

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

AUDIT REPORT

OF

JENNINGS COUNTY SCHOOL CORPORATION

JENNINGS COUNTY, INDIANA

July 1, 2006 to June 30, 2008



FILED

06/19/2009

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|-------------------------------|--|
| Treasurer | Amber K. Fields | 07-01-06 to 06-30-09 |
| Superintendent of Schools | Dr. Michael J. Bushong | 07-01-06 to 06-30-09 |
| President of the School Board | Mark V. Davis Steve Elmore | 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 JENNINGS COUNTY SCHOOL
CORPORATION, JENNINGS COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jennings County School Corporation (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 April 28, 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.

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

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

The Schedule of Funding Progress, 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

April 28, 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 JENNINGS COUNTY SCHOOL
CORPORATION, JENNINGS COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jennings County School Corporation (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 April 28, 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

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. We consider the deficiencies described in item 2008-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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.

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)

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. However, of the significant deficiencies described above, we consider item 2008-1 to be a material weakness.

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.

We noted certain matters that we reported to management in a separate letter dated April 28, 2009.

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

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

April 28, 2009

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

| <u>Functions/Programs</u> | <u>Disbursements</u> | Program Receipts | | <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 | \$ 25,988,041 | \$ - | \$ 194,017 | \$ (25,794,024) |
| Support services | 17,195,502 | 1,291,867 | 1,352,949 | (14,550,686) |
| Community services | 443,807 | - | - | (443,807) |
| Nonprogrammed charges | 642,400 | - | - | (642,400) |
| Debt service | <u>3,519,187</u> | <u>-</u> | <u>-</u> | <u>(3,519,187)</u> |
| Total governmental activities | <u>\$ 47,788,937</u> | <u>\$ 1,291,867</u> | <u>\$ 1,546,966</u> | <u>(44,950,104)</u> |
| General receipts: | | | | |
| Property taxes | | | | 6,470,317 |
| Other local sources | | | | 2,604,378 |
| State aid | | | | 25,156,952 |
| Bonds and loans | | | | 2,060,192 |
| Grants and contributions not restricted to specific programs | | | | 2,274,980 |
| Sale of property, adjustments, and refunds | | | | 91,374 |
| Investment earnings | | | | <u>431,603</u> |
| Total general receipts | | | | <u>39,089,796</u> |
| Change in net assets | | | | (5,860,308) |
| Net assets - beginning | | | | <u>9,647,581</u> |
| Net assets - ending | | | | <u>\$ 3,787,273</u> |
| <u>Assets</u> | | | | |
| Cash and investments | | | | \$ 3,731,493 |
| Restricted assets: | | | | |
| Cash and investments | | | | <u>55,780</u> |
| Total assets | | | | <u>\$ 3,787,273</u> |
| <u>Net Assets</u> | | | | |
| Restricted for: | | | | |
| Debt service | | | | \$ 55,780 |
| Unrestricted | | | | <u>3,731,493</u> |
| Total net assets | | | | <u>\$ 3,787,273</u> |

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

JENNINGS COUNTY SCHOOL CORPORATION
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>Net (Disbursement) Receipts and Changes in Net Assets</u> |
|--|----------------------|-------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | <u>Totals</u> |
| Governmental activities: | | | | |
| Instruction | \$ 25,494,471 | \$ - | \$ 504,480 | \$ (24,989,991) |
| Support services | 18,603,387 | 1,183,499 | 1,556,279 | (15,863,609) |
| Community services | 543,024 | - | - | (543,024) |
| Nonprogrammed charges | 326,477 | - | - | (326,477) |
| Debt service | 4,795,818 | - | - | (4,795,818) |
| Total governmental activities | \$ 49,763,177 | \$ 1,183,499 | \$ 2,060,759 | (46,518,919) |
| General receipts: | | | | |
| Property taxes | | | | 14,174,229 |
| Other local sources | | | | 3,608,735 |
| State aid | | | | 24,842,165 |
| Bonds and loans | | | | 1,819,928 |
| Grants and contributions not restricted to specific programs | | | | 2,644,060 |
| Sale of property, adjustments, and refunds | | | | 343,128 |
| Investment earnings | | | | 337,380 |
| Total general receipts | | | | 47,769,625 |
| Change in net assets | | | | 1,250,706 |
| Net assets - beginning | | | | 3,787,273 |
| Net assets - ending | | | | \$ 5,037,979 |
| <u>Assets</u> | | | | |
| Cash and investments | | | | \$ 4,958,864 |
| Restricted assets: | | | | |
| Cash and investments | | | | 79,115 |
| Total assets | | | | \$ 5,037,979 |
| <u>Net Assets</u> | | | | |
| Restricted for: | | | | |
| Debt service | | | | \$ 79,115 |
| Unrestricted | | | | 4,958,864 |
| Total net assets | | | | \$ 5,037,979 |

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

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

| | General | Transportation Operating | School Lunch | Debt Service | Capital Projects | School Bus Replacement | Other | Totals |
|---|---------------------|-----------------------------|-------------------|------------------|---------------------|---------------------------|-------------------|---------------------|
| Receipts: | | | | | | | | |
| Local sources | \$ 4,150,128 | \$ 1,549,737 | \$ 1,035,734 | \$ 1,349,711 | \$ 1,735,034 | \$ 72,552 | \$ 899,225 | \$ 10,792,121 |
| Intermediate sources | 3,194 | - | - | - | - | - | 2,850 | 6,044 |
| State sources | 25,331,675 | - | 29,722 | - | - | - | 472,992 | 25,834,389 |
| Federal sources | - | - | 1,226,308 | - | - | - | 1,918,201 | 3,144,509 |
| Bonds and loans | 1,057,309 | 1,002,883 | - | - | - | - | - | 2,060,192 |
| Sale of property, adjustments and refunds | 2,669 | - | - | - | - | - | 88,705 | 91,374 |
| Interfund loans | 647,000 | - | - | - | 175,000 | 370,000 | 771,000 | 1,963,000 |
| Total receipts | 31,191,975 | 2,552,620 | 2,291,764 | 1,349,711 | 1,910,034 | 442,552 | 4,152,973 | 43,891,629 |
| Disbursements: | | | | | | | | |
| Current: | | | | | | | | |
| Instruction | 24,247,749 | - | - | - | - | - | 1,740,292 | 25,988,041 |
| Support services | 7,144,743 | 3,058,008 | 2,210,518 | - | 3,138,153 | 381,653 | 1,262,427 | 17,195,502 |
| Community services | 318,776 | - | - | - | - | - | 125,031 | 443,807 |
| Nonprogrammed charges | 588,976 | - | 42,924 | - | - | - | 10,500 | 642,400 |
| Debt services | - | 715,925 | - | 2,417,117 | - | - | 386,145 | 3,519,187 |
| Interfund loans | 1,316,000 | - | - | - | - | 55,000 | 592,000 | 1,963,000 |
| Total disbursements | 33,616,244 | 3,773,933 | 2,253,442 | 2,417,117 | 3,138,153 | 436,653 | 4,116,395 | 49,751,937 |
| Excess (deficiency) of receipts over (under) disbursements | (2,424,269) | (1,221,313) | 38,322 | (1,067,406) | (1,228,119) | 5,899 | 36,578 | (5,860,308) |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | - | - | - | - | - | - | 154,563 | 154,563 |
| Transfers out | (29,091) | (12,462) | - | (72,669) | (36,065) | (2,212) | (2,064) | (154,563) |
| Total other financing sources (uses) | (29,091) | (12,462) | - | (72,669) | (36,065) | (2,212) | 152,499 | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (2,453,360) | (1,233,775) | 38,322 | (1,140,075) | (1,264,184) | 3,687 | 189,077 | (5,860,308) |
| Cash and investments - beginning | 4,467,601 | 1,424,192 | 689,307 | 1,191,453 | 1,275,742 | 242 | 599,044 | 9,647,581 |
| Cash and investments - ending | \$ 2,014,241 | \$ 190,417 | \$ 727,629 | \$ 51,378 | \$ 11,558 | \$ 3,929 | \$ 788,121 | \$ 3,787,273 |
| Cash and Investment Assets - Ending | | | | | | | | |
| Cash and investments | \$ 2,014,241 | \$ 190,417 | \$ 727,629 | \$ - | \$ 11,558 | \$ 3,929 | \$ 783,719 | \$ 3,731,493 |
| Restricted assets: | | | | | | | | |
| Cash and investments | - | - | - | 51,378 | - | - | 4,402 | 55,780 |
| Total cash and investment assets - ending | \$ 2,014,241 | \$ 190,417 | \$ 727,629 | \$ 51,378 | \$ 11,558 | \$ 3,929 | \$ 788,121 | \$ 3,787,273 |
| Cash and Investment Fund Balance - Ending | | | | | | | | |
| Restricted for: | | | | | | | | |
| Debt service | \$ - | \$ - | \$ - | \$ 51,378 | \$ - | \$ - | \$ 4,402 | \$ 55,780 |
| Unrestricted | 2,014,241 | 190,417 | 727,629 | - | 11,558 | 3,929 | 783,719 | 3,731,493 |
| Total cash and investment fund balance - ending | \$ 2,014,241 | \$ 190,417 | \$ 727,629 | \$ 51,378 | \$ 11,558 | \$ 3,929 | \$ 788,121 | \$ 3,787,273 |

