684	991,289	5,832,397
Total cash and investment fund balance - ending	\$ 2,469,075	\$ 995,271	\$ 285,912	\$ 509,329	\$ 1,052,166	\$ 38,684	\$ 1,027,070	\$ 6,377,507

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

SPENCER-OWEN COMMUNITY 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, 2008

	General	Transportation Operating	School Lunch	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 3,720,803	\$ 1,260,322	\$ 536,105	\$ 1,587,603	\$ 1,343,934	\$ 33,022	\$ 442,133	\$ 8,923,922
Intermediate sources	13,753	-	-	-	-	-	97,186	110,939
State sources	14,229,476	-	9,255	-	-	-	659,557	14,898,288
Federal sources	-	-	568,502	-	-	-	1,186,822	1,755,324
Bonds and loans	4,000,000	-	-	-	-	-	-	4,000,000
Sale of property, adjustments and refunds	38,392	-	-	-	44	-	1,888	40,324
Total receipts	22,002,424	1,260,322	1,113,862	1,587,603	1,343,978	33,022	2,387,586	29,728,797
Disbursements:								
Current:								
Instruction	14,493,992	-	-	-	-	-	1,357,694	15,851,686
Support services	5,000,536	2,138,700	1,097,333	212	2,398,184	29,527	810,023	11,474,515
Community services	39,871	-	-	-	-	-	92,810	132,681
Nonprogrammed charges	677,492	-	-	-	-	-	102,108	779,600
Debt services	2,150,000	-	-	3,010,028	-	-	248,917	5,408,945
Total disbursements	22,361,891	2,138,700	1,097,333	3,010,240	2,398,184	29,527	2,611,552	33,647,427
Excess (deficiency) of receipts over disbursements	(359,467)	(878,378)	16,529	(1,422,637)	(1,054,206)	3,495	(223,966)	(3,918,630)
Other financing sources (uses):								
Transfers in	1,575,006	900,000	-	913,308	1,025,000	-	64,818	4,478,132
Transfers out	(2,869,014)	(900,000)	-	-	(675,000)	-	(34,118)	(4,478,132)
Total other financing sources (uses)	(1,294,008)	-	-	913,308	350,000	-	30,700	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,653,475)	(878,378)	16,529	(509,329)	(704,206)	3,495	(193,266)	(3,918,630)
Cash and investments - beginning	2,469,075	995,271	285,912	509,329	1,052,166	38,684	1,027,070	6,377,507
Cash and investments - ending	\$ 815,600	\$ 116,893	\$ 302,441	\$ -	\$ 347,960	\$ 42,179	\$ 833,804	\$ 2,458,877
Cash and Investment Assets - Ending								
Cash and investments	\$ 815,600	\$ 116,893	\$ 302,441	\$ -	\$ 347,960	\$ 42,179	\$ 833,804	\$ 2,458,877
Total cash and investment assets - ending	\$ 815,600	\$ 116,893	\$ 302,441	\$ -	\$ 347,960	\$ 42,179	\$ 833,804	\$ 2,458,877
Cash and Investment Fund Balance - Ending								
Unrestricted	\$ 815,600	\$ 116,893	\$ 302,441	\$ -	\$ 347,960	\$ 42,179	\$ 833,804	\$ 2,458,877
Total cash and investment fund balance - ending	\$ 815,600	\$ 116,893	\$ 302,441	\$ -	\$ 347,960	\$ 42,179	\$ 833,804	\$ 2,458,877

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

SPENCER-OWEN COMMUNITY SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2007

	Pension Trust Funds	Agency Funds
Additions:		
Total additions	\$ -	
Deductions:		
Benefits	\$ 24,328	
Excess (deficiency) of total additions over total deductions	(24,328)	
Cash and investment fund balance - beginning	176,500	
Cash and investment fund balance - ending	\$ 152,172	\$ 118,584
Net assets:		
Cash and investments	\$ 152,172	
Total net assets - cash and investment basis held in trust	\$ 152,172	

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

SPENCER-OWEN COMMUNITY SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	Pension Trust Funds	Agency Funds
Additions:		
Total additions	\$ -	
Deductions:		
Benefits	\$ 142,010	
Excess (deficiency) of total additions over total deductions	(142,010)	
Cash and investment fund balance - beginning	152,172	
Cash and investment fund balance - ending	\$ 10,162	\$ 135,241
Net assets:		
Cash and investments	\$ 10,162	
Total net assets - cash and investment basis held in trust	\$ 10,162	

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

SPENCER-OWEN COMMUNITY 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 School Corporation's financial reporting entity is composed of the following:

Primary Government: Spencer-Owen Community Schools

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 Richland-Bean Blossom Community School Corporation in a joint venture to operate the Forest Hills Special Education Cooperative which was created to provide educational services to exceptional children. The School Corporation is obligated by contract to remit funds annually to cover costs based on a ratio of the total average daily membership (ADM) of the cooperative to supplement the Forest Hills Special Education Program. The School Corporation is partially obligated for the debts of the Forest Hills Special Education Program. Complete financial statements for the Forest Hills Special Education Cooperative can be obtained from the joint venture's administrative office in Bloomington, Indiana.

The School Corporation is a participant with North Putnam Community School Corporation, Greencastle Community School Corporation, South Putnam Community School Corporation, and Cloverdale Community School Corporation in a joint venture to operate the Area 30 Career Center, which was created to provide vocational education to students. The School Corporation is obligated by contract to remit funds annually to cover costs based on a per student cost basis for each participating school. The School Corporation is partially obligated for the debts of the Area 30 Career Center. Complete financial statements for the Area 30 Career Center can be obtained from the joint venture's administrative office in Greencastle, Indiana.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

SPENCER-OWEN COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

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

The School Corporation reports the following major governmental funds:

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

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

The school lunch fund is used to account for receipts and disbursements of the food service program.

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:

Pension trust funds account for bonds and payments anticipated to be made to employees on or after the termination of employment or to pay post-retirement or severance benefits held by the School Corporation in a trustee capacity.

Agency funds account for assets held by the School Corporation as an agent for payroll withholdings and serve as control accounts for certain cash transactions during the time they are a liability to the School Corporation.

C. Measurement Focus and Basis of Accounting

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

SPENCER-OWEN COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 enterprise funds.

