

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

AUDIT REPORT

OF

DELPHI COMMUNITY SCHOOL CORPORATION

CARROLL COUNTY, INDIANA

July 1, 2004 to June 30, 2006



**FILED**

02/08/2007



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sharon Handlin	07-01-04 to 06-30-07
Superintendent of Schools	Dr. John Williams Fred Minnick (Interim) Ralph L. Walker	07-01-04 to 06-30-06 07-01-06 to 09-30-06 10-01-06 to 06-30-07
President of the School Board	Robert Resler	07-01-04 to 06-30-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE DELPHI COMMUNITY SCHOOL  
CORPORATION, CARROLL COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Delphi Community 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 January 11, 2007, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

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

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

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Schedule of Capital Assets and Schedule of Long-Term Debt are presented for additional analysis and are not 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

January 11, 2007



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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 DELPHI COMMUNITY SCHOOL  
CORPORATION, CARROLL COUNTY, INDIANA

We have audited the financial statements of the Delphi Community School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated January 11, 2007. 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

January 11, 2007

DELPHI COMMUNITY SCHOOL CORPORATION  
STATEMENT OF CASH AND INVESTMENTS  
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 2,423,765
Restricted assets:	
Cash and investments	<u>52,396</u>
Total assets	<u>\$ 2,476,161</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 52,396
Unrestricted	<u>2,423,765</u>
Total net assets	<u>\$ 2,476,161</u>

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

DELPHI COMMUNITY SCHOOL CORPORATION  
STATEMENT OF CASH AND INVESTMENTS  
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 2,209,261
Restricted assets:	
Cash and investments	<u>(74,664)</u>
Total assets	<u>\$ 2,134,597</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ (74,664)
Unrestricted	<u>2,209,261</u>
Total net assets	<u>\$ 2,134,597</u>

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

DELPHI COMMUNITY 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	\$ 4,804,509	\$ -	\$ 72,728	\$ (4,731,781)
Support services	7,753,760	402,578	276,110	(7,075,072)
Community services	155,951	-	-	(155,951)
Nonprogrammed charges	602,195	-	-	(602,195)
Debt service	5,781,464	-	-	(5,781,464)
Total governmental activities	\$ 19,097,879	\$ 402,578	\$ 348,838	(18,346,463)
General receipts:				
Property taxes				7,943,900
Other local sources				1,347,431
State aid				6,276,678
Grants and contributions not restricted				361,330
Bonds and loans				4,150,000
Sale of property, adjustments, and refunds				64,956
Investment earnings				20,937
Total general receipts				20,165,232
Change in cash and investments				1,818,769
Net assets - beginning				657,392
Net assets - ending				\$ 2,476,161

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

DELPHI COMMUNITY 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	\$ 4,899,727	\$ -	\$ 64,247	\$ (4,835,480)
Support services	8,036,358	404,697	292,594	(7,339,067)
Community services	148,959	-	-	(148,959)
Nonprogrammed charges	956,416	-	-	(956,416)
Debt service	3,311,149	-	-	(3,311,149)
Total governmental activities	\$ 17,352,609	\$ 404,697	\$ 356,841	(16,591,071)
General receipts:				
Property taxes				6,697,526
Other local sources				1,113,375
State aid				6,545,363
Grants and contributions not restricted				566,676
Bonds and loans				1,250,000
Sale of property, adjustments, and refunds				18,709
Investment earnings				57,858
Total general receipts				16,249,507
Change in cash and investments				(341,564)
Net assets - beginning				2,476,161
Net assets - ending				\$ 2,134,597

