

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

AUDIT REPORT

OF

KANKAKEE VALLEY SCHOOL CORPORATION

JASPER COUNTY, INDIANA

July 1, 2004 to June 30, 2006



FILED

02/06/2007

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|--|--|
| Treasurer | Carol L. Deardorff | 07-01-04 to 06-30-07 |
| Superintendent of Schools | Dr. Laura Boilini Dr. Glenn Krueger | 07-01-04 to 06-30-05 07-01-05 to 06-30-07 |
| President of the School Board | John Heerema John R. Spurgeon | 07-01-04 to 06-30-06 07-01-06 to 06-30-07 |



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 FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE KANKAKEE VALLEY SCHOOL
CORPORATION, JASPER COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kankakee Valley School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, which collectively comprise the School Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2005 and 2006, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated December 28, 2006, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

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

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not a required part of the basic financial statements. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

December 28, 2006



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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE KANKAKEE VALLEY SCHOOL
CORPORATION, JASPER COUNTY, INDIANA

We have audited the financial statements of the Kankakee Valley School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated December 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

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

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

STATE BOARD OF ACCOUNTS

December 28, 2006

KANKAKEE VALLEY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2005

| <u>Assets</u> | <u>Governmental Activities</u> |
|-----------------------|------------------------------------|
| Current assets: | |
| Cash and investments | \$ 9,889,884 |
| Restricted assets: | |
| Cash and investments | <u>1,556,311</u> |
| Total assets | <u>\$ 11,446,195</u> |
| <u>Net Assets</u> | |
| Restricted for: | |
| Debt service | \$ 1,556,311 |
| Unrestricted | <u>9,889,884</u> |
| Total net assets | <u>\$ 11,446,195</u> |

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

KANKAKEE VALLEY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2006

| <u>Assets</u> | <u>Governmental Activities</u> |
|-----------------------|------------------------------------|
| Current assets: | |
| Cash and investments | \$ 10,181,896 |
| Restricted assets: | |
| Cash and investments | <u>1,124,058</u> |
| Total assets | <u>\$ 11,305,954</u> |
| <u>Net Assets</u> | |
| Restricted for: | |
| Debt service | \$ 1,124,058 |
| Unrestricted | <u>10,181,896</u> |
| Total net assets | <u>\$ 11,305,954</u> |

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

KANKAKEE VALLEY SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2005

| Functions/Programs | Disbursements | Program Receipts | | Net (Disbursement) Receipts |
|--|----------------------|-------------------------|--|-----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Total |
| Governmental activities: | | | | |
| Instruction | \$ 10,510,396 | \$ - | \$ 115,627 | \$ (10,394,769) |
| Support services | 13,474,497 | 907,706 | 386,399 | (12,180,392) |
| Community services | 242,300 | - | - | (242,300) |
| Nonprogrammed charges | 255,188 | - | - | (255,188) |
| Debt service | 5,792,044 | - | - | (5,792,044) |
| Total governmental activities | \$ 30,274,425 | \$ 907,706 | \$ 502,026 | (28,864,693) |
| General receipts: | | | | |
| Property taxes | | | | 20,594,437 |
| Other local sources | | | | 3,046,949 |
| State aid | | | | 8,496,997 |
| Grants and contributions not restricted | | | | 609,486 |
| Bonds and loans | | | | 4,226,157 |
| Sale of property, adjustments, and refunds | | | | 78,135 |
| Investment earnings | | | | 209,931 |
| Total general receipts | | | | 37,262,092 |
| Change in cash and investments | | | | 8,397,399 |
| Net assets - beginning | | | | 3,048,796 |
| Net assets - ending | | | | \$ 11,446,195 |