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

D. Assets and Cash and Investment Balances

1. 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 (Indiana Code 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. Capital Assets

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

SPENCER-OWEN COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary 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.

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

E. Receipts and Disbursements

1. 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.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

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.

SPENCER-OWEN COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

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

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.

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 or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

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.

SPENCER-OWEN COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. 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. At June 30, 2008, the School Corporation had deposit balances in the amount of \$2,604,280.

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

2. Investments

As of June 30, 2008, the School Corporation had no investments.

Statutory Authorization for Investments

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

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

Additionally, the School Corporation may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the School Corporation's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal

SPENCER-OWEN COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2007 and 2008, were as follows:

Transfer From	Transfer To	2007	2008
General Fund	Transportation Operating	\$ 900,000	\$ 900,000
	Capital Projects	675,000	1,025,000
	Debt Service	-	913,308
	Other governmental funds	41,899	30,706
Transportation Fund	General Fund	650,000	900,000
Capital Projects Fund	General Fund	900,000	675,000
Other governmental funds	General Fund	283,697	6
	Other governmental funds	-	34,112
Totals		\$ 3,450,596	\$ 4,478,132

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

C. Restatements and Reclassifications

For the year ended June 30, 2008, certain changes have been made to the financial statements to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning balances by opinion unit.

Opinion Unit	Balance as Reported December 31, 2006	Fund Reclassification	Balance as Restated January 1, 2007
Major Funds	\$ 6,380,936	\$ 107,823	\$ 6,488,759
Other Governmental Units	1,101,061	156,329	1,257,390
Fiduciary Funds	377,658	(264,152)	113,506

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.

SPENCER-OWEN COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 Spencer-Owen Facility Improvement Corporation, and Owen Valley High School Building Corporation (the lessors). The lessors were organized as 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 totaled \$1,059,500.

C. Subsequent Events

On July 24, 2008, the School Board of Trustees approved the purchase of a special needs school bus from Kerlin Bus Sales for \$82,863.00. The bus will be financed over a period of five years by a lease from Chase Bank with semiannual payments of \$9,297.40 at 4.30 percent interest.

D. Pension Plans

1. Agent Multiple-Employer and Single-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 (Indiana Code 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

SPENCER-OWEN COMMUNITY 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.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 146,384
Interest on net pension obligation	(34,228)
Adjustment to annual required contribution	39,005
Annual pension cost	151,161
Contributions made	150,597
Increase in net pension obligation	564
Net pension obligation, beginning of year	(472,106)
Net pension obligation, end of year	\$ (471,542)

	PERF
Contribution rates:	
School Corporation	5.5%
Plan members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

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

SPENCER-OWEN COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-05	\$ 133,367	115%	\$ (468,887)
	06-30-06	141,519	102%	(472,106)
	06-30-07	151,161	100%	(471,542)

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.

SPENCER-OWEN COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2008, 2007, and 2006, were \$408,606, \$369,709, and \$353,631, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

SPENCER-OWEN COMMUNITY 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)	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)
07-01-05	\$ 2,678,524	\$ 2,757,343	\$ (78,819)	97%	\$ 2,515,863	(3%)
07-01-06	2,786,815	2,633,040	153,775	106%	2,542,030	6%
07-01-07	2,996,772	2,823,784	172,988	106%	2,713,145	6%

SPENCER-OWEN COMMUNITY 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	Rainy Day	Textbook Rental	Levy Excess	K-Day Program	Educational License Plates	Alternative Education
Receipts:							
Local sources	\$ 60,284	\$ -	\$ 198,456	\$ -	\$ -	\$ -	\$ 1,141
Intermediate sources	-	-	-	-	78,050	731	-
State sources	168,797	-	51,354	-	-	-	8,056
Federal sources	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	2,843	-	-	-	-
Total receipts	229,081	-	252,653	-	78,050	731	9,197
Disbursements:							
Current:							
Instruction	172,350	-	-	-	9,386	-	10,957
Support services	-	-	257,388	-	-	-	-
Community services	-	-	-	-	41,084	45	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	172,350	-	257,388	-	50,470	45	10,957
Excess (deficiency) of receipts over disbursements	56,731	-	(4,735)	-	27,580	686	(1,760)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	(19,536)	-	-	(264,152)	-	-	-
Total other financing sources (uses)	(19,536)	-	-	(264,152)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	37,195	-	(4,735)	(264,152)	27,580	686	(1,760)
Cash and investments - beginning	139,137	83,591	194,197	264,152	35,104	1,382	8,756
Cash and investments - ending	\$ 176,332	\$ 83,591	\$ 189,462	\$ -	\$ 62,684	\$ 2,068	\$ 6,996
Cash and Investment Assets - Ending							
Cash and investments	\$ 176,332	\$ 83,591	\$ 189,462	\$ -	\$ 62,684	\$ 2,068	\$ 6,996
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 176,332	\$ 83,591	\$ 189,462	\$ -	\$ 62,684	\$ 2,068	\$ 6,996
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	176,332	83,591	189,462	-	62,684	2,068	6,996
Total cash and investment fund balance - ending	\$ 176,332	\$ 83,591	\$ 189,462	\$ -	\$ 62,684	\$ 2,068	\$ 6,996

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

SPENCER-OWEN COMMUNITY 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)

	Early Intervention	State Farm / Boston Scientific	Walmart Foundation	South Central Indiana REMC Membership Grant	Dyar Donation	REMC Grant	OVMS/HS Crash Club
Receipts:							
Local sources	\$ -	\$ -	\$ 3,500	\$ 1,366	\$ -	\$ -	\$ -
Intermediate sources	-	3,000	-	-	-	-	1,000
State sources	1,500	10,746	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	1,500	13,746	3,500	1,366	-	-	1,000
Disbursements:							
Current:							
Instruction	1,500	12,152	3,145	-	-	663	-
Support services	-	63,372	-	686	100	406	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	1,500	75,524	3,145	686	100	1,069	-
Excess (deficiency) of receipts over disbursements	-	(61,778)	355	680	(100)	(1,069)	1,000
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	-	(61,778)	355	680	(100)	(1,069)	1,000
Cash and investments - beginning	-	65,839	1,295	-	100	1,069	97
Cash and investments - ending	\$ -	\$ 4,061	\$ 1,650	\$ 680	\$ -	\$ -	\$ 1,097
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 4,061	\$ 1,650	\$ 680	\$ -	\$ -	\$ 1,097
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 4,061	\$ 1,650	\$ 680	\$ -	\$ -	\$ 1,097
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	4,061	1,650	680	-	-	1,097
Total cash and investment fund balance - ending	\$ -	\$ 4,061	\$ 1,650	\$ 680	\$ -	\$ -	\$ 1,097