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

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

	General	Transportation Operating	Rainy Day	School Lunch	Debt Service	Capital Projects	School Bus Replacement	Construction	Other	Totals
Receipts:										
Local sources	\$ 4,228,501	\$ 1,416,170	\$ -	\$ 308,058	\$ 1,456,173	\$ 1,832,230	\$ 273,009	\$ -	\$ 198,372	\$ 9,712,513
Intermediate sources	815	-	-	-	-	-	-	-	319	1,134
State sources	6,327,403	-	-	9,506	-	-	-	-	87,119	6,424,028
Federal sources	-	-	-	244,463	-	-	-	-	319,554	584,017
Bonds and loans	750,000	500,000	-	-	-	-	-	2,900,000	-	4,150,000
Sale of property, adjustments and refunds	34,309	21,663	-	2,478	-	4,851	-	-	1,655	64,956
Intergovernmental transfers	243,539	-	299,930	-	-	-	-	-	6,500	549,969
<b>Total receipts</b>	<b>11,584,567</b>	<b>1,937,833</b>	<b>299,930</b>	<b>564,505</b>	<b>1,456,173</b>	<b>1,837,081</b>	<b>273,009</b>	<b>2,900,000</b>	<b>613,519</b>	<b>21,466,617</b>
Disbursements:										
Current:										
Instruction	4,528,392	-	-	-	-	-	-	-	276,117	4,804,509
Support services	4,228,166	1,029,250	-	503,214	-	761,944	188,672	734,859	307,655	7,753,760
Community services	153,576	-	-	-	-	-	-	-	2,375	155,951
Nonprogrammed charges	845,734	103,937	-	-	48,980	123,463	23,550	-	6,500	1,152,164
Debt services	1,750,000	500,000	-	-	1,620,341	698,234	-	1,115,432	97,457	5,781,464
<b>Total disbursements</b>	<b>11,505,868</b>	<b>1,633,187</b>	<b>-</b>	<b>503,214</b>	<b>1,669,321</b>	<b>1,583,641</b>	<b>212,222</b>	<b>1,850,291</b>	<b>690,104</b>	<b>19,647,848</b>
Excess (deficiency) of total receipts over (under) total disbursements	78,699	304,646	299,930	61,291	(213,148)	253,440	60,787	1,049,709	(76,585)	1,818,769
Cash and investments - beginning	(175,350)	(224,681)	75,000	154,132	267,630	260,835	132,268	-	167,558	657,392
Cash and investments - ending	\$ (96,651)	\$ 79,965	\$ 374,930	\$ 215,423	\$ 54,482	\$ 514,275	\$ 193,055	\$ 1,049,709	\$ 90,973	\$ 2,476,161

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

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

	General	Transportation Operating	Rainy Day	School Lunch	Debt Service	Capital Projects	School Bus Replacement	Construction	Other	Totals
Receipts:										
Local sources	\$ 3,239,837	\$ 1,067,593	\$ -	\$ 314,481	\$ 1,780,501	\$ 1,385,711	\$ 129,429	\$ -	\$ 351,172	\$ 8,268,724
Intermediate sources	815	-	-	-	-	-	-	-	413	1,228
State sources	6,588,050	-	-	9,278	-	-	-	-	122,568	6,719,896
Federal sources	-	-	-	253,789	-	-	-	-	498,699	752,488
Bonds and loans	1,250,000	-	-	-	-	-	-	-	-	1,250,000
Sale of property, adjustments and refunds	-	1,279	-	1,726	-	11,653	-	-	4,051	18,709
Intergovernmental transfers	-	-	399,857	-	-	-	-	-	-	399,857
<b>Total receipts</b>	<b>11,078,702</b>	<b>1,068,872</b>	<b>399,857</b>	<b>579,274</b>	<b>1,780,501</b>	<b>1,397,364</b>	<b>129,429</b>	<b>-</b>	<b>976,903</b>	<b>17,410,902</b>
Disbursements:										
Current:										
Instruction	4,457,081	-	-	-	-	-	-	-	442,646	4,899,727
Support services	3,618,046	981,130	-	485,036	3,206	1,396,678	149,896	1,049,709	352,657	8,036,358
Community services	147,615	-	-	-	-	-	-	-	1,344	148,959
Nonprogrammed charges	956,416	102,665	-	-	149,990	135,952	11,250	-	-	1,356,273
Debt services	1,250,000	-	-	-	1,761,078	113,621	-	-	186,450	3,311,149
<b>Total disbursements</b>	<b>10,429,158</b>	<b>1,083,795</b>	<b>-</b>	<b>485,036</b>	<b>1,914,274</b>	<b>1,646,251</b>	<b>161,146</b>	<b>1,049,709</b>	<b>983,097</b>	<b>17,752,466</b>
Excess (deficiency) of total receipts over (under) total disbursements	649,544	(14,923)	399,857	94,238	(133,773)	(248,887)	(31,717)	(1,049,709)	(6,194)	(341,564)
Cash and investments - beginning	(96,651)	79,965	374,930	215,423	54,482	514,275	193,055	1,049,709	90,973	2,476,161
Cash and investments - ending	\$ 552,893	\$ 65,042	\$ 774,787	\$ 309,661	\$ (79,291)	\$ 265,388	\$ 161,338	\$ -	\$ 84,779	\$ 2,134,597