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

JENNINGS COUNTY SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

| | General | Transportation Operating | School Lunch | Debt Service | Capital Projects | School Bus Replacement | Construction | Other | Totals |
|---|---------------------|-----------------------------|-------------------|------------------|---------------------|---------------------------|-------------------|-------------------|---------------------|
| Receipts: | | | | | | | | | |
| Local sources | \$ 7,284,012 | \$ 3,111,889 | \$ 1,013,344 | \$ 2,446,327 | \$ 3,668,957 | \$ 342,791 | \$ 678,000 | \$ 754,482 | \$ 19,299,802 |
| Intermediate sources | 3,217 | - | - | - | - | - | - | 825 | 4,042 |
| State sources | 25,289,941 | - | 28,720 | - | - | - | - | 440,344 | 25,759,005 |
| Federal sources | 750 | - | 1,327,185 | - | - | - | - | 2,460,043 | 3,787,978 |
| Bonds and loans | 831,006 | 988,922 | - | - | - | - | - | - | 1,819,928 |
| Sale of property, adjustments and refunds | 20,203 | 826 | - | - | 320,597 | - | - | 1,502 | 343,128 |
| Interfund loans | 1,136,500 | - | - | - | 280,000 | 80,000 | - | 462,500 | 1,959,000 |
| Total receipts | 34,565,629 | 4,101,637 | 2,369,249 | 2,446,327 | 4,269,554 | 422,791 | 678,000 | 4,119,696 | 52,972,883 |
| Disbursements: | | | | | | | | | |
| Current: | | | | | | | | | |
| Instruction | 23,572,194 | - | - | - | - | - | - | 1,922,277 | 25,494,471 |
| Support services | 8,371,112 | 2,710,936 | 2,280,573 | - | 4,105,273 | 30,863 | - | 1,104,630 | 18,603,387 |
| Community services | 501,856 | - | - | - | - | - | - | 41,168 | 543,024 |
| Nonprogrammed charges | 303,977 | - | - | - | - | - | - | 22,500 | 326,477 |
| Debt services | 1,057,309 | 1,002,883 | - | 2,352,277 | - | - | - | 383,349 | 4,795,818 |
| Interfund loans | 822,500 | - | - | - | 175,000 | 395,000 | - | 566,500 | 1,959,000 |
| Total disbursements | 34,628,948 | 3,713,819 | 2,280,573 | 2,352,277 | 4,280,273 | 425,863 | - | 4,040,424 | 51,722,177 |
| Excess (deficiency) of receipts over (under) disbursements | (63,319) | 387,818 | 88,676 | 94,050 | (10,719) | (3,072) | 678,000 | 79,272 | 1,250,706 |
| Other financing sources (uses): | | | | | | | | | |
| Transfers in | 94,047 | - | - | - | - | - | - | 348,598 | 442,645 |
| Transfers out | (150,931) | (446) | - | (68,344) | (536) | (51) | - | (222,337) | (442,645) |
| Total other financing sources (uses) | (56,884) | (446) | - | (68,344) | (536) | (51) | - | 126,261 | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (120,203) | 387,372 | 88,676 | 25,706 | (11,255) | (3,123) | 678,000 | 205,533 | 1,250,706 |
| Cash and investments - beginning | 2,014,241 | 190,417 | 727,629 | 51,378 | 11,558 | 3,929 | - | 788,121 | 3,787,273 |
| Cash and investments - ending | \$ 1,894,038 | \$ 577,789 | \$ 816,305 | \$ 77,084 | \$ 303 | \$ 806 | \$ 678,000 | \$ 993,654 | \$ 5,037,979 |
| Cash and Investment Assets - Ending | | | | | | | | | |
| Cash and investments | \$ 1,894,038 | \$ 577,789 | \$ 816,305 | \$ - | \$ 303 | \$ 806 | \$ 678,000 | \$ 991,623 | \$ 4,958,864 |
| Restricted assets: | | | | | | | | | |
| Cash and investments | - | - | - | 77,084 | - | - | - | 2,031 | 79,115 |
| Total cash and investment assets - ending | \$ 1,894,038 | \$ 577,789 | \$ 816,305 | \$ 77,084 | \$ 303 | \$ 806 | \$ 678,000 | \$ 993,654 | \$ 5,037,979 |
| Cash and Investment Fund Balance - Ending | | | | | | | | | |
| Restricted for: | | | | | | | | | |
| Debt service | \$ - | \$ - | \$ - | \$ 77,084 | \$ - | \$ - | \$ - | \$ 2,031 | \$ 79,115 |
| Unrestricted | 1,894,038 | 577,789 | 816,305 | - | 303 | 806 | 678,000 | 991,623 | 4,958,864 |
| Total cash and investment fund balance - ending | \$ 1,894,038 | \$ 577,789 | \$ 816,305 | \$ 77,084 | \$ 303 | \$ 806 | \$ 678,000 | \$ 993,654 | \$ 5,037,979 |

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

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

| | Pension Trust Funds | Private-Purpose Trust Funds | Agency Funds |
|--|------------------------|--------------------------------|-----------------|
| Deductions: | | | |
| Benefits | \$ 5,708 | \$ - | |
| Administrative and general | - | 16,907 | |
| Total deductions | 5,708 | 16,907 | |
| Deficiency of total additions over total deductions | (5,708) | (16,907) | |
| Cash and investment fund balance - beginning | 5,708 | 16,907 | |
| Cash and investment fund balance - ending | \$ - | \$ - | \$ 1,063 |
| Net assets: | | | |
| Cash and investments | \$ - | \$ - | |
| Total net assets - cash and investment basis held in trust | \$ - | \$ - | |

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

JENNINGS COUNTY SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

| | <u>Agency Funds</u> |
|--|-------------------------|
| Cash and investments fund balance - ending | <u>\$ 151,994</u> |

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

JENNINGS COUNTY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

The School Corporation's financial reporting entity is composed of the following:

Primary Government: Jennings County School Corporation

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Joint Venture

The School Corporation is a participant with 12 other school corporations in a joint venture to operate Southeastern Career Center (Career Center) which was created to provide vocational educational services. The School Corporation is obligated by contract to pay an amount based on a formula by the Board of Directors of the joint venture. For the school year ended June 30, 2008, the School Corporation remitted \$341,699 to the Career Center. Complete financial statements for the Career Center can be obtained from the Career Center's administrative office in Versailles, 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. However, at this time, the School Corporation has no business-type activities.

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.

JENNINGS COUNTY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

The School Corporation reports the following major governmental funds:

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

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

The school lunch is used to account for receipts and disbursements for 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.

The construction fund is used to account for disbursements for capital outlay from receipts derived from the sale of general obligation bonds or other outside sources.

Additionally, the School Corporation reports the following fund types:

The pension trust funds account for the activities of future benefits of postretirement/severance since June 30, 2001, which accumulate resources for pension benefit payments.

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

Agency funds account for assets held by the School Corporation as an agent for various federal and state agencies, and private companies and serve as control of 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.

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.

JENNINGS COUNTY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

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

3. Capital Assets

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

4. Long-Term Debt

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

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.