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

SPENCER-OWEN COMMUNITY 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)

	Owen County Community Foundation Grant	Cinergy Grant	Owen County Community Foundation Health Services Fund	Owen County Drug Free	Drug Free	Local Coordinating Council Drug Free	After School Programs
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,000
Intermediate sources	3,250	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	3,250	-	-	-	-	-	2,000
Disbursements:							
Current:							
Instruction	2,452	1,381	-	-	-	-	1,016
Support services	1,652	-	-	-	-	-	-
Community services	-	-	-	240	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	4,104	1,381	-	240	-	-	1,016
Excess (deficiency) of receipts over disbursements	(854)	(1,381)	-	(240)	-	-	984
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	(854)	(1,381)	-	(240)	-	-	984
Cash and investments - beginning	2,452	1,396	615	2,260	281	4,225	5,230
Cash and investments - ending	<u>\$ 1,598</u>	<u>\$ 15</u>	<u>\$ 615</u>	<u>\$ 2,020</u>	<u>\$ 281</u>	<u>\$ 4,225</u>	<u>\$ 6,214</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 1,598	\$ 15	\$ 615	\$ 2,020	\$ 281	\$ 4,225	\$ 6,214
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 1,598</u>	<u>\$ 15</u>	<u>\$ 615</u>	<u>\$ 2,020</u>	<u>\$ 281</u>	<u>\$ 4,225</u>	<u>\$ 6,214</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	1,598	15	615	2,020	281	4,225	6,214
Total cash and investment fund balance - ending	<u>\$ 1,598</u>	<u>\$ 15</u>	<u>\$ 615</u>	<u>\$ 2,020</u>	<u>\$ 281</u>	<u>\$ 4,225</u>	<u>\$ 6,214</u>

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

SPENCER-OWEN COMMUNITY 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)

	Phoenix School Grant 2005	Welfare Activities Fund	Phi Delta Kappa/Cape	Reimbursable Grants	Riverside Testing	Community Tech Outreach Grant	Distance Learning
Receipts:							
Local sources	\$ -	\$ -	\$ 25	\$ 12,621	\$ -	\$ -	\$ -
Intermediate sources	-	31,698	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	-	31,698	25	12,621	-	-	-
Disbursements:							
Current:							
Instruction	-	2,051	4,952	900	-	295	-
Support services	3,135	27,808	-	12,172	300	-	2,153
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	3,135	29,859	4,952	13,072	300	295	2,153
Excess (deficiency) of receipts over disbursements	(3,135)	1,839	(4,927)	(451)	(300)	(295)	(2,153)
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	(3,135)	1,839	(4,927)	(451)	(300)	(295)	(2,153)
Cash and investments - beginning	16,642	(2,371)	4,927	(91)	300	295	5,599
Cash and investments - ending	\$ 13,507	\$ (532)	\$ -	\$ (542)	\$ -	\$ -	\$ 3,446
Cash and Investment Assets - Ending							
Cash and investments	\$ 13,507	\$ (532)	\$ -	\$ (542)	\$ -	\$ -	\$ 3,446
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 13,507	\$ (532)	\$ -	\$ (542)	\$ -	\$ -	\$ 3,446
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	13,507	(532)	-	(542)	-	-	3,446
Total cash and investment fund balance - ending	\$ 13,507	\$ (532)	\$ -	\$ (542)	\$ -	\$ -	\$ 3,446

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

SPENCER-OWEN COMMUNITY 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)

	Boston Scientific - Science	Adult Basic Education	Gifted/Talented 2006/07	Gifted/Talented 2005/06	Owen County Drug Free MS/HS	Safe Haven 2008	Day Camp - Purdue University
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,587
Intermediate sources	12,400	-	-	-	-	-	-
State sources	-	32,014	16,057	-	1,118	11,265	12,750
Federal sources	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	461	-	-	-
Total receipts	12,400	32,014	16,057	461	1,118	11,265	14,337
Disbursements:							
Current:							
Instruction	679	24,766	9,925	8,304	520	6,849	2,520
Support services	10,877	1,806	-	-	-	-	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	11,556	26,572	9,925	8,304	520	6,849	2,520
Excess (deficiency) of receipts over disbursements	844	5,442	6,132	(7,843)	598	4,416	11,817
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	844	5,442	6,132	(7,843)	598	4,416	11,817
Cash and investments - beginning	4,803	33,413	-	7,843	-	-	2,624
Cash and investments - ending	<u>\$ 5,647</u>	<u>\$ 38,855</u>	<u>\$ 6,132</u>	<u>\$ -</u>	<u>\$ 598</u>	<u>\$ 4,416</u>	<u>\$ 14,441</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 5,647	\$ 38,855	\$ 6,132	\$ -	\$ 598	\$ 4,416	\$ 14,441
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 5,647	\$ 38,855	\$ 6,132	\$ -	\$ 598	\$ 4,416	\$ 14,441
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	5,647	38,855	6,132	-	598	4,416	14,441
Total cash and investment fund balance - ending	\$ 5,647	\$ 38,855	\$ 6,132	\$ -	\$ 598	\$ 4,416	\$ 14,441

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

SPENCER-OWEN COMMUNITY 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)