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

KANKAKEE VALLEY SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2006

| Functions/Programs | Disbursements | Program Receipts | | Net (Disbursement) Receipts |
|--|---------------|-------------------------|--|-----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Total |
| Governmental activities: | | | | |
| Instruction | \$ 10,525,021 | \$ - | \$ 99,691 | \$ (10,425,330) |
| Support services | 14,047,950 | 986,555 | 494,534 | (12,566,861) |
| Community services | 237,848 | - | - | (237,848) |
| Debt service | 7,205,996 | - | - | (7,205,996) |
| Total governmental activities | \$ 32,016,815 | \$ 986,555 | \$ 594,225 | (30,436,035) |
| General receipts: | | | | |
| Property taxes | | | | 14,407,219 |
| Other local sources | | | | 2,955,123 |
| State aid | | | | 9,307,595 |
| Grants and contributions not restricted | | | | 608,877 |
| Bonds and loans | | | | 1,925,999 |
| Sale of property, adjustments, and refunds | | | | 692,590 |
| Investment earnings | | | | 398,391 |
| Total general receipts | | | | 30,295,794 |
| Change in cash and investments | | | | (140,241) |
| Net assets - beginning | | | | 11,446,195 |
| Net assets - ending | | | | \$ 11,305,954 |

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

KANKAKEE VALLEY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

| | General | Transportation Operating | Debt Service | Capital Projects | School Bus Replacement | Other | Totals |
|--|---------------------|-----------------------------|---------------------|---------------------|---------------------------|---------------------|----------------------|
| Receipts: | | | | | | | |
| Local sources | \$ 12,686,482 | \$ 1,449,735 | \$ 4,382,850 | \$ 4,145,998 | \$ 454,252 | \$ 1,638,299 | \$ 24,757,616 |
| Intermediate sources | 562 | - | - | - | - | 844 | 1,406 |
| State sources | 8,593,066 | - | - | - | - | 191,782 | 8,784,848 |
| Federal sources | - | - | - | - | - | 823,663 | 823,663 |
| Bonds and loans | 3,531,667 | 395,837 | - | - | - | 298,653 | 4,226,157 |
| Sale of property, adjustments and refunds | 39,049 | 13,161 | - | 1,582 | 499 | 23,843 | 78,134 |
| Intergovernmental transfers | 20,413 | - | - | - | - | 270,000 | 290,413 |
| Total receipts | 24,871,239 | 1,858,733 | 4,382,850 | 4,147,580 | 454,751 | 3,247,084 | 38,962,237 |
| Disbursements: | | | | | | | |
| Current: | | | | | | | |
| Instruction | 9,992,741 | - | - | - | - | 517,655 | 10,510,396 |
| Support services | 8,313,258 | 1,214,352 | - | 2,151,786 | 357,217 | 1,437,884 | 13,474,497 |
| Community services | 240,063 | - | - | - | - | 2,237 | 242,300 |
| Nonprogrammed charges | 161,120 | - | 100,000 | 150,000 | 20,000 | 114,481 | 545,601 |
| Debt services | 2,641,800 | 246,349 | 2,540,557 | - | - | 363,338 | 5,792,044 |
| Total disbursements | 21,348,982 | 1,460,701 | 2,640,557 | 2,301,786 | 377,217 | 2,435,595 | 30,564,838 |
| Excess of total receipts over total disbursements | 3,522,257 | 398,032 | 1,742,293 | 1,845,794 | 77,534 | 811,489 | 8,397,399 |
| Cash and investments - beginning | 332,883 | 180,311 | (469,828) | 2,335,900 | 69,855 | 599,675 | 3,048,796 |
| Cash and investments - ending | <u>\$ 3,855,140</u> | <u>\$ 578,343</u> | <u>\$ 1,272,465</u> | <u>\$ 4,181,694</u> | <u>\$ 147,389</u> | <u>\$ 1,411,164</u> | <u>\$ 11,446,195</u> |