JENNINGS COUNTY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

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

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts and Disbursements

Program Receipts

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

F. Internal and Interfund Balances and Activities

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

Fund Financial Statements

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

Government-Wide Financial Statements

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

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

JENNINGS COUNTY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

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

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.

JENNINGS COUNTY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 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 | 2006 | 2007 |
|--------------------------|--------------------------|-------------------|-------------------|
| General Fund | Other governmental funds | \$ 29,091 | \$ 150,930 |
| Transportation | Other governmental funds | 12,462 | 446 |
| Debt Service | Other governmental funds | 72,669 | 68,344 |
| Capital Projects | Other governmental funds | 36,065 | 536 |
| School Bus Replacement | Other governmental funds | 2,212 | 51 |
| Other governmental funds | General | - | 94,047 |
| Other governmental funds | Other governmental funds | 2,064 | 128,291 |
| Totals | | <u>\$ 154,563</u> | <u>\$ 442,645</u> |

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

JENNINGS COUNTY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

IV. Other Information

A. Risk Management

The School Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

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

B. Holding Corporation

The School Corporation has entered into a capital lease with Jennings County School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the year ended June 30, 2008, totaled \$2,233,036.

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health and dental insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55 with at least 10 years of service. As of June 30, 2008, 13 retirees meet these eligibility requirements. The School Corporation provides up to a maximum of \$4,800 per year per person for these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2008, disbursements of \$52,501 were recognized for postemployment benefits.

D. Subsequent Events – Construction Project

In July 2008, the School Corporation began a construction project which is going to add 15 new classrooms and a gym to the Jennings County High School. The estimated cost of the project is \$7,067,100 which is funded by a \$5,820,000 bond issue by the Jennings County School Building Corporation (Holding Corporation) and approved funds in the School Corporation' Capital Project Fund. The School Corporation entered into a lease rental agreement with the Holding Corporation for the lease of the new facility. The agreement makes provisions for the School Corporation to pay semiannual lease payments ranging from \$263,000 to \$459,500 for the period January 15, 2009 to January 15, 2019.

JENNINGS COUNTY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

JENNINGS COUNTY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

| | PERF |
|--|--------------|
| Annual required contribution | \$ 277,700 |
| Interest on net pension obligation | (25,523) |
| Adjustment to annual required contribution | 29,085 |
| Annual pension cost | 281,262 |
| Contributions made | 269,547 |
| Increase in net pension obligation | 11,715 |
| Net pension obligation, beginning of year | (352,038) |
| Net pension obligation, end of year | \$ (340,323) |

| | PERF |
|---------------------------------|---|
| Contribution rates: | |
| School Corporation | 5.75% |
| 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% |

JENNINGS COUNTY SCHOOL CORPORATION
 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 | \$ 182,620 | 124% | \$ (325,243) |
| | 06-30-06 | 212,950 | 113% | (352,038) |
| | 06-30-07 | 281,262 | 96% | (340,323) |

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.

JENNINGS COUNTY SCHOOL CORPORATION
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 \$658,145, \$590,775, and \$532,033, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

JENNINGS COUNTY SCHOOL CORPORATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (a-b) | Funded Ratio (a/b) | Covered Payroll (c) | Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c) |
|--------------------------------|--|---|--------------------------|--------------------------|---------------------------|--|
| 07-01-05 | \$ 3,966,043 | \$ 4,142,193 | \$ (176,150) | 96% | \$ 3,765,008 | (5%) |
| 07-01-06 | 4,018,459 | 4,399,151 | (380,692) | 91% | 3,975,920 | (10%) |
| 07-01-07 | 4,429,706 | 4,807,671 | (377,965) | 92% | 4,455,222 | (8%) |

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

| | Special Education Preschool | Rainy Day | Textbook Rental | Levy Excess | Child Care Program | Educational License Plate Fees | Alternative Education |
|--|-----------------------------------|-------------------|--------------------|------------------|--------------------------|--------------------------------------|--------------------------|
| Receipts: | | | | | | | |
| Local sources | \$ 12,262 | \$ - | \$ 195,300 | \$ - | \$ 99,456 | \$ - | \$ - |
| Intermediate sources | - | - | - | - | - | 2,850 | - |
| State sources | 144,837 | - | 96,919 | - | - | - | 3,007 |
| Federal sources | - | - | - | - | - | - | - |
| Sale of property, adjustments and refunds | - | - | - | - | - | - | - |
| Interfund loans | - | - | 455,000 | - | - | - | - |
| Total receipts | 157,099 | - | 747,219 | - | 99,456 | 2,850 | 3,007 |
| Disbursements: | | | | | | | |
| Current: | | | | | | | |
| Instruction | 62,509 | - | - | - | - | - | - |
| Support services | - | - | 382,216 | - | - | - | - |
| Community services | - | - | - | - | 102,667 | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - |
| Interfund loans | - | - | 430,000 | - | - | - | - |
| Total disbursements | 62,509 | - | 812,216 | - | 102,667 | - | - |
| Excess (deficiency) of receipts over (under) disbursements | 94,590 | - | (64,997) | - | (3,211) | 2,850 | 3,007 |
| Other financing sources (uses): | | | | | | | |
| Transfers in | - | - | 61,031 | 93,532 | - | - | - |
| Transfers out | (286) | - | - | - | - | - | - |
| Total other financing sources (uses) | (286) | - | 61,031 | 93,532 | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 94,304 | - | (3,966) | 93,532 | (3,211) | 2,850 | 3,007 |
| Cash and investments - beginning | 44,154 | 250,000 | 8,452 | - | 61,659 | 13,706 | - |
| Cash and investments - ending | \$ 138,458 | \$ 250,000 | \$ 4,486 | \$ 93,532 | \$ 58,448 | \$ 16,556 | \$ 3,007 |
| Cash and Investment Assets - Ending | | | | | | | |
| Cash and investments | \$ 138,458 | \$ 250,000 | \$ 4,486 | \$ 93,532 | \$ 58,448 | \$ 16,556 | \$ 3,007 |
| Restricted assets: | | | | | | | |
| Cash and investments | - | - | - | - | - | - | - |
| Total cash and investment assets - ending | \$ 138,458 | \$ 250,000 | \$ 4,486 | \$ 93,532 | \$ 58,448 | \$ 16,556 | \$ 3,007 |
| Cash and Investment Fund Balance - Ending | | | | | | | |
| Restricted for: | | | | | | | |
| Debt service | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unrestricted | 138,458 | 250,000 | 4,486 | 93,532 | 58,448 | 16,556 | 3,007 |
| Total cash and investment fund balance - ending | \$ 138,458 | \$ 250,000 | \$ 4,486 | \$ 93,532 | \$ 58,448 | \$ 16,556 | \$ 3,007 |

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

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

| | Safe School Haven | Donation | Gifted & Talented 2006-07 | Gifted & Talented 2005-06 | Tech Prep Staff Development | Common School Loan Technology | Drug Free Communities |
|---|-------------------------|-----------------|---------------------------------|---------------------------------|-----------------------------------|-------------------------------------|--------------------------|
| Receipts: | | | | | | | |
| Local sources | \$ - | \$ - | \$ - | \$ - | \$ 100 | \$ 385,347 | \$ - |
| Intermediate sources | - | - | - | - | - | - | - |
| State sources | 10,000 | - | 20,254 | - | 29,999 | - | 3,152 |
| Federal sources | - | - | - | - | - | - | - |
| Sale of property, adjustments and refunds | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | 31,000 | - |
| Total receipts | 10,000 | - | 20,254 | - | 30,099 | 416,347 | 3,152 |
| Disbursements: | | | | | | | |
| Current: | | | | | | | |
| Instruction | 10,000 | - | 20,254 | 6 | 24,124 | - | - |
| Support services | - | - | - | - | - | 363,098 | - |
| Community services | - | - | - | - | - | - | 2,915 |
| Nonprogrammed charges | - | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | 6,000 | 56,000 | - |
| Total disbursements | 10,000 | - | 20,254 | 6 | 30,124 | 419,098 | 2,915 |
| Excess (deficiency) of receipts over (under) disbursements | - | - | - | (6) | (25) | (2,751) | 237 |
| 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 | - | - | - | (6) | (25) | (2,751) | 237 |
| Cash and investments - beginning | - | 9,226 | - | 6 | 525 | 3,151 | - |
| Cash and investments - ending | \$ - | \$ 9,226 | \$ - | \$ - | \$ 500 | \$ 400 | \$ 237 |
| Cash and Investment Assets - Ending | | | | | | | |
| Cash and investments | \$ - | \$ 9,226 | \$ - | \$ - | \$ 500 | \$ 400 | \$ 237 |
| Restricted assets: | | | | | | | |
| Cash and investments | - | - | - | - | - | - | - |
| Total cash and investment assets - ending | \$ - | \$ 9,226 | \$ - | \$ - | \$ 500 | \$ 400 | \$ 237 |
| Cash and Investment Fund Balance - Ending | | | | | | | |
| Restricted for: | | | | | | | |
| Debt service | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unrestricted | - | 9,226 | - | - | 500 | 400 | 237 |
| Total cash and investment fund balance - ending | \$ - | \$ 9,226 | \$ - | \$ - | \$ 500 | \$ 400 | \$ 237 |