	Afternoons R.O.C.K SES 2004/05	Afternoons R.O.C.K.	Afternoons R.O.C.K SES 2005/06	Non-English Speaking	Regional Tech Coordinator	Junior Air Force ROTC-OVHS	Beginning Teacher Internship
Receipts:							
Local sources	\$ 69	\$ -	\$ 1,527	\$ -	\$ -	\$ 1,440	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	15,650	20	-	-	2,784
Federal sources	-	-	-	-	-	6,240	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	69	-	17,177	20	-	7,680	2,784
Disbursements:							
Current:							
Instruction	18,963	3,927	8,094	-	-	7,087	-
Support services	-	-	-	-	190	-	4,800
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	1,686	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	18,963	3,927	8,094	-	1,876	7,087	4,800
Excess (deficiency) of receipts over disbursements	(18,894)	(3,927)	9,083	20	(1,876)	593	(2,016)
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	(18,894)	(3,927)	9,083	20	(1,876)	593	(2,016)
Cash and investments - beginning	20,878	3,927	32,220	340	1,876	10,403	2,016
Cash and investments - ending	<u>\$ 1,984</u>	<u>\$ -</u>	<u>\$ 41,303</u>	<u>\$ 360</u>	<u>\$ -</u>	<u>\$ 10,996</u>	<u>\$ -</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 1,984	\$ -	\$ 41,303	\$ 360	\$ -	\$ 10,996	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 1,984	\$ -	\$ 41,303	\$ 360	\$ -	\$ 10,996	\$ -
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	1,984	-	41,303	360	-	10,996	-
Total cash and investment fund balance - ending	\$ 1,984	\$ -	\$ 41,303	\$ 360	\$ -	\$ 10,996	\$ -

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

SPENCER-OWEN COMMUNITY 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)

	School Improvement 2006/07	Title I 2006/07	Title V Part A 2006/07	Learn & Serve 2006/07 Homeland Security 2006/07	Title IV Part A 2005/06	Title V Part A 2004/05
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	92,241	431,942	5,183	20,000	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	<u>92,241</u>	<u>431,942</u>	<u>5,183</u>	<u>20,000</u>	<u>-</u>	<u>-</u>
Disbursements:						
Current:						
Instruction	66,458	343,595	-	461	422	115
Support services	56,678	49,354	5,183	24,054	6,207	10,917
Community services	654	-	-	8,786	-	-
Nonprogrammed charges	-	-	-	-	-	203
Debt services	-	-	-	-	-	-
Total disbursements	<u>123,790</u>	<u>392,949</u>	<u>5,183</u>	<u>33,301</u>	<u>6,629</u>	<u>11,235</u>
Excess (deficiency) of receipts over disbursements	<u>(31,549)</u>	<u>38,993</u>	<u>-</u>	<u>(13,301)</u>	<u>(6,629)</u>	<u>(11,235)</u>
Other financing sources (uses):						
Transfers in	-	41,899	-	-	-	-
Transfers out	-	-	-	(6)	-	-
Total other financing sources (uses)	<u>-</u>	<u>41,899</u>	<u>-</u>	<u>(6)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(31,549)</u>	<u>80,892</u>	<u>-</u>	<u>(13,307)</u>	<u>(6,629)</u>	<u>(11,235)</u>
Cash and investments - beginning	<u>49,591</u>	<u>-</u>	<u>-</u>	<u>28,689</u>	<u>10,819</u>	<u>11,235</u>
Cash and investments - ending	<u>\$ 18,042</u>	<u>\$ 80,892</u>	<u>\$ -</u>	<u>\$ 15,382</u>	<u>\$ 4,190</u>	<u>\$ -</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 18,042	\$ 80,892	\$ -	\$ 15,382	\$ 4,190	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 18,042</u>	<u>\$ 80,892</u>	<u>\$ -</u>	<u>\$ 15,382</u>	<u>\$ 4,190</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	18,042	80,892	-	15,382	4,190	-
Total cash and investment fund balance - ending	<u>\$ 18,042</u>	<u>\$ 80,892</u>	<u>\$ -</u>	<u>\$ 15,382</u>	<u>\$ 4,190</u>	<u>\$ -</u>

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

SPENCER-OWEN COMMUNITY 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 VI Drug Free 2006/07	Tech Prep Career Majors 2007/08	Tech Prep Career Majors 2005/06	Medicaid Reimbursement Federal	Hurricane Relief Fund 2006	Outreach Jail Grant 2005/06
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	13,465	26,607	-	-	-
Federal sources	12,394	5,500	-	1,112	500	28,000
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	12,394	18,965	26,607	1,112	500	28,000
Disbursements:						
Current:						
Instruction	5	30,566	13,239	-	1,500	22,624
Support services	4,432	-	-	-	-	8,038
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	4,437	30,566	13,239	-	1,500	30,662
Excess (deficiency) of receipts over disbursements	7,957	(11,601)	13,368	1,112	(1,000)	(2,662)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(3)	-	-
Total other financing sources (uses)	-	-	-	(3)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	7,957	(11,601)	13,368	1,109	(1,000)	(2,662)
Cash and investments - beginning	-	1,656	(13,368)	-	1,000	2,662
Cash and investments - ending	7,957	(9,945)	-	1,109	-	-
Cash and Investment Assets - Ending						
Cash and investments	\$ 7,957	\$ (9,945)	\$ -	\$ 1,109	\$ -	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	7,957	(9,945)	-	1,109	-	-
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	7,957	(9,945)	-	1,109	-	-
Total cash and investment fund balance - ending	7,957	(9,945)	-	1,109	-	-