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

DELPHI COMMUNITY 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	\$ -	\$ 90,307
Bond and loans	<u>2,300,000</u>	<u>-</u>
Total additions	<u>2,300,000</u>	<u>90,307</u>
Deductions:		
Instruction	-	4,224
Support services	1,707,677	-
Nonprogrammed charges	<u>243,539</u>	<u>86,626</u>
Total deductions	<u>1,951,216</u>	<u>90,850</u>
Excess (deficiency) of total additions over (under) total deductions	348,784	(543)
Cash and investments - beginning	<u>-</u>	<u>673</u>
Cash and investments - ending	<u>\$ 348,784</u>	<u>\$ 130</u>

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

DELPHI COMMUNITY 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	\$ -	\$ 94,884
Deductions:		
Instruction	-	343
Support services	52,421	-
Nonprogrammed charges	-	3,678
Total deductions	52,421	4,021
Excess (deficiency) of total additions over (under) total deductions	(52,421)	90,863
Cash and investments - beginning	348,784	130
Cash and investments - ending	\$ 296,363	\$ 90,993

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

DELPHI COMMUNITY SCHOOL CORPORATION  
 STATEMENT OF CASH AND INVESTMENTS  
 FIDUCIARY FUNDS  
 June 30, 2005

<u>Assets</u>	Pension Trust Funds	Private-Purpose Trust Funds	Agency
Cash and investments	\$ 348,784	\$ 130	\$ 7,087
 <u>Net Assets</u>			
Held in trust for employee benefits and other purposes	\$ 348,784	\$ 130	

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

DELPHI COMMUNITY SCHOOL CORPORATION  
 STATEMENT OF CASH AND INVESTMENTS  
 FIDUCIARY FUNDS  
 June 30, 2006

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency</u>
Cash and investments	\$ 296,363	\$ 90,993	\$ -
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	<u>\$ 296,363</u>	<u>\$ 90,993</u>	

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

DELPHI COMMUNITY 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: Delphi Community 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 nine other school corporations in a joint venture to operate the Logansport Area Joint Special Services Cooperative (LAJSSC) which was created to provide education to handicapped students. The School Corporation is obligated by contract to remit its proportionate share annually to supplement the LAJSSC's budget. The LAJSSC pays its surplus to the participants. The LAJSSC's continued existence depends on continued funding by the School Corporation. Complete financial statements for the LAJSSC can be obtained from 1501 Meadowlawn Avenue, Logansport, IN 46947.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Cash and Investment and the Statement of Cash Activities displays 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.

DELPHI COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, 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 rainy day fund is to account for transfers of unused and unencumbered funds in accordance with Indiana Code 36-1-8-5 and a locally adopted resolution. The fund is subject to the same appropriation process as funds that receive tax money.

The school lunch fund accounts 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 accounts for the proceeds of debt financing and the costs of construction projects.

Additionally, the School Corporation reports the following fund types:

The pension trust funds account for the activities of the retirement/severance bond fund, 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 through the issuance of scholarships.

Agency funds account for assets held by the School Corporation as an agent for employees.

DELPHI COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 6 to 10 days per year. Unused sick leave may be accumulated to a maximum of 50 days (support staff) to unlimited days (for certified staff).

DELPHI COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 does not accumulate from year to year.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 1 to 3 days per year. Unused personal leave may be accumulated to a maximum of 5 days for certified employees. Any personal leave accumulated by noncertified employees in excess of 1 day is converted into sick leave.