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

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

| | Medicaid Reimbursement - State | Non English Speaking Grant | Technology Plan Grant | School Incentive Award | Title I 2006-07 | ESEA Title V, Part A 2006-07 | ESEA Title V, Part A 2005-06 |
|---|--------------------------------------|----------------------------------|-----------------------------|------------------------------|--------------------|------------------------------------|------------------------------------|
| Receipts: | | | | | | | |
| Local sources | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intermediate sources | - | - | - | - | - | - | - |
| State sources | - | - | 164,824 | - | - | - | - |
| Federal sources | - | - | - | - | 713,222 | 19,136 | - |
| Sale of property, adjustments and refunds | - | - | - | - | 88,705 | - | - |
| Interfund loans | - | - | - | - | - | - | - |
| Total receipts | - | - | 164,824 | - | 801,927 | 19,136 | - |
| Disbursements: | | | | | | | |
| Current: | | | | | | | |
| Instruction | - | 323 | - | - | 741,786 | - | - |
| Support services | - | - | 151,052 | - | 41,138 | 7,256 | 6,860 |
| Community services | - | - | - | - | 8,993 | 829 | 2,373 |
| Nonprogrammed charges | - | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | - | - |
| Total disbursements | - | 323 | 151,052 | - | 791,917 | 8,085 | 9,233 |
| Excess (deficiency) of receipts over (under) disbursements | - | (323) | 13,772 | - | 10,010 | 11,051 | (9,233) |
| 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 | - | (323) | 13,772 | - | 10,010 | 11,051 | (9,233) |
| Cash and investments - beginning | 27,725 | 482 | - | 230 | - | 7,760 | 9,233 |
| Cash and investments - ending | \$ 27,725 | \$ 159 | \$ 13,772 | \$ 230 | \$ 10,010 | \$ 18,811 | \$ - |
| Cash and Investment Assets - Ending | | | | | | | |
| Cash and investments | \$ 27,725 | \$ 159 | \$ 13,772 | \$ 230 | \$ 10,010 | \$ 18,811 | \$ - |
| Restricted assets: | | | | | | | |
| Cash and investments | - | - | - | - | - | - | - |
| Total cash and investment assets - ending | \$ 27,725 | \$ 159 | \$ 13,772 | \$ 230 | \$ 10,010 | \$ 18,811 | \$ - |
| Cash and Investment Fund Balance - Ending | | | | | | | |
| Restricted for: | | | | | | | |
| Debt service | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unrestricted | 27,725 | 159 | 13,772 | 230 | 10,010 | 18,811 | - |
| Total cash and investment fund balance - ending | \$ 27,725 | \$ 159 | \$ 13,772 | \$ 230 | \$ 10,010 | \$ 18,811 | \$ - |

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

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

| | PL 108-446 FY 2006 | IDEA FY 2006 Carry-Over | Special Education Preschool Federal | Drug Free Schools 2006-07 | Drug Free Schools 2005-06 | Medicaid Reimbursement Federal | Outbound Grant |
|---|-----------------------|-------------------------------|--|---------------------------------|---------------------------------|--------------------------------------|-------------------|
| Receipts: | | | | | | | |
| Local sources | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intermediate sources | - | - | - | - | - | - | - |
| State sources | - | - | - | - | - | - | - |
| Federal sources | 211,950 | 685,800 | 29,407 | 14,964 | 16,569 | - | 21,750 |
| Sale of property, adjustments and refunds | - | - | - | - | - | - | - |
| Interfund loans | 13,500 | 86,000 | 400 | - | - | - | 100 |
| Total receipts | 225,450 | 771,800 | 29,807 | 14,964 | 16,569 | - | 21,850 |
| Disbursements: | | | | | | | |
| Current: | | | | | | | |
| Instruction | 210,373 | 391,514 | 21,713 | - | 13,761 | 14,071 | 21,386 |
| Support services | - | 258,809 | - | 13,566 | - | 20,315 | - |
| Community services | - | - | - | 961 | 943 | - | - |
| Nonprogrammed charges | - | 10,500 | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - |
| Interfund loans | 13,500 | 86,000 | 400 | - | - | - | 100 |
| Total disbursements | 223,873 | 746,823 | 22,113 | 14,527 | 14,704 | 34,386 | 21,486 |
| Excess (deficiency) of receipts over (under) disbursements | 1,577 | 24,977 | 7,694 | 437 | 1,865 | (34,386) | 364 |
| 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 | 1,577 | 24,977 | 7,694 | 437 | 1,865 | (34,386) | 364 |
| Cash and investments - beginning | - | - | - | 14,527 | 8,202 | 46,015 | - |
| Cash and investments - ending | \$ 1,577 | \$ 24,977 | \$ 7,694 | \$ 14,964 | \$ 10,067 | \$ 11,629 | \$ 364 |
| Cash and Investment Assets - Ending | | | | | | | |
| Cash and investments | \$ 1,577 | \$ 24,977 | \$ 7,694 | \$ 14,964 | \$ 10,067 | \$ 11,629 | \$ 364 |
| Restricted assets: | | | | | | | |
| Cash and investments | - | - | - | - | - | - | - |
| Total cash and investment assets - ending | \$ 1,577 | \$ 24,977 | \$ 7,694 | \$ 14,964 | \$ 10,067 | \$ 11,629 | \$ 364 |
| Cash and Investment Fund Balance - Ending | | | | | | | |
| Restricted for: | | | | | | | |
| Debt service | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unrestricted | 1,577 | 24,977 | 7,694 | 14,964 | 10,067 | 11,629 | 364 |
| Total cash and investment fund balance - ending | \$ 1,577 | \$ 24,977 | \$ 7,694 | \$ 14,964 | \$ 10,067 | \$ 11,629 | \$ 364 |