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

SPENCER-OWEN COMMUNITY 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 II 2006/07	Title II Ed Tech 2006/07	Reading First	Retirement Severance Bond Debt	Construction Fund	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ 9	\$ 285,955	\$ 221	\$ 570,201
Intermediate sources	-	-	-	-	-	130,129
State sources	-	-	-	-	-	372,183
Federal sources	155,621	86,194	383,934	-	-	1,228,861
Sale of property, adjustments and refunds	-	-	-	-	-	3,304
Total receipts	155,621	86,194	383,943	285,955	221	2,304,678
Disbursements:						
Current:						
Instruction	86,615	753	405,924	-	-	1,287,111
Support services	220	64,021	24,038	-	53,906	693,893
Community services	-	-	-	-	-	50,809
Nonprogrammed charges	-	-	6,723	-	-	8,612
Debt services	-	-	-	252,774	-	252,774
Total disbursements	86,835	64,774	436,685	252,774	53,906	2,293,199
Excess (deficiency) of receipts over disbursements	68,786	21,420	(52,742)	33,181	(53,685)	11,479
Other financing sources (uses):						
Transfers in	-	-	-	-	-	41,899
Transfers out	-	-	-	-	-	(283,697)
Total other financing sources (uses)	-	-	-	-	-	(241,798)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	68,786	21,420	(52,742)	33,181	(53,685)	(230,319)
Cash and investments - beginning	42,006	24,802	66,469	2,600	72,406	1,257,389
Cash and investments - ending	<u>\$ 110,792</u>	<u>\$ 46,222</u>	<u>\$ 13,727</u>	<u>\$ 35,781</u>	<u>\$ 18,721</u>	<u>\$ 1,027,070</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 110,792	\$ 46,222	\$ 13,727	\$ -	\$ 18,721	\$ 991,289
Restricted assets:						
Cash and investments	-	-	-	35,781	-	35,781
Total cash and investment assets - ending	<u>\$ 110,792</u>	<u>\$ 46,222</u>	<u>\$ 13,727</u>	<u>\$ 35,781</u>	<u>\$ 18,721</u>	<u>\$ 1,027,070</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ 35,781	\$ -	\$ 35,781
Unrestricted	110,792	46,222	13,727	-	18,721	991,289
Total cash and investment fund balance - ending	<u>\$ 110,792</u>	<u>\$ 46,222</u>	<u>\$ 13,727</u>	<u>\$ 35,781</u>	<u>\$ 18,721</u>	<u>\$ 1,027,070</u>

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

SPENCER-OWEN COMMUNITY 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, 2008

	Special Education Preschool	Rainy Day	Textbook Rental	K-Day Program	Educational License Plates	Alternative Education	State Farm/ Boston Scientific
Receipts:							
Local sources	\$ 52,298	\$ -	\$ 194,167	\$ -	\$ -	\$ 1,444	\$ -
Intermediate sources	-	-	-	55,301	450	3,693	10,000
State sources	148,032	-	96,720	-	-	8,642	-
Federal sources	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	952	-	-	-	-
Total receipts	200,330	-	291,839	55,301	450	13,779	10,000
Disbursements:							
Current:							
Instruction	182,359	-	-	6,128	-	14,848	1,399
Support services	158	-	291,374	80	-	-	6,870
Community services	-	-	-	67,369	1,420	-	-
Nonprogrammed charges	101,067	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	283,584	-	291,374	73,577	1,420	14,848	8,269
Excess (deficiency) of receipts over disbursements	(83,254)	-	465	(18,276)	(970)	(1,069)	1,731
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	(83,254)	-	465	(18,276)	(970)	(1,069)	1,731
Cash and investments - beginning	176,332	83,591	189,462	62,684	2,068	6,996	4,061
Cash and investments - ending	\$ 93,078	\$ 83,591	\$ 189,927	\$ 44,408	\$ 1,098	\$ 5,927	\$ 5,792
Cash and Investment Assets - Ending							
Cash and investments	\$ 93,078	\$ 83,591	\$ 189,927	\$ 44,408	\$ 1,098	\$ 5,927	\$ 5,792
Total cash and investment assets - ending	\$ 93,078	\$ 83,591	\$ 189,927	\$ 44,408	\$ 1,098	\$ 5,927	\$ 5,792
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 93,078	\$ 83,591	\$ 189,927	\$ 44,408	\$ 1,098	\$ 5,927	\$ 5,792
Total cash and investment fund balance - ending	\$ 93,078	\$ 83,591	\$ 189,927	\$ 44,408	\$ 1,098	\$ 5,927	\$ 5,792

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

SPENCER-OWEN COMMUNITY 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, 2008
 (Continued)

	Walmart Foundation	South Central Indiana REMC Membership Grant - PES	South Central Indiana REMC Membership Grant - OVMS	OVMS/HS Crash Club	Owen County Community Foundation Grant	Cinergy Grant	Owen County Community Foundation Health Services Fund
Receipts:							
Local sources	\$ -	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	1,400	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	-	1,000	1,400	-	-	-	-
Disbursements:							
Current:							
Instruction	1,177	-	-	1,097	-	15	-
Support services	-	582	-	-	1,407	-	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	1,177	582	-	1,097	1,407	15	-
Excess (deficiency) of receipts over disbursements	(1,177)	418	1,400	(1,097)	(1,407)	(15)	-
Other financing sources (uses):							
Transfers in	-	-	-	1,741	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	1,741	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,177)	418	1,400	644	(1,407)	(15)	-
Cash and investments - beginning	1,650	680	-	1,097	1,598	15	615
Cash and investments - ending	\$ 473	\$ 1,098	\$ 1,400	\$ 1,741	\$ 191	\$ -	\$ 615
Cash and Investment Assets - Ending							
Cash and investments	\$ 473	\$ 1,098	\$ 1,400	\$ 1,741	\$ 191	\$ -	\$ 615
Total cash and investment assets - ending	\$ 473	\$ 1,098	\$ 1,400	\$ 1,741	\$ 191	\$ -	\$ 615
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 473	\$ 1,098	\$ 1,400	\$ 1,741	\$ 191	\$ -	\$ 615
Total cash and investment fund balance - ending	\$ 473	\$ 1,098	\$ 1,400	\$ 1,741	\$ 191	\$ -	\$ 615

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

SPENCER-OWEN COMMUNITY 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, 2008
 (Continued)

	Owen County Drug Free	Owen Valley High School	Drug Free	Local Coordinating Council Drug Free	Goat Farm OVHS	After School Programs	Tivoli Project
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38
Intermediate sources	-	14,390	-	-	5,000	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	-	14,390	-	-	5,000	-	38
Disbursements:							
Current:							
Instruction	-	16,051	-	-	-	918	-
Support services	-	40	-	-	-	-	-
Community services	279	-	281	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	279	16,091	281	-	-	918	-
Excess (deficiency) of receipts over disbursements	(279)	(1,701)	(281)	-	5,000	(918)	38
Other financing sources (uses):							
Transfers in	-	5,000	-	-	-	-	-
Transfers out	(1,741)	-	-	-	(5,000)	-	-
Total other financing sources (uses)	(1,741)	5,000	-	-	(5,000)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,020)	3,299	(281)	-	-	(918)	38
Cash and investments - beginning	2,020	-	281	4,225	-	6,214	-
Cash and investments - ending	\$ -	\$ 3,299	\$ -	\$ 4,225	\$ -	\$ 5,296	\$ 38
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 3,299	\$ -	\$ 4,225	\$ -	\$ 5,296	\$ 38
Total cash and investment assets - ending	\$ -	\$ 3,299	\$ -	\$ 4,225	\$ -	\$ 5,296	\$ 38
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ -	\$ 3,299	\$ -	\$ 4,225	\$ -	\$ 5,296	\$ 38
Total cash and investment fund balance - ending	\$ -	\$ 3,299	\$ -	\$ 4,225	\$ -	\$ 5,296	\$ 38