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

KANKAKEE VALLEY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2006

| | General | Transportation Operating | Debt Service | Capital Projects | School Bus Replacement | Other | Totals |
|---|---------------------|-----------------------------|---------------------|---------------------|---------------------------|---------------------|---------------------|
| Receipts: | | | | | | | |
| Local sources | \$ 9,696,115 | \$ 1,136,415 | \$ 2,600,550 | \$ 2,711,053 | \$ 341,209 | \$ 2,062,003 | \$ 18,547,345 |
| Intermediate sources | 1,686 | - | - | - | - | 1,144 | 2,830 |
| State sources | 9,387,689 | - | - | - | - | 157,520 | 9,545,209 |
| Federal sources | - | - | - | - | - | 965,488 | 965,488 |
| Bonds and loans | 1,537,832 | 380,117 | - | - | - | 8,050 | 1,925,999 |
| Sale of property, adjustments and refunds | 23,268 | 7,611 | - | 766 | 8,581 | 6,598 | 46,824 |
| Intergovernmental transfers | <u>230,478</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>308,448</u> | <u>538,926</u> |
| Total receipts | <u>20,877,068</u> | <u>1,524,143</u> | <u>2,600,550</u> | <u>2,711,819</u> | <u>349,790</u> | <u>3,509,251</u> | <u>31,572,621</u> |
| Disbursements: | | | | | | | |
| Current: | | | | | | | |
| Instruction | 9,991,664 | - | - | - | - | 533,357 | 10,525,021 |
| Support services | 6,680,516 | 1,228,240 | - | 2,975,120 | 299,945 | 1,571,000 | 12,754,821 |
| Community services | 235,269 | - | - | - | - | 2,579 | 237,848 |
| Nonprogrammed charges | 1,737,237 | 28,179 | 145,972 | 174,372 | - | 345,661 | 2,431,421 |
| Debt services | <u>3,162,768</u> | <u>382,728</u> | <u>2,602,985</u> | <u>-</u> | <u>-</u> | <u>1,057,515</u> | <u>7,205,996</u> |
| Total disbursements | <u>21,807,454</u> | <u>1,639,147</u> | <u>2,748,957</u> | <u>3,149,492</u> | <u>299,945</u> | <u>3,510,112</u> | <u>33,155,107</u> |
| Excess (deficiency) of total receipts over (under) total disbursements | (930,386) | (115,004) | (148,407) | (437,673) | 49,845 | (861) | (1,582,486) |
| Cash and investments - beginning | <u>3,855,140</u> | <u>578,343</u> | <u>1,272,465</u> | <u>4,181,694</u> | <u>147,389</u> | <u>1,411,164</u> | <u>11,446,195</u> |
| Cash and investments - ending | <u>\$ 2,924,754</u> | <u>\$ 463,339</u> | <u>\$ 1,124,058</u> | <u>\$ 3,744,021</u> | <u>\$ 197,234</u> | <u>\$ 1,410,303</u> | <u>\$ 9,863,709</u> |

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

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF CASH ACTIVITIES

| | |
|---|---------------------|
| Net change in fund balances - total governmental funds | \$ (1,582,486) |
| Amounts reported for governmental activities in the statement of cash activities are different because: | |
| Internal service funds are not reported as a part of governmental funds. | <u>1,442,245</u> |
| Change in cash and investments of governmental activities | <u>\$ (140,241)</u> |

KANKAKEE VALLEY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
PROPRIETARY FUND
For The Year Ended June 30, 2006

| | <u>Internal Service Fund</u> |
|---|--------------------------------------|
| Receipts: | |
| Local sources | \$ 197,112 |
| Sale of property, adjustments and refunds | 645,767 |
| Transfers | <u>2,069,194</u> |
| Total receipts | <u>2,912,073</u> |
| Disbursements: | |
| Support services | <u>1,469,828</u> |
| Changes in cash and investments | 1,442,245 |
| Cash and investments - beginning | <u>-</u> |
| Cash and investments - ending | <u>\$ 1,442,245</u> |