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

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

| | Team Nutrition Grant | Title II Part A | Title II Part D | US Fish & Wildlife Grant | Retirement/ Severance Bond | Totals |
|---|----------------------------|--------------------|--------------------|--------------------------------|-------------------------------|-------------------|
| Receipts: | | | | | | |
| Local sources | \$ - | \$ - | \$ - | \$ - | \$ 206,760 | \$ 899,225 |
| Intermediate sources | - | - | - | - | - | 2,850 |
| State sources | - | - | - | - | - | 472,992 |
| Federal sources | 450 | 187,210 | 12,743 | 5,000 | - | 1,918,201 |
| Sale of property, adjustments and refunds | - | - | - | - | - | 88,705 |
| Interfund loans | - | - | - | - | 185,000 | 771,000 |
| Total receipts | 450 | 187,210 | 12,743 | 5,000 | 391,760 | 4,152,973 |
| Disbursements: | | | | | | |
| Current: | | | | | | |
| Instruction | - | 203,472 | - | 5,000 | - | 1,740,292 |
| Support services | 403 | - | 17,714 | - | - | 1,262,427 |
| Community services | - | 4,853 | 497 | - | - | 125,031 |
| Nonprogrammed charges | - | - | - | - | - | 10,500 |
| Debt services | - | - | - | - | 386,145 | 386,145 |
| Interfund loans | - | - | - | - | - | 592,000 |
| Total disbursements | 403 | 208,325 | 18,211 | 5,000 | 386,145 | 4,116,395 |
| Excess (deficiency) of receipts over (under) disbursements | 47 | (21,115) | (5,468) | - | 5,615 | 36,578 |
| Other financing sources (uses): | | | | | | |
| Transfers in | - | - | - | - | - | 154,563 |
| Transfers out | - | - | - | - | (1,778) | (2,064) |
| Total other financing sources (uses) | - | - | - | - | (1,778) | 152,499 |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 47 | (21,115) | (5,468) | - | 3,837 | 189,077 |
| Cash and investments - beginning | - | 78,961 | 14,465 | - | 565 | 599,044 |
| Cash and investments - ending | <u>\$ 47</u> | <u>\$ 57,846</u> | <u>\$ 8,997</u> | <u>\$ -</u> | <u>\$ 4,402</u> | <u>\$ 788,121</u> |
| Cash and Investment Assets - Ending | | | | | | |
| Cash and investments | \$ 47 | \$ 57,846 | \$ 8,997 | \$ - | \$ - | \$ 783,719 |
| Restricted assets: | | | | | | |
| Cash and investments | - | - | - | - | 4,402 | 4,402 |
| Total cash and investment assets - ending | <u>\$ 47</u> | <u>\$ 57,846</u> | <u>\$ 8,997</u> | <u>\$ -</u> | <u>\$ 4,402</u> | <u>\$ 788,121</u> |
| Cash and Investment Fund Balance - Ending | | | | | | |
| Restricted for: | | | | | | |
| Debt service | \$ - | \$ - | \$ - | \$ - | \$ 4,402 | \$ 4,402 |
| Unrestricted | 47 | 57,846 | 8,997 | - | - | 783,719 |
| Total cash and investment fund balance - ending | <u>\$ 47</u> | <u>\$ 57,846</u> | <u>\$ 8,997</u> | <u>\$ -</u> | <u>\$ 4,402</u> | <u>\$ 788,121</u> |

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

JENNINGS COUNTY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008

| | Special Education Preschool | Rainy Day | Textbook Rental | Levy Excess | Child Care Program | Educational License Plate Fees | Alternative Education |
|--|-----------------------------------|-------------------|--------------------|-----------------|--------------------------|--------------------------------------|--------------------------|
| Receipts: | | | | | | | |
| Local sources | \$ 21,006 | \$ - | \$ 205,595 | \$ - | \$ 28,157 | \$ - | \$ - |
| Intermediate sources | - | - | - | - | - | 825 | - |
| State sources | 149,478 | - | 200,374 | - | - | - | 17,401 |
| Federal sources | - | - | - | - | - | - | - |
| Sale of property, adjustments and refunds | - | - | 1,502 | - | - | - | - |
| Interfund loans | - | - | 225,000 | - | - | - | - |
| Total receipts | 170,484 | - | 632,471 | - | 28,157 | 825 | 17,401 |
| Disbursements: | | | | | | | |
| Current: | | | | | | | |
| Instruction | 94,179 | - | - | - | - | - | 3,007 |
| Support services | - | - | 463,281 | - | - | - | - |
| Community services | - | - | - | - | 11,337 | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - |
| Interfund loans | - | - | 350,000 | - | - | - | - |
| Total disbursements | 94,179 | - | 813,281 | - | 11,337 | - | 3,007 |
| Excess (deficiency) of receipts over disbursements | 76,305 | - | (180,810) | - | 16,820 | 825 | 14,394 |
| Other financing sources (uses): | | | | | | | |
| Transfers in | - | 100,000 | 217,982 | 2,387 | - | - | - |
| Transfers out | (100,875) | - | - | (93,532) | - | - | - |
| Total other financing sources (uses) | (100,875) | 100,000 | 217,982 | (91,145) | - | - | - |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | (24,570) | 100,000 | 37,172 | (91,145) | 16,820 | 825 | 14,394 |
| Cash and investments - beginning | 138,458 | 250,000 | 4,486 | 93,532 | 58,447 | 16,556 | 3,007 |
| Cash and investments - ending | \$ 113,888 | \$ 350,000 | \$ 41,658 | \$ 2,387 | \$ 75,267 | \$ 17,381 | \$ 17,401 |
| Cash and Investment Assets - Ending | | | | | | | |
| Cash and investments | \$ 113,888 | \$ 350,000 | \$ 41,658 | \$ 2,387 | \$ 75,267 | \$ 17,381 | \$ 17,401 |
| Restricted assets: | | | | | | | |
| Cash and investments | - | - | - | - | - | - | - |
| Total cash and investment assets - ending | \$ 113,888 | \$ 350,000 | \$ 41,658 | \$ 2,387 | \$ 75,267 | \$ 17,381 | \$ 17,401 |
| Cash and Investment Fund Balance - Ending | | | | | | | |
| Restricted for: | | | | | | | |
| Debt service | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unrestricted | 113,888 | 350,000 | 41,658 | 2,387 | 75,267 | 17,381 | 17,401 |
| Total cash and investment fund balance - ending | \$ 113,888 | \$ 350,000 | \$ 41,658 | \$ 2,387 | \$ 75,267 | \$ 17,381 | \$ 17,401 |

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

JENNINGS COUNTY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

| | Safe School Haven | Donation Fund 2100 | Donation Fund 2000 | High Ability Grant 2007-08 | Tech Prep Staff Development | Common School Loan Technology | Drug Free Communities |
|--|-------------------------|-----------------------|-----------------------|----------------------------------|-----------------------------------|-------------------------------------|--------------------------|
| Receipts: | | | | | | | |
| Local sources | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 92,687 | \$ - |
| Intermediate sources | - | - | - | - | - | - | - |
| State sources | 9,338 | - | - | 48,755 | - | - | 5,050 |
| Federal sources | - | - | - | - | - | - | - |
| Sale of property, adjustments and refunds | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | 20,000 | - |
| Total receipts | 9,338 | - | - | 48,755 | - | 112,687 | 5,050 |
| Disbursements: | | | | | | | |
| Current: | | | | | | | |
| Instruction | - | - | - | 48,755 | - | - | - |
| Support services | 9,338 | - | - | - | - | 111,828 | - |
| Community services | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | - | - |
| Total disbursements | 9,338 | - | - | 48,755 | - | 111,828 | - |
| Excess (deficiency) of receipts over disbursements | - | - | - | - | - | 859 | 5,050 |
| Other financing sources (uses): | | | | | | | |
| Transfers in | - | 9,226 | - | - | - | - | - |
| Transfers out | - | - | (9,226) | - | - | - | (237) |
| Total other financing sources (uses) | - | 9,226 | (9,226) | - | - | - | (237) |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | - | 9,226 | (9,226) | - | - | 859 | 4,813 |
| Cash and investments - beginning | - | - | 9,226 | - | 500 | 400 | 237 |
| Cash and investments - ending | \$ - | \$ 9,226 | \$ - | \$ - | \$ 500 | \$ 1,259 | \$ 5,050 |
| Cash and Investment Assets - Ending | | | | | | | |
| Cash and investments | \$ - | \$ 9,226 | \$ - | \$ - | \$ 500 | \$ 1,259 | \$ 5,050 |
| Restricted assets: | | | | | | | |
| Cash and investments | - | - | - | - | - | - | - |
| Total cash and investment assets - ending | \$ - | \$ 9,226 | \$ - | \$ - | \$ 500 | \$ 1,259 | \$ 5,050 |
| Cash and Investment Fund Balance - Ending | | | | | | | |
| Restricted for: | | | | | | | |
| Debt service | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unrestricted | - | 9,226 | - | - | 500 | 1,259 | 5,050 |
| Total cash and investment fund balance - ending | \$ - | \$ 9,226 | \$ - | \$ - | \$ 500 | \$ 1,259 | \$ 5,050 |