4. Capital Assets

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

5. Long-Term Debt

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

6. Equity Classification

Government-Wide Statements

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

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

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

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. 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. Likewise, general receipts include all taxes.

DELPHI COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are reported as reimbursements.
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.

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.

DELPHI COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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:

Fund	2005	2006
General	\$ 96,651	\$ -
Textbook Rental	91,382	160,067
Adult Education	106	2,628
Drug Free Title IV-A	-	1,760
Debt Service	-	79,291
Retirement/Severance Bond Debt Service	2,087	-

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

III. Detailed Notes on All Funds

A. Deposits

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

B. Interfund Transfers

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

Transfer From	Transfer To	2005	2006
Other governmental	General Fund	\$ 243,539	\$ -
Other governmental	Other governmental	6,500	-
Debt Service	Rainy Day	48,980	149,990
Capital Projects	Rainy Day	123,463	135,952
Transportation Operating	Rainy Day	103,937	102,665
School Bus Replacement	Rainy Day	23,550	11,250
Totals		<u>\$ 549,969</u>	<u>\$ 399,857</u>

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

DELPHI COMMUNITY 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; 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; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); 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 Delphi Community 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 2005-2006 school year totaled \$695,000.

C. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

DELPHI COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Funding Policy and Annual Pension Cost

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

Actuarial Information for the Above Plan

		PERF
Annual required contribution	\$	35,766
Interest on net pension obligation		(11,281)
Adjustment to annual required contribution		12,856
Annual pension cost		37,341
Contributions made		59,098
Decrease in net pension obligation		(21,757)
Net pension obligation, beginning of year		(155,604)
Net pension obligation, end of year	\$	(177,361)
Contribution rates:		
School Corporation		5.25%
Plan members		3%
Actuarial valuation date		07-01-05
Actuarial cost method		Entry age
Amortization method		Level percentage of projected payroll, closed
Amortization period		40 years
Amortization period (from date)		07-01-97
Asset valuation method		75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

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

DELPHI COMMUNITY 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	06-30-03	\$ 58,656	111%	\$ (134,523)
	06-30-04	43,503	148%	(155,604)
	06-30-05	37,341	136%	(177,361)

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.

Plan members are required to contribute 3% of their salary and the School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 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 \$112,007, \$103,479, and \$98,761, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

DELPHI COMMUNITY SCHOOL CORPORATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 1,124,953	\$ 998,373	\$ 126,580	113%	\$ 1,081,694	12%
07-01-04	1,151,539	960,924	190,615	120%	1,015,776	19%
07-01-05	1,198,954	965,594	233,360	124%	971,592	24%

DELPHI COMMUNITY 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 and buildings	\$ 9,741,371
Improvements other than buildings	884,027
Machinery and equipment	<u>3,750,446</u>
 Total governmental activities, capital assets not being depreciated	 \$ <u><u>14,375,844</u></u>

DELPHI COMMUNITY SCHOOL CORPORATION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 June 30, 2006

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

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Delphi Community Multi School Building Corporation	\$ 4,895,000	\$ 725,000
Siemen's Energy Conservation	1,400,000	375,000
Notes and loans payable	750,000	750,000
Bonds payable:		
General obligations bonds:		
2005 Renovation bonds	1,530,000	595,000
2005 Pension bonds	2,200,000	80,000
Total governmental activities long-term debt	<u>\$ 10,775,000</u>	<u>\$ 2,525,000</u>

DELPHI COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

TRANSPORTATION FUND – RECORD OF HOURS WORKED

A portion of several employees' salaries were paid from the Transportation Fund. A record of hours worked for each employee for transportation services was not presented for audit.

Indiana Code 5-11-9-4(b) states in part: "records be maintained showing which hours were worked each day by officers and employees . . . employed . . . in more than one (1) position by the same public agency . . ."