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

SPENCER-OWEN COMMUNITY 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, 2008
 (Continued)

	Phoenix School Grant 2005	Welfare Activities Fund	Youth Serve America	Reimbursable Grants	Distance Learning	Boston Scientific - Science
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 10,542	\$ -	\$ -
Intermediate sources	-	4,952	2,000	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>4,952</u>	<u>2,000</u>	<u>10,542</u>	<u>-</u>	<u>-</u>
Disbursements:						
Current:						
Instruction	1,702	207	980	391	-	4,123
Support services	-	4,425	-	10,664	2,880	397
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	<u>1,702</u>	<u>4,632</u>	<u>980</u>	<u>11,055</u>	<u>2,880</u>	<u>4,520</u>
Excess (deficiency) of receipts over disbursements	<u>(1,702)</u>	<u>320</u>	<u>1,020</u>	<u>(513)</u>	<u>(2,880)</u>	<u>(4,520)</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(1,702)</u>	<u>320</u>	<u>1,020</u>	<u>(513)</u>	<u>(2,880)</u>	<u>(4,520)</u>
Cash and investments - beginning	<u>13,507</u>	<u>(532)</u>	<u>-</u>	<u>(542)</u>	<u>3,446</u>	<u>5,647</u>
Cash and investments - ending	<u>\$ 11,805</u>	<u>\$ (212)</u>	<u>\$ 1,020</u>	<u>\$ (1,055)</u>	<u>\$ 566</u>	<u>\$ 1,127</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 11,805</u>	<u>\$ (212)</u>	<u>\$ 1,020</u>	<u>\$ (1,055)</u>	<u>\$ 566</u>	<u>\$ 1,127</u>
Total cash and investment assets - ending	<u>\$ 11,805</u>	<u>\$ (212)</u>	<u>\$ 1,020</u>	<u>\$ (1,055)</u>	<u>\$ 566</u>	<u>\$ 1,127</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 11,805</u>	<u>\$ (212)</u>	<u>\$ 1,020</u>	<u>\$ (1,055)</u>	<u>\$ 566</u>	<u>\$ 1,127</u>
Total cash and investment fund balance - ending	<u>\$ 11,805</u>	<u>\$ (212)</u>	<u>\$ 1,020</u>	<u>\$ (1,055)</u>	<u>\$ 566</u>	<u>\$ 1,127</u>

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

SPENCER-OWEN COMMUNITY 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, 2008
 (Continued)

	Adult Basic Education	Gifted/Talented 2007/08	Gifted/Talented 2006/07 2007/08	Education Technology	Owen County Drug Free MS/HS	Afternoons R.O.C.K / Safe Haven 2008
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 91
Intermediate sources	-	-	-	-	-	-
State sources	24,826	-	39,015	248,384	-	31,721
Federal sources	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	24,826	-	39,015	248,384	-	31,812
Disbursements:						
Current:						
Instruction	24,351	182	28,297	-	16	15,464
Support services	1,437	-	-	246,913	-	563
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	25,788	182	28,297	246,913	16	16,027
Excess (deficiency) of receipts over disbursements	(962)	(182)	10,718	1,471	(16)	15,785
Other financing sources (uses):						
Transfers in	-	-	(182)	-	-	240
Transfers out	-	182	-	-	-	-
Total other financing sources (uses)	-	182	(182)	-	-	240
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(962)	-	10,536	1,471	(16)	16,025
Cash and investments - beginning	38,855	-	6,132	-	598	4,416
Cash and investments - ending	\$ 37,893	\$ -	\$ 16,668	\$ 1,471	\$ 582	\$ 20,441
Cash and Investment Assets - Ending						
Cash and investments	\$ 37,893	\$ -	\$ 16,668	\$ 1,471	\$ 582	\$ 20,441
Total cash and investment assets - ending	\$ 37,893	\$ -	\$ 16,668	\$ 1,471	\$ 582	\$ 20,441
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 37,893	\$ -	\$ 16,668	\$ 1,471	\$ 582	\$ 20,441
Total cash and investment fund balance - ending	\$ 37,893	\$ -	\$ 16,668	\$ 1,471	\$ 582	\$ 20,441

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

SPENCER-OWEN COMMUNITY 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, 2008
 (Continued)

	Day Camp - Purdue University	Afternoons R.O.C.K SES 2004/05	Afternoons R.O.C.K MCES 2007/08	Afternoons R.O.C.K SES 2005/06	Non-English Speaking	Junior Air Force ROTC-OVHS
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	3,150	-	5,400	-	-	-
Federal sources	-	-	-	-	-	386
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	3,150	-	5,400	-	-	386
Disbursements:						
Current:						
Instruction	13,951	1,984	5,160	6,832	-	5,102
Support services	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	13,951	1,984	5,160	6,832	-	5,102
Excess (deficiency) of receipts over disbursements	(10,801)	(1,984)	240	(6,832)	-	(4,716)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	(240)	-	-	-
Total other financing sources (uses)	-	-	(240)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(10,801)	(1,984)	-	(6,832)	-	(4,716)
Cash and investments - beginning	14,441	1,984	-	41,303	360	10,996
Cash and investments - ending	<u>\$ 3,640</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,471</u>	<u>\$ 360</u>	<u>\$ 6,280</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 3,640	\$ -	\$ -	\$ 34,471	\$ 360	\$ 6,280
Total cash and investment assets - ending	<u>\$ 3,640</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,471</u>	<u>\$ 360</u>	<u>\$ 6,280</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 3,640	\$ -	\$ -	\$ 34,471	\$ 360	\$ 6,280
Total cash and investment fund balance - ending	<u>\$ 3,640</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,471</u>	<u>\$ 360</u>	<u>\$ 6,280</u>

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

SPENCER-OWEN COMMUNITY 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, 2008
 (Continued)