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

JENNINGS COUNTY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

| | Medicaid Reimbursement - State | Non English Speaking Grant | Technology Plan Grant | School Incentive Award | Biomedical Sciences Grant | Laura Bush America's Libraries | Title I 2007-2008 |
|---|--------------------------------------|----------------------------------|-----------------------------|------------------------------|---------------------------------|--------------------------------------|----------------------|
| Receipts: | | | | | | | |
| Local sources | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 6,000 | \$ - |
| Intermediate sources | - | - | - | - | - | - | - |
| State sources | - | 7,948 | - | - | 2,000 | - | - |
| Federal sources | - | - | - | - | - | - | 833,803 |
| Sale of property, adjustments and refunds | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | 12,000 | - | - |
| Total receipts | - | 7,948 | - | - | 14,000 | 6,000 | 833,803 |
| Disbursements: | | | | | | | |
| Current: | | | | | | | |
| Instruction | - | 232 | - | - | 11,343 | - | 710,495 |
| Support services | - | - | 13,772 | - | 1,924 | - | 47,721 |
| Community services | - | - | - | - | - | - | 21,787 |
| Nonprogrammed charges | - | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | - | - |
| Total disbursements | - | 232 | 13,772 | - | 13,267 | - | 780,003 |
| Excess (deficiency) of receipts over disbursements | - | 7,716 | (13,772) | - | 733 | 6,000 | 53,800 |
| Other financing sources (uses): | | | | | | | |
| Transfers in | - | - | - | - | - | - | 10,010 |
| Transfers out | - | - | - | (230) | - | - | - |
| Total other financing sources (uses) | - | - | - | (230) | - | - | 10,010 |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | - | 7,716 | (13,772) | (230) | 733 | 6,000 | 63,810 |
| Cash and investments - beginning | 27,725 | 159 | 13,772 | 230 | - | - | - |
| Cash and investments - ending | <u>\$ 27,725</u> | <u>\$ 7,875</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 733</u> | <u>\$ 6,000</u> | <u>\$ 63,810</u> |
| Cash and Investment Assets - Ending | | | | | | | |
| Cash and investments | \$ 27,725 | \$ 7,875 | \$ - | \$ - | \$ 733 | \$ 6,000 | \$ 63,810 |
| Restricted assets: | | | | | | | |
| Cash and investments | - | - | - | - | - | - | - |
| Total cash and investment assets - ending | <u>\$ 27,725</u> | <u>\$ 7,875</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 733</u> | <u>\$ 6,000</u> | <u>\$ 63,810</u> |
| Cash and Investment Fund Balance - Ending | | | | | | | |
| Restricted for: | | | | | | | |
| Debt service | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unrestricted | 27,725 | 7,875 | - | - | 733 | 6,000 | 63,810 |
| Total cash and investment fund balance - ending | <u>\$ 27,725</u> | <u>\$ 7,875</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 733</u> | <u>\$ 6,000</u> | <u>\$ 63,810</u> |

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

JENNINGS COUNTY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

| | Title I 2006-07 | ESEA Title V, Part A 2006-07 | Title I School Improvement | PL 108-446 FY 2006 | PL 101-476 FY 2007 | IDEA FY 2006 Carry-Over | IDEA Part B FY 2008 |
|--|--------------------|------------------------------------|----------------------------------|-----------------------|-----------------------|-------------------------------|---------------------------|
| Receipts: | | | | | | | |
| Local sources | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intermediate sources | - | - | - | - | - | - | - |
| State sources | - | - | - | - | - | - | - |
| Federal sources | - | 12,469 | 28,478 | 21,199 | 331,100 | 152,947 | 796,817 |
| Sale of property, adjustments and refunds | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | 9,000 | - | - |
| Total receipts | - | 12,469 | 28,478 | 21,199 | 340,100 | 152,947 | 796,817 |
| Disbursements: | | | | | | | |
| Current: | | | | | | | |
| Instruction | - | - | 11,049 | 22,776 | 199,118 | 115,114 | 416,071 |
| Support services | - | 8,700 | 7,494 | - | 54,175 | 32,548 | 283,897 |
| Community services | - | 134 | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | 22,500 | - |
| Debt services | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | 9,000 | - | - |
| Total disbursements | - | 8,834 | 18,543 | 22,776 | 262,293 | 170,162 | 699,968 |
| Excess (deficiency) of receipts over disbursements | - | 3,635 | 9,935 | (1,577) | 77,807 | (17,215) | 96,849 |
| Other financing sources (uses): | | | | | | | |
| Transfers in | - | - | - | - | 7,762 | - | - |
| Transfers out | (10,010) | - | - | - | - | (7,762) | - |
| Total other financing sources (uses) | (10,010) | - | - | - | 7,762 | (7,762) | - |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | (10,010) | 3,635 | 9,935 | (1,577) | 85,569 | (24,977) | 96,849 |
| Cash and investments - beginning | 10,010 | 18,812 | - | 1,577 | - | 24,977 | - |
| Cash and investments - ending | \$ - | \$ 22,447 | \$ 9,935 | \$ - | \$ 85,569 | \$ - | \$ 96,849 |
| Cash and Investment Assets - Ending | | | | | | | |
| Cash and investments | \$ - | \$ 22,447 | \$ 9,935 | \$ - | \$ 85,569 | \$ - | \$ 96,849 |
| Restricted assets: | | | | | | | |
| Cash and investments | - | - | - | - | - | - | - |
| Total cash and investment assets - ending | \$ - | \$ 22,447 | \$ 9,935 | \$ - | \$ 85,569 | \$ - | \$ 96,849 |
| Cash and Investment Fund Balance - Ending | | | | | | | |
| Restricted for: | | | | | | | |
| Debt service | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unrestricted | - | 22,447 | 9,935 | - | 85,569 | - | 96,849 |
| Total cash and investment fund balance - ending | \$ - | \$ 22,447 | \$ 9,935 | \$ - | \$ 85,569 | \$ - | \$ 96,849 |

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

JENNINGS COUNTY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

| | Education Preschool Federal FY 2007 | Education Preschool Federal FY 2008 | Education Preschool Federal FY 2007 | Drug Free Schools 2006-07 | Drug Free Schools 2007-08 | Medicaid Reimbursement Federal |
|---|--|--|--|---------------------------------|---------------------------------|--------------------------------------|
| Receipts: | | | | | | |
| Local sources | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intermediate sources | - | - | - | - | - | - |
| State sources | - | - | - | - | - | - |
| Federal sources | 1,682 | 26,875 | 5,250 | 4,988 | - | - |
| Sale of property, adjustments and refunds | - | - | - | - | - | - |
| Interfund loans | - | 3,000 | 1,500 | 2,000 | 3,000 | - |
| Total receipts | 1,682 | 29,875 | 6,750 | 6,988 | 3,000 | - |
| Disbursements: | | | | | | |
| Current: | | | | | | |
| Instruction | 9,017 | 29,496 | 6,481 | 5,373 | 12,812 | 1,939 |
| Support services | - | - | - | 15,811 | - | 9,089 |
| Community services | - | - | - | 399 | - | - |
| Nonprogrammed charges | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - |
| Interfund loans | - | - | 500 | - | - | - |
| Total disbursements | 9,017 | 29,496 | 6,981 | 21,583 | 12,812 | 11,028 |
| Excess (deficiency) of receipts over disbursements | (7,335) | 379 | (231) | (14,595) | (9,812) | (11,028) |
| Other financing sources (uses): | | | | | | |
| Transfers in | - | - | 1,231 | - | - | - |
| Transfers out | (359) | - | - | - | - | - |
| Total other financing sources (uses) | (359) | - | 1,231 | - | - | - |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | (7,694) | 379 | 1,000 | (14,595) | (9,812) | (11,028) |
| Cash and investments - beginning | 7,694 | - | - | 14,964 | 10,067 | 11,629 |
| Cash and investments - ending | \$ - | \$ 379 | \$ 1,000 | \$ 369 | \$ 255 | \$ 601 |
| Cash and Investment Assets - Ending | | | | | | |
| Cash and investments | \$ - | \$ 379 | \$ 1,000 | \$ 369 | \$ 255 | \$ 601 |
| Restricted assets: | | | | | | |
| Cash and investments | - | - | - | - | - | - |
| Total cash and investment assets - ending | \$ - | \$ 379 | \$ 1,000 | \$ 369 | \$ 255 | \$ 601 |
| Cash and Investment Fund Balance - Ending | | | | | | |
| Restricted for: | | | | | | |
| Debt service | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unrestricted | - | 379 | 1,000 | 369 | 255 | 601 |
| Total cash and investment fund balance - ending | \$ - | \$ 379 | \$ 1,000 | \$ 369 | \$ 255 | \$ 601 |