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

KANKAKEE VALLEY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2005

| | <u>Pension Trust Funds</u> | <u>Private-Purpose Trust Funds</u> |
|--|--------------------------------|--|
| Additions: | | |
| Local sources | \$ 12,426 | \$ 1,000 |
| Bonds and loans | 6,474,247 | - |
| Transfers | <u>61,512</u> | <u>-</u> |
| Total additions | <u>6,548,185</u> | <u>1,000</u> |
| Deductions: | | |
| Instruction | - | 1,000 |
| Support services | <u>5,483,091</u> | <u>-</u> |
| Total deductions | <u>5,483,091</u> | <u>1,000</u> |
| Excess of total additions over total deductions | 1,065,094 | - |
| Cash and investments - beginning | <u>-</u> | <u>-</u> |
| Cash and investments - ending | <u>\$ 1,065,094</u> | <u>\$ -</u> |

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

KANKAKEE VALLEY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2006

| | Pension Trust Funds | Private-Purpose Trust Funds |
|---|------------------------|--------------------------------|
| Additions: | | |
| Local sources | \$ 35,396 | \$ 3,000 |
| Transfers | 47,741 | - |
| Total additions | 83,137 | 3,000 |
| Deductions: | | |
| Instruction | - | 3,000 |
| Support services | 259,219 | - |
| Nonprogrammed charges | 99,438 | - |
| Total deductions | 358,657 | 3,000 |
| Deficiency of total additions under total deductions | (275,520) | - |
| Cash and investments - beginning | 1,065,094 | - |
| Cash and investments - ending | \$ 789,574 | \$ - |

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

KANKAKEE VALLEY SCHOOL CORPORATION
 STATEMENT OF CASH AND INVESTMENTS
 FIDUCIARY FUNDS
 June 30, 2005

| <u>Assets</u> | <u>Pension Trust Funds</u> | <u>Agency Funds</u> |
|--|--------------------------------|-------------------------|
| Cash and investments | \$ 1,065,094 | \$ 49,460 |
| | | |
| <u>Net Assets</u> | | |
| Held in trust for employee benefits and other purposes | \$ 1,065,094 | |

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

KANKAKEE VALLEY SCHOOL CORPORATION
 STATEMENT OF CASH AND INVESTMENTS
 FIDUCIARY FUNDS
 June 30, 2006

| <u>Assets</u> | <u>Pension Trust Funds</u> | <u>Agency Funds</u> |
|--|--------------------------------|-------------------------|
| Cash and investments | \$ 789,574 | \$ 50,034 |
| | | |
| <u>Net Assets</u> | | |
| Held in trust for employee benefits and other purposes | \$ 789,574 | |

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

KANKAKEE VALLEY 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: Kankakee Valley 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 several other school corporations in a joint venture to operate the Indian Trails Career Cooperative which was created to engage in the joint employment of personnel and joint purchases of supplies, equipment, and facilities to provide programs and services for vocational education. The Cooperative's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Cooperative can be obtained from the local educational agency (Twin Lakes School Corporation) at 565 South Main Street, Monticello, IN 47960.

The School Corporation is a participant with several other schools in a joint venture to operate the Cooperative School Services for Special Education which was created to provide special education services to handicapped children. The School Corporation is obligated by contract to remit annually the actual direct cost necessary to operate this program. The Cooperative School Service for Special Education pays its surplus to the participants. The Cooperative School Service for Special Education continued existence depends on continued funding by the School Corporation. The School Corporations are obligated for the debts of the Cooperative School Service for Special Education. Complete financial statements for the Cooperative School Service for Special Education can be obtained from the local education agency (West Central School Corporation) at 117 East Montgomery Street, Box 578, Francesville, IN 47946.

The School Corporation is a participant with several other schools in a joint venture to operate the Northwest Indiana Educational Service Center and was created to engage in joint programs for purchases. The School Corporation is obligated by contract to remit an amount (rate determined annually) per student to supplement the Northwest Indiana Educational Service Center. The Northwest Indiana Educational Service Center pays its surplus to the participants. The Northwest Indiana Educational Service Center's continued existence depends on continued funding by the School Corporation. The participating School Corporations are obligated for the debts of the Northwest Indiana Educational Service Center. Complete financial statements for the Northwest Indiana Educational Service Center can be obtained from the administrative office at 2939 41st Street, Highland, IN 46322.