	School Improvement 2006/07 2007/08	Title I 2006/07	Title I 2007/08	Title V Part A 2007/08	Title V Part A 2007/08	Learn & Serve 2006/07
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	85,434	45,623	449,030	-	5,022	20,351
Sale of property, adjustments and refunds	-	-	936	-	-	-
Total receipts	<u>85,434</u>	<u>45,623</u>	<u>449,966</u>	<u>-</u>	<u>5,022</u>	<u>20,351</u>
Disbursements:						
Current:						
Instruction	16,390	56,263	333,743	-	-	973
Support services	14,239	42,115	83,619	923	4,251	5,016
Community services	903	-	-	-	-	22,558
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	<u>31,532</u>	<u>98,378</u>	<u>417,362</u>	<u>923</u>	<u>4,251</u>	<u>28,547</u>
Excess (deficiency) of receipts over disbursements	<u>53,902</u>	<u>(52,755)</u>	<u>32,604</u>	<u>(923)</u>	<u>771</u>	<u>(8,196)</u>
Other financing sources (uses):						
Transfers in	-	-	28,137	771	-	-
Transfers out	-	(28,137)	-	-	(771)	(6)
Total other financing sources (uses)	<u>-</u>	<u>(28,137)</u>	<u>28,137</u>	<u>771</u>	<u>(771)</u>	<u>(6)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>53,902</u>	<u>(80,892)</u>	<u>60,741</u>	<u>(152)</u>	<u>-</u>	<u>(8,202)</u>
Cash and investments - beginning	<u>18,042</u>	<u>80,892</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,382</u>
Cash and investments - ending	<u>\$ 71,944</u>	<u>\$ -</u>	<u>\$ 60,741</u>	<u>\$ (152)</u>	<u>\$ -</u>	<u>\$ 7,180</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 71,944</u>	<u>\$ -</u>	<u>\$ 60,741</u>	<u>\$ (152)</u>	<u>\$ -</u>	<u>\$ 7,180</u>
Total cash and investment assets - ending	<u>\$ 71,944</u>	<u>\$ -</u>	<u>\$ 60,741</u>	<u>\$ (152)</u>	<u>\$ -</u>	<u>\$ 7,180</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 71,944</u>	<u>\$ -</u>	<u>\$ 60,741</u>	<u>\$ (152)</u>	<u>\$ -</u>	<u>\$ 7,180</u>
Total cash and investment fund balance - ending	<u>\$ 71,944</u>	<u>\$ -</u>	<u>\$ 60,741</u>	<u>\$ (152)</u>	<u>\$ -</u>	<u>\$ 7,180</u>

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

SPENCER-OWEN COMMUNITY 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, 2008
 (Continued)

	Outreach Jail Grant 2007/08 / Adult Basic Education 2006/07	Title IV Part A 2005/06 2007/08	Title IV Part A 2006/07	Tech Prep Career Majors 2007/08	Medicaid Reimbursement Federal	Title II 2006/07 2007/08
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	53,667	-	-
Federal sources	16,800	12,296	-	-	-	157,023
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	16,800	12,296	-	53,667	-	157,023
Disbursements:						
Current:						
Instruction	9,220	149	46	51,090	-	182,176
Support services	4,337	8,695	4,325	3,300	114	6,472
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	76	-	-	-	965
Debt services	-	-	-	-	-	-
Total disbursements	13,557	8,920	4,371	54,390	114	189,613
Excess (deficiency) of receipts over disbursements	3,243	3,376	(4,371)	(723)	(114)	(32,590)
Other financing sources (uses):						
Transfers in	(1,595)	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	(1,595)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,648	3,376	(4,371)	(723)	(114)	(32,590)
Cash and investments - beginning	-	4,190	7,957	(9,945)	1,109	110,792
Cash and investments - ending	\$ 1,648	\$ 7,566	\$ 3,586	\$ (10,668)	\$ 995	\$ 78,202
Cash and Investment Assets - Ending						
Cash and investments	\$ 1,648	\$ 7,566	\$ 3,586	\$ (10,668)	\$ 995	\$ 78,202
Total cash and investment assets - ending	\$ 1,648	\$ 7,566	\$ 3,586	\$ (10,668)	\$ 995	\$ 78,202
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 1,648	\$ 7,566	\$ 3,586	\$ (10,668)	\$ 995	\$ 78,202
Total cash and investment fund balance - ending	\$ 1,648	\$ 7,566	\$ 3,586	\$ (10,668)	\$ 995	\$ 78,202

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

SPENCER-OWEN COMMUNITY 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, 2008
 (Continued)

	Title II Ed Tech 2006/07	Reading First	Outreach Jail Grant 2007/08	Retirement Severance Bond Debt	Construction Fund	Totals
Receipts:						
Local sources	\$ -	\$ 96	\$ -	\$ 182,457	\$ -	\$ 442,133
Intermediate sources	-	-	-	-	-	97,186
State sources	-	-	-	-	-	659,557
Federal sources	-	383,657	11,200	-	-	1,186,822
Sale of property, adjustments and refunds	-	-	-	-	-	1,888
Total receipts	-	383,753	11,200	182,457	-	2,387,586
Disbursements:						
Current:						
Instruction	3,003	361,972	9,935	-	-	1,357,694
Support services	43,219	-	2,860	27	18,721	810,023
Community services	-	-	-	-	-	92,810
Nonprogrammed charges	-	-	-	-	-	102,108
Debt services	-	-	-	248,917	-	248,917
Total disbursements	46,222	361,972	12,795	248,944	18,721	2,611,552
Excess (deficiency) of receipts over disbursements	(46,222)	21,781	(1,595)	(66,487)	(18,721)	(223,966)
Other financing sources (uses):						
Transfers in	-	-	-	30,706	-	64,818
Transfers out	-	-	1,595	-	-	(34,118)
Total other financing sources (uses)	-	-	1,595	30,706	-	30,700
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(46,222)	21,781	-	(35,781)	(18,721)	(193,266)
Cash and investments - beginning	46,222	13,727	-	35,781	18,721	1,027,070
Cash and investments - ending	\$ -	\$ 35,508	\$ -	\$ -	\$ -	\$ 833,804
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 35,508	\$ -	\$ -	\$ -	\$ 833,804
Total cash and investment assets - ending	\$ -	\$ 35,508	\$ -	\$ -	\$ -	\$ 833,804
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ -	\$ 35,508	\$ -	\$ -	\$ -	\$ 833,804
Total cash and investment fund balance - ending	\$ -	\$ 35,508	\$ -	\$ -	\$ -	\$ 833,804