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

JENNINGS COUNTY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

| | Outbound Grant | Team Nutrition Grant | Title II Part A | Title II Part D | Retirement/ Severance Bond | Totals |
|---|-------------------|----------------------------|--------------------|--------------------|----------------------------------|-------------------|
| Receipts: | | | | | | |
| Local sources | \$ - | \$ - | \$ - | \$ - | \$ 401,037 | \$ 754,482 |
| Intermediate sources | - | - | - | - | - | 825 |
| State sources | - | - | - | - | - | 440,344 |
| Federal sources | 21,300 | - | 223,135 | - | - | 2,460,043 |
| Sale of property, adjustments and refunds | - | - | - | - | - | 1,502 |
| Interfund loans | - | - | 22,000 | - | 165,000 | 462,500 |
| Total receipts | 21,300 | - | 245,135 | - | 566,037 | 4,119,696 |
| Disbursements: | | | | | | |
| Current: | | | | | | |
| Instruction | 15,965 | - | 209,055 | - | - | 1,922,277 |
| Support services | - | - | 36,055 | 8,997 | - | 1,104,630 |
| Community services | - | - | 7,511 | - | - | 41,168 |
| Nonprogrammed charges | - | - | - | - | - | 22,500 |
| Debt services | - | - | - | - | 383,349 | 383,349 |
| Interfund loans | - | - | 22,000 | - | 185,000 | 566,500 |
| Total disbursements | 15,965 | - | 274,621 | 8,997 | 568,349 | 4,040,424 |
| Excess (deficiency) of receipts over disbursements | 5,335 | - | (29,486) | (8,997) | (2,312) | 79,272 |
| Other financing sources (uses): | | | | | | |
| Transfers in | - | - | - | - | - | 348,598 |
| Transfers out | - | (47) | - | - | (59) | (222,337) |
| Total other financing sources (uses) | - | (47) | - | - | (59) | 126,261 |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | 5,335 | (47) | (29,486) | (8,997) | (2,371) | 205,533 |
| Cash and investments - beginning | 364 | 47 | 57,846 | 8,997 | 4,402 | 788,121 |
| Cash and investments - ending | \$ 5,699 | \$ - | \$ 28,360 | \$ - | \$ 2,031 | \$ 993,654 |
| Cash and Investment Assets - Ending | | | | | | |
| Cash and investments | \$ 5,699 | \$ - | \$ 28,360 | \$ - | \$ - | \$ 991,623 |
| Restricted assets: | | | | | | |
| Cash and investments | - | - | - | - | 2,031 | 2,031 |
| Total cash and investment assets - ending | \$ 5,699 | \$ - | \$ 28,360 | \$ - | \$ 2,031 | \$ 993,654 |
| Cash and Investment Fund Balance - Ending | | | | | | |
| Restricted for: | | | | | | |
| Debt service | \$ - | \$ - | \$ - | \$ - | \$ 2,031 | \$ 2,031 |
| Unrestricted | 5,699 | - | 28,360 | - | - | 991,623 |
| Total cash and investment fund balance - ending | \$ 5,699 | \$ - | \$ 28,360 | \$ - | \$ 2,031 | \$ 993,654 |

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

JENNINGS COUNTY SCHOOL CORPORATION
 COMBINING SCHEDULE OF CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2008

| | Teacher Retirement | Group Insurance | Totals |
|--|-----------------------|--------------------|------------|
| Cash and investments fund balance - ending | \$ 136 | \$ 151,858 | \$ 151,994 |

JENNINGS COUNTY SCHOOL CORPORATION
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 | \$ 82,770 |
| Buildings | 45,111,668 |
| Improvements other than buildings | 8,164,699 |
| Machinery and equipment | <u>11,051,839</u> |
| Total governmental activities, capital assets not being depreciated | <u>\$ 64,410,976</u> |

JENNINGS COUNTY SCHOOL CORPORATION
 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: | | |
| Jennings County Middle School | \$ 3,400,000 | \$ 778,219 |
| Sandcreek Elementary | 7,470,000 | 894,500 |
| Scipio Elementary/Brush Creek Elementary/ Jennings County Middle School | 7,410,000 | 603,500 |
| Loans payable: | | |
| Common school loans: | 514,140 | 172,305 |
| Bonds payable: | | |
| General obligation bonds: | | |
| Pension bonds | <u>3,300,000</u> | <u>193,514</u> |
| Total governmental activities debt | <u>\$ 22,094,140</u> | <u>\$ 2,642,038</u> |

JENNINGS COUNTY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS - SEGREGATION OF DUTIES

The School Corporation does not have adequate segregation of accounting duties or compensating controls in place to ensure the accuracy of financial reporting and the safeguarding of cash as described below:

1. The Deputy Treasurer is responsible for the following duties:
 - (a) writing receipts; recording receipts; and making deposits;
 - (b) writing vendor checks and recording vendor checks on the ledger;
 - (c) performing month end bank reconciliations; and
 - (d) recording payroll withholding amounts paid and writing payroll withholding checks.
2. The Payroll Clerk is responsible for processing payroll that includes the calculation of payroll and payroll withholdings amounts paid; writing payroll checks and establishing new employees on the payroll system.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

ACADEMIC HONORS FIGURES - INCORRECT REPORTING TO THE STATE

The information presented for audit indicates that figures for academic honors reported to the state through the STN Application Center did not agree with the Jennings County High School Department of Guidance roster for students earning academic honors. The number of students earning Honor Diplomas was incorrect for the school years ending June 30, 2007, for the Class of 2006, and the school year ending June 30, 2008, for the Class of 2007.

The honors diploma count for the Class of 2006 and for the Class of 2007 as reported through the STN Application Center were 61 and 57, respectively. However, the actual verified counts per the School Corporation records were 62 and 47, respectively.

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

JENNINGS COUNTY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

CONDITION OF RECORDS (Applies to Jennings County Education Center)

The following deficiencies relating to the recordkeeping were noted:

- (1) Record balances were not reconciled to depository balances.

IC 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

- (2) Extra-Curricular Ledger (Form SA-6) was not in use. In reviewing the nonapproved financial ledger for the school year 2007-2008 which was presented for audit, the ledger was not totaled by month and the balance of the control account exceeded the total of the individual funds by \$61.69 as of May 31, 2008. The financial ledger for the school year 2006-2007 contained only a control page which included all of the individual funds' transactions.

Also, Schedule of Balances Receipts and Expenditures of School Extra Curricular Account (Form SA5-1) did not agree with the extra-curricular records.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

- (3) Instead of issuing ECA General Receipt (Form SA-3) when receiving a payment, the ECA Treasurer was using Textbook Rental Receipt (Form TBR-2) for all monies collected.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

INTEREST ON INVESTMENTS (Applies to High School and High School Athletics)

Interest earned on investments was automatically added to the principal and not recorded in the records. Also, the principal balances of investments were not included on the school's extra-curricular Statements of Funds.

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

JENNINGS COUNTY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

The extra-curricular treasurer is required to keep an accurate account of all money received and expended, showing the source of each receipt, the purpose of each disbursement and the overall balance on hand, which is the control account for all of the activity funds. A separate fund must be maintained in the ledger to record the transactions of each class, organization or activity so that the balance in each fund may be known at all times. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

TEXTBOOK RENTAL RECEIPTS (Applies to All Extra-Curricular Accounts)

Controls for textbook rental receipts issued at the school building level were insufficient. The following deficiencies relating to the issuing of textbook rental receipts were noted:

- (1) Not all receipts properly designated the type of collection. At two school buildings all of the receipts were designated as receiving cash, even when a check was received.
- (2) Receipts from one school were not signed by the person issuing the receipts.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

- (3) At several of the school building the TBR receipts were filed in alphabetically order which caused difficulties in comparing receipts issued for a particular day to the amount deposited.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

- (4) At one school building textbook rental receipts were held for 14 days before depositing.