KANKAKEE VALLEY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Cash and Investments and the Statement of Cash Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

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

The School Corporation reports the following major governmental funds:

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

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

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

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

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

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for a self insurance health benefits fund which provides funding for the cost of medical care to School Corporation employees.

The pension trust funds account for the activities of the Pension Retirement Trust Fund, which accumulate resources for pension benefit payments.

The private-purpose trust fund reports a trust arrangement under which principal and income benefit students in the form of scholarships.

KANKAKEE VALLEY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Agency funds account for assets held by the School Corporation as an agent for state and federal taxing authorities, various employee benefits providers, and serve as control accounts for certain cash transactions during the time they are a liability to the School Corporation.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

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

KANKAKEE VALLEY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 7 to 10 days per year. Unused sick leave may be accumulated indefinitely for noncertified and 75 days for certified. Accumulated sick leave is paid to employees through cash payments upon being eligible for retirement (age 55 or older and 15 or more years of service).

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 5 days to 20 days per year based upon the number of years of service. Vacation leave may be accumulated indefinitely. Accumulated vacation leave is paid to employees through cash payments upon retirement (age 55 or older and 15 or more years of service).

c. Personal Leave

School Corporation employees earn personal leave at the rate of 2 days per year. Unused personal leave for certified employees may be accumulated to a maximum of 4 days then transferred to sick leave. Any unused personal leave for noncertified employees is transferred to sick leave.

4. Capital Assets

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

5. Long-Term Debt

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

6. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

KANKAKEE VALLEY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Fund Financial Statements

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

E. Receipts and Disbursements

1. Program Receipts

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

2. Operating Receipts and Disbursements

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

F. Internal and Interfund Balances and Activities

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

Fund Financial Statements

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

Government-Wide Financial Statements

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

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

KANKAKEE VALLEY SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

B. Cash and Investment Balance Deficits

At June 30, 2005 and 2006, the following fund reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as referenced in state statute:

| <u>Fund</u> | <u>2005</u> | <u>2006</u> |
|---------------|-----------------|------------------|
| Career Majors | <u>\$ 2,004</u> | <u>\$ 14,632</u> |

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

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

KANKAKEE VALLEY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2005 and 2006, were as follows:

| <u>Transfer From</u> | <u>Transfer To</u> | <u>2005</u> | <u>2006</u> |
|----------------------|--------------------|-------------------|-------------------|
| General Fund | Other governmental | \$ - | \$ 2,148 |
| General Fund | All others | 61,512 | 47,741 |
| Major Fund | Other governmental | 270,000 | 306,300 |
| Other governmental | General Fund | <u>20,413</u> | <u>230,478</u> |
| Totals | | <u>\$ 351,925</u> | <u>\$ 586,667</u> |

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

IV. Other Information

A. Risk Management

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

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; 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.

Medical Benefits to Employees, Retirees and Dependents

The School Corporation has chosen to establish a risk financing fund for risks associated with medical benefits to employees. The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$75,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund and are reported as quasi-external interfund transactions.

B. Holding Corporations

The School Corporation has entered into a capital lease with Kankakee Valley Intermediate School Holding Corporation and Kankakee Valley Multi-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 school year 2005-2006 totaled \$2,424,500.

KANKAKEE VALLEY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55 with at least 15 years of service. Currently, 20 retirees meet these eligibility requirements. The School Corporation provides 100% of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2006, disbursements of \$373,486 were recognized for post-employment benefits.

D. Pension Plans

1. 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.