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

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2007

	Payroll Withholdings	Prepaid School Lunch	Totals
Cash and investments fund balance - ending	\$ 112,429	\$ 6,155	\$ 118,584

SPENCER-OWEN COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2008

	Payroll Withholdings	Prepaid School Lunch	Totals
Cash and investments fund balance - ending	\$ 128,367	\$ 6,874	\$ 135,241

SPENCER-OWEN COMMUNITY SCHOOLS
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

June 30, 2008

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	\$ 291,000
Land improvements	820,380
Buildings	56,940,574
Machinery and equipment	1,792,386
Transportation equipment	<u>1,067,456</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 60,911,796</u>

SPENCER-OWEN COMMUNITY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2008

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:		
Various	\$ 14,664,063	\$ 955,063
Notes and loans payable	21,429,352	1,012,773
Bonds payable:		
General obligation bonds:		
Taxable pension bonds	2,465,000	120,000
General obligation bonds of 2008	422,000	58,067
Total governmental activities debt	<u>\$ 38,980,415</u>	<u>\$ 2,145,903</u>

SPENCER-OWEN COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Controls for transactions generating the financial statements are insufficient. Form 9 data entry generating the financial statements did not always accurately reflect the fund transactions. Some fund numbers used by the School Corporation did not agree to the fund numbers prescribed by the State. When these fund transactions were reported on the Form 9, the School Corporation allowed the Komputrol software system to transfer the information to the State prescribed fund. The procedure resulted in a beginning balance transfer between funds being reported on the financial statements when the transfer did not actually take place. Also, some reported funds included transactions for two or more individual corporation funds.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

CHANGE ORDERS

During a review of Public Works contracts, the following item was noted:

Change orders were not approved by the governing board. There were no written change orders for additional roof repairs in the amount of \$26,373. The change order was subsequently approved on February 12, 2009, after the matter was brought to the attention of the officials during the current audit.

The change order becomes an addendum to the contract and must be approved and signed by the board and the contractor. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporation, Chapter 16)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE SPENCER-OWEN COMMUNITY SCHOOLS, OWEN COUNTY, INDIANA

Compliance

We have audited the compliance of the Spencer-Owen Community 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, 2007 and 2008. 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, 2007 and 2008.

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.

The School Corporation's response to the findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

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

STATE BOARD OF ACCOUNTS

March 12, 2009

SPENCER-OWEN COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2007 and 2008

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 06-30-07	Total Federal Awards Expended 06-30-08
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 115,750	\$ 131,384
National School Lunch Program	10.555		<u>470,865</u>	<u>477,272</u>
Total for federal grantor agency			<u>586,615</u>	<u>608,656</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Adult Education-State Grant Program	84.002	FY06	2,662	-
		FY07	28,000	-
		FY08	-	11,200
		08-8134	<u>-</u>	<u>13,556</u>
Total for program			<u>30,662</u>	<u>24,756</u>
Title I Grants to Local Educational Agencies	84.010	FY06	90,091	-
		FY07	426,649	144,557
		FY08	<u>-</u>	<u>430,852</u>
Total for program			<u>516,740</u>	<u>575,409</u>
Safe and Drug-Free Schools and Communities-State Grants	84.186	04-121	11,235	-
		05-098	6,629	4,190
		6195-06	4,436	4,371
		6195-07	<u>-</u>	<u>4,731</u>
Total for program			<u>22,300</u>	<u>13,292</u>
Pass-Through Indiana Department of Workforce Development				
Tech-Prep Education	84.243	TP-4-75	4,656	2,500
		TP-5-75	13,239	-
		TP-6-75	23,129	12,834
		TP-7-75	-	12,955
		SPL BIO-6-75	<u>2,780</u>	<u>26,100</u>
Total for program			<u>43,804</u>	<u>54,389</u>
Pass-Through Indiana Department of Education				
Innovative Education Program Strategies	84.298	06-6195	5,183	-
		07-6195	<u>-</u>	<u>4,853</u>
Total for program			<u>5,183</u>	<u>4,853</u>
Education Technology State Grants	84.318	SY05-06	15,047	-
		SY06-07	9,755	-
		SY07-08	<u>39,972</u>	<u>46,222</u>
Total for program			<u>64,774</u>	<u>46,222</u>
Reading First State Grants	84.357	FY06	134,485	-
		FY07	302,200	87,742
		FY08	<u>-</u>	<u>274,230</u>
Total for program			<u>436,685</u>	<u>361,972</u>
Improving Teacher Quality State Grants	84.367	05-009	42,006	-
		06-6195	44,830	109,992
		07-6195	<u>-</u>	<u>79,620</u>
Total for program			<u>86,836</u>	<u>189,612</u>
Total for federal grantor agency			<u>1,206,984</u>	<u>1,270,505</u>
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>				
Pass-Through Indiana Department of Education				
Learn and Serve America-School and Community Based Program	94.004	FY04	56	-
		FY06	1,616	-
		FY07 LS	9,639	10,361
		FY07 HS	21,995	5,022
		FY08	<u>-</u>	<u>13,170</u>
Total for federal grantor agency			<u>33,306</u>	<u>28,553</u>
Total federal awards expended			<u>\$ 1,826,905</u>	<u>\$ 1,907,714</u>

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

SPENCER-OWEN COMMUNITY 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 Spencer-Owen Community 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 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, 2007 and 2008. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2007	2008
Child Nutrition Cluster	10.555	\$ 59,733	\$ 40,154

SPENCER-OWEN COMMUNITY 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
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:

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

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

SPENCER-OWEN COMMUNITY SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

SPENCER-OWEN COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on March 12, 2009, with Marsha Turner-Shear, Superintendent of Schools; Greg Linton, Assistant Superintendent of Schools; Evelyn Hamilton, Treasurer; Darla Thomas, Deputy Treasurer; and Randy Roberts, Business Manager. The officials concurred with our audit findings.