The treasurer shall deposit all receipts without unreasonable delay. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE JENNINGS COUNTY SCHOOL
CORPORATION, JENNINGS COUNTY, INDIANA

Compliance

We have audited the compliance of the Jennings County School Corporation (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 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

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

on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

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

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

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

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. 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, Board of School Trustees, 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

April 28, 2009

JENNINGS COUNTY SCHOOL CORPORATION
 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 | SY 06-07 | \$ 321,707 | \$ - |
| | | SY 07-08 | - | 364,679 |
| National School Lunch Program | 10.555 | SY 06-07 | 1,051,598 | - |
| | | SY 07-08 | - | 1,087,305 |
| Total for cluster | | | <u>1,373,305</u> | <u>1,451,984</u> |
| Team Nutrition Grants | 10.574 | SY 06-07 | 403 | 47 |
| Total for federal grantor agency | | | <u>1,373,708</u> | <u>1,452,031</u> |
| <u>U.S. DEPARTMENT OF THE INTERIOR</u> | | | | |
| Pass-Through National Fish and Game Foundation | | | | |
| Fish and Wildlife Management Assistance | 15.608 | 2006-0111-006 | 5,000 | - |
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | | |
| Pass-Through Indiana Department of Education | | | | |
| Special Education Cluster | | | | |
| Special Education - Grants to States | 84.027 | 14206-072-PY02 | 210,373 | 22,776 |
| | | 14207-072-PN01 | 660,823 | 177,924 |
| | | 14207-072-PY02 | - | 253,293 |
| | | 14208-072-PN01 | - | 699,968 |
| Total for program | | | <u>871,196</u> | <u>1,153,961</u> |
| Special Education - Preschool Grants | 84.173 | 45707-072-PN01 | 21,713 | 9,376 |
| | | 45707-072-PY02 | - | 6,481 |
| | | 45708-072-PN01 | - | 29,496 |
| Total for program | | | <u>21,713</u> | <u>45,353</u> |
| Total for cluster | | | <u>892,909</u> | <u>1,199,314</u> |
| Title I Grants to Local Educational Agencies | 84.010 | 07-4015 | 791,917 | 10,010 |
| | | 08-4015 | - | 780,003 |
| School Improvement | | 08-4015 | - | 18,543 |
| Total for program | | | <u>791,917</u> | <u>808,556</u> |

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

JENNINGS COUNTY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2007 and 2008
(Continued)

| 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 EDUCATION (continued)</u> | | | | |
| Pass-Through Indiana Department of Education (continued) | | | | |
| Career and Technical Education - Basic Grants to States | 84.048 | 08-1303-4015 | - | 750 |
| Safe and Drug-Free Schools and Communities - State Grants | 84.186 | 04-188 05-143 4015-06 | 14,527 14,704 - | - 9,812 19,583 |
| Total for program | | | <u>29,231</u> | <u>29,395</u> |
| State Grants for Innovative Programs | 84.298 | 04-219 05-136 | 7,760 325 | - 8,833 |
| Total for program | | | <u>8,085</u> | <u>8,833</u> |
| Education Technology State Grants | 84.318 | SY 04-05 SY 05-06 | 14,465 3,746 | - 8,997 |
| Total for program | | | <u>18,211</u> | <u>8,997</u> |
| Comprehensive School Reform Demonstration | 84.332 | SY 05-06 | 9,233 | - |
| Improving Teacher Quality State Grants | 84.367 | 04-223 05-223 06-4015 | 41,521 166,804 - | - 57,846 194,775 |
| Total for program | | | <u>208,325</u> | <u>252,621</u> |
| Total for federal grantor agency | | | <u>1,957,911</u> | <u>2,308,466</u> |
| <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> | | | | |
| Pass-Through Purdue University | | | | |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | SY 06-07 SY 07-08 | 21,386 - | 364 15,964 |
| Total for federal grantor agency | | | <u>21,386</u> | <u>16,328</u> |
| Total federal awards expended | | | <u>\$ 3,358,005</u> | <u>\$ 3,776,825</u> |

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

JENNINGS COUNTY SCHOOL CORPORATION
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Jennings County School Corporation (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of School Corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

JENNINGS COUNTY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weaknesses identified? yes
 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 |
|----------------|--|
| N/A | Special Education Cluster |
| 84.010 | Title I Grants to Local Educational Agencies |
| 84.367 | Improving Teacher Quality State Grants |

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

Auditee qualified as low-risk auditee? no

JENNINGS COUNTY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II – Financial Statement Findings

FINDING 2008-1, INTERNAL CONTROLS - SEGREGATION OF DUTIES

The School Corporation does not have adequate segregation of accounting duties or compensating controls in place to ensure the accuracy of financial reporting and the safeguarding of cash as described below:

1. The Deputy Treasurer is responsible for the following duties:
 - (a) writing receipts; recording receipts; and making deposits;
 - (b) writing vendor checks and recording vendor checks on the ledger;
 - (c) performing month end bank reconciliations; and
 - (d) recording payroll withholding amounts paid and writing payroll withholding checks.
2. The Payroll Clerk is responsible for processing payroll that includes the calculation of payroll and payroll withholdings amounts paid; writing payroll checks and establishing new employees on the payroll system.

Segregation of duties is the concept of having different people do different tasks within the organization. Segregation of duties provides the foundation of good internal control by assuring that no one individual is in a position to perpetuate and conceal errors or irregularities in the normal course of their authorized duties. Compensating controls are safeguards put in place to mitigate the effects of the lack of segregation of duties.

The lack of segregation is caused by the School Corporation having a small staff that limits the School Corporation's ability to segregate accounting duties.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

We recommended that the School Corporation officials make a determination on whether it is practical to enhance segregation of accounting duties or to implement compensating controls.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

34 Main Street, North Vernon, Indiana 47265

Dr. Michael Bushong, Superintendent
Phone: (812) 346-4483
Fax: (812) 352-8194

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2006-01 Cash Management

Original SBA Audit Report Number B30066
Fiscal Year 2005-06, 2006-07, 2007-08
Auditee Contact Person Amber Fields
Title of Contact person Business Manager/Treasurer
Phone Number (812) 346-4483

Status of Finding:

To the extent possible, we have worked to draw down the funds for this grant program to better suit the needs and timing of the funds needed.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2006-02 Cash Management

Original SBA Audit Report Number B30066
Fiscal Year 2005-06
Auditee Contact Person Amber Fields
Title of Contact person Business Manager/Treasurer
Phone Number (812) 346-4483

Status of Finding:

To the extent possible, we have worked to draw down the funds for all grant programs to better suit the needs and timing of the funds needed. This particular grant program ended on June 30, 2006.

Amber K. Fields
Amber K. Fields

January 12, 2009
Date

JCSC JENNINGS COUNTY SCHOOL CORPORATION

34 Main Street, North Vernon, Indiana 47265

Dr. Michael Bushong, Superintendent

Phone: (812) 346-4483

Fax: (812) 352-8194

State Board of Accounts

Re: Finding No. 2008-01

Internal Controls: Segregation of Duties

March 11, 2009

To whom it may concern:

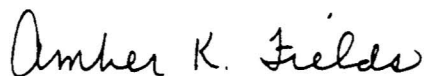
Contact Person: Amber Fields
Title: Administrative Assistant for Business Services/
Business Manager
Telephone No.: (812) 346-4483
Expected Completion Date: April 1, 2009

Due to the fact Jennings County School Corporation (JCSC) has a small Business Office staff; it is impractical to segregate the duties of Treasurer and Deputy Treasurer/Payroll Clerk in an ideal manner.

Therefore, if acceptable JCSC will implement the following steps to minimize any irregularities and still provide good internal control:

1. The Business Manager will receive all bank statements for review before forwarding them to the Deputy Treasurer.
2. In examining bank statements, the Business Manager will look for check numbers not within normal check series, abnormally large checks, unidentified bank transfers, and cancelled checks to vendors not used by the JCSC.
3. The Business Manager will run monthly reports looking for unfamiliar vendors/employees and/or unusually large claims. The check register will also be reviewed periodically for missing check numbers.
4. The Business Manager will compare monthly ledger fund balances with bank statements, and review the monthly bank reconciliation prepared by the JCSC Deputy Treasurer for correctness.
5. The Business Manager will review and sign off on all payroll claim dockets before they are submitted for payment.

Sincerely,



Amber K. Fields
Business Manager

JENNINGS COUNTY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on April 28, 2009, with Dr. Michael J. Bushong, Superintendent of Schools; Steve Elmore, President of the School Board; Amber Fields, Treasurer; and Myra Fischvogt, Deputy Treasurer. The officials concurred with our audit findings.