KANKAKEE VALLEY 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, 2006, 2005, and 2004, were \$259,480, \$236,437, and \$210,755, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

2. Defined Contribution Pension Plan

American United Life Savings Plan

Plan Description

The School Corporation has a defined contribution pension plan administered for noncertified employees administered by American United Life as authorized by Indiana Code 5-10-1.1 and qualifies under Section 401(a) of the Internal Revenue Code. The savings plan entered into on July 1, 1986, is a defined contribution plan with amounts credited and allocated to an account for each participant. Under a defined contribution plan there are no unfunded liabilities to the School Corporation.

Funding Policy and Annual Pension Cost

The contribution requirements are established by the written agreement between the School Corporation and the Plan Administrator. Plan members are required to contribute 3% of the annual covered salary. The School Corporation is required to contribute at an actuarially determined rate. The current rate is 5% of the employee's annual gross earnings. Employer and employee contributions to the plan for the year ending June 30, 2006 and 2005, were \$98,908 and \$59,345, respectively.

KANKAKEE VALLEY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2006

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement costs. Contributed or donated assets are reported at estimated fair value at the time received.

| <u>Primary Government</u> | <u>Ending Balance</u> |
|--|---------------------------------|
| Governmental activities: | |
| Capital assets, not being depreciated: | |
| Land | \$ 873,826 |
| Infrastructure | 1,437,000 |
| Buildings | 41,905,614 |
| Machinery and equipment | <u>7,125,150</u> |
| Total governmental activities, capital assets not being depreciated | \$ <u><u>51,341,590</u></u> |

KANKAKEE VALLEY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2006

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

| Description of Debt | Ending Balance | Due Within One Year |
|--|----------------------|---------------------------|
| Governmental Activities: | | |
| Capital Leases: | | |
| Intermediate School | \$ 8,195,000 | \$ 750,000 |
| Multi-Schools | 4,020,000 | 1,235,000 |
| Notes and loans payable | 37,500 | 37,500 |
| Bonds payable: | | |
| General obligations bonds: | | |
| Pension Benefits | 5,835,000 | 565,000 |
| Total governmental activities long-term debt | <u>\$ 18,087,500</u> | <u>\$ 2,587,500</u> |

KANKAKEE VALLEY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

AVERAGE DAILY MEMBERSHIP (ADM) – LACK OF RECORDS

Kankakee Valley School Corporation Officials did not maintain proper records to substantiate the number of students claimed for ADM for the 2004-2005 school year. Based on records generated during the audit, documentation was provided that showed a total of six students more than the actual number certified to the State for ADM for the 2004-2005 school year. The School Corporation did not maintain the certified class lists provided by the building level officials.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Officials should maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM. The building level official (Principal, Assistant Principal, etc.) responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (The School Administrator and Uniform Compliance Guidelines, Volume 123, September 1993, and Volume 142, June 1998)

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)

OVERDRAWN CASH BALANCES

The cash balance of the Career Majors Fund was overdrawn at June 30, 2005 and 2006. A similar comment was contained in the prior Report B24478.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which would be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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 KANKAKEE VALLEY SCHOOL
CORPORATION, JASPER COUNTY, INDIANA

Compliance

We have audited the compliance of the Kankakee Valley School Corporation (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2005 and 2006. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2005 and 2006.

Internal Control Over Compliance

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

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

STATE BOARD OF ACCOUNTS

December 28, 2006

KANKAKEE VALLEY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2005 and 2006

| Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title | Federal CFDA Number | Pass-Through Entity (or Other) Identifying Number | Total Federal Awards Expended 06-30-05 | Total Federal Awards Expended 06-30-06 |
|---|---------------------------|--|---|---|
| U.S. DEPARTMENT OF AGRICULTURE | | | | |
| Pass-Through the Indiana Department of Education | | | | |
| Child Nutrition Cluster | | | | |
| School Breakfast Program | 10.553 | | \$ 59,241 | \$ 67,915 |
| National School Lunch Program | 10.555 | | <u>292,330</u> | <u>336,581</u> |
| Total for Child Nutrition Cluster | | | <u>351,571</u> | <u>404,496</u> |
| U.S. DEPARTMENT OF EDUCATION | | | | |
| Pass-Through the Indiana Department of Education | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | | | |
| | | 04-3785 | 128,924 | - |
| | | 05-3785 | 204,665 | 157,595 |
| | | 06-3785 | <u>-</u> | <u>194,588</u> |
| Total for program | | | <u>333,589</u> | <u>352,183</u> |
| Migrant Education State Grant Program | 84.011 | | | |
| | | FY03-04 | 7,165 | - |
| | | FY04-05 | 39,761 | 199 |
| | | FY05-06 | <u>-</u> | <u>30,000</u> |
| Total for program | | | <u>46,926</u> | <u>30,199</u> |
| Safe and Drug Free Schools and Communities - State Grants | 84.186 | | | |
| | | FY03-04 | 4,680 | - |
| | | FY04-05 | 7,510 | 5,745 |
| | | FY05-06 | <u>129</u> | <u>6,340</u> |
| Total for program | | | <u>12,319</u> | <u>12,085</u> |
| Pass-Through Indiana Department of Workforce Development | | | | |
| Tech-Prep Education | 84.243 | | | |
| | | FY04-05 | 35,115 | 22,848 |
| | | FY05-06 | <u>-</u> | <u>14,632</u> |
| Total for program | | | <u>35,115</u> | <u>37,480</u> |
| Pass-Through the Indiana Department of Education | | | | |
| State Grants for Innovative Programs | 84.298 | | | |
| | | FY03-04 | 1,729 | 420 |
| | | FY04-05 | 16,765 | 376 |
| | | FY05-06 | <u>-</u> | <u>6,333</u> |
| Total for program | | | <u>18,494</u> | <u>7,129</u> |
| Education Technology State Grants | 84.318 | | | |
| | | FY04-05 | 6,580 | - |
| | | FY05-06 | <u>-</u> | <u>6,294</u> |
| Total for program | | | <u>6,580</u> | <u>6,294</u> |
| English Language Acquisition Grants | 84.365 | | | |
| | | FY03-04 | 3,953 | - |
| | | FY04-05 | 15,458 | 2,073 |
| | | FY05-06 | <u>-</u> | <u>23,522</u> |
| | | | <u>19,411</u> | <u>25,595</u> |
| Improving Teacher Quality State Grants | 84.367 | | | |
| | | FY02-03 | 6,787 | - |
| | | FY03-04 | 34,402 | 8,673 |
| | | FY04-05 | 40,659 | 69,460 |
| | | FY05-06 | <u>-</u> | <u>21,570</u> |
| Total for program | | | <u>81,848</u> | <u>99,703</u> |
| Total for federal grantor agency | | | <u>554,282</u> | <u>570,668</u> |
| Total federal awards expended | | | <u>\$ 905,853</u> | <u>\$ 975,164</u> |

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

KANKAKEE VALLEY SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

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

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

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2005 and 2006. This noncash assistance is also included in the federal expenditures presented in the schedule.

| Program Title | Federal CFDA Number | 2005 | 2006 |
|-------------------------------|---------------------------|----------|----------|
| School Breakfast Program | 10.553 | \$ 7,273 | \$ 5,956 |
| National School Lunch Program | 10.555 | 35,860 | 29,141 |

KANKAKEE VALLEY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

| | |
|---|---------------|
| Material weaknesses identified? | no |
| Reportable conditions identified that are not considered to be material weaknesses? | none reported |

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

| | |
|---|---------------|
| Material weaknesses identified? | no |
| Reportable conditions identified that are not considered to be material weaknesses? | none reported |

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

KANKAKEE VALLEY SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

KANKAKEE VALLEY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on December 28, 2006, with John R. Spurgeon, President of the School Board; Carol L. Deardorff, Treasurer; and Bill Orsburn, Director of Business. The officials concurred with our audit findings.