Some positions have been formally established by boards of school trustees, through job description, duties assigned, title, salary schedules, etc., as transportation related (for example, Assistant Superintendent/ Transportation Director). We will not take audit exception, in these situations (other than positions excluded by statute), to direct transportation related employees having direct transportation related expenses being paid from the transportation fund if a cost allocation system based upon auditable statistics is established tracking costs attributable to the transportation program and therefore payable from the transportation fund. The use of time cards, time logs, or other means of accumulating auditable statistics upon which to base costs would have to be maintained. The time spent on such programs by persons serving in more than one program area must be specific if costs are to be separated. These costs cannot be accurately maintained on a percentage basis and requires the use of one of the methods mentioned above to provide auditable statistics and should cover all program areas in which a person serves or for which the service, materials, supplies, etc., are provided. (The School Administer and Uniform Compliance Guidelines, Volume 157)

OVERDRAWN CASH BALANCES

The cash balance of several funds was overdrawn at June 30, 2006.

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

DEPOSITS (Applies to Delphi Middle School and Delphi High School)

Textbook rental receipts at the Middle School and the High School were not always deposited within a reasonable time. Receipts, in some instances, were held for periods in excess of 14 days before depositing. Receipts, in some cases, accumulated to over \$8,000 before a deposit was made. A similar comment was in prior Report B24473.

Indiana Code 20-41-1-9 states in part: "receipts shall be deposited without unreasonable delay."

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE DELPHI COMMUNITY SCHOOL  
CORPORATION, CARROLL COUNTY, INDIANA

Compliance

We have audited the compliance of the Delphi Community 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

January 11, 2007

DELPHI COMMUNITY 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>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 11,069	\$ 56,884
National School Lunch Program	10.555		256,778	220,855
Special Milk Program for Children	10.556		<u>1,808</u>	<u>1,236</u>
Total for child nutrition cluster			269,655	278,975
Direct Grant:				
Secondary and two-year postsecondary agriculture education challenge grants	10.226	2005-02728	<u>-</u>	<u>23,444</u>
Total for federal grantor agency			<u>269,655</u>	<u>302,419</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies	84.010			
		05-0755	207,423	1,644
		06-0755	<u>427</u>	<u>207,020</u>
Total for program			<u>207,850</u>	<u>208,664</u>
Migrant Education - State Grant Program	84.011			
		FY 03-04/RM-17	33,113	-
		FY 05-06/RM-1	<u>-</u>	<u>34,510</u>
Total for program			<u>33,113</u>	<u>34,510</u>
Pass-Through Twin Lakes School Corporation				
Vocational Education-Basic Grants to States	84.048			
		04-0755	10,174	1,945
		05-0755	-	5,500
		06-0755	<u>-</u>	<u>22,761</u>
Total for program			<u>10,174</u>	<u>30,206</u>
Pass-Through Indiana Department of Education				
Safe and Drug Free Schools and Communities-State Grants	84.186			
		01-358	4,875	35
		02-060	4,715	-
		03-111	4,875	35
		04-178	-	4,207
		05-086	<u>6,309</u>	<u>3,760</u>
Total for program			<u>20,774</u>	<u>8,037</u>

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

DELPHI COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2005 and 2006  
(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 06-30-05	Total Federal Awards Expended 06-30-06
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through Indiana Department of Workforce Development Tech-Prep Education	84.243	TP-5-61 (DWD)	689 <u>199</u>	23,221 <u>3,504</u>
Total for program			<u>888</u>	<u>26,725</u>
Pass-Through Indiana Department of Education State Grants for Innovative Programs	84.298	03-061 04-031 05-039	3,511 10,744 <u>-</u>	- 590 <u>5,765</u>
Total for program			<u>14,255</u>	<u>6,355</u>
Educational Technology State Grants	84.318	2004-05	<u>8,301</u>	<u>4,992</u>
English Language Acquisition Grants	84.365	FY 05 FY 06	12,682 <u>-</u>	- <u>20,903</u>
Total for program			<u>12,682</u>	<u>20,903</u>
Improving Teacher Quality State Grants	84.367	03-160 04-161	71,727 <u>1,004</u>	- <u>69,964</u>
Total for program			<u>72,731</u>	<u>69,964</u>
Total for federal grantor agency			<u>380,768</u>	<u>410,356</u>
Total federal awards expended			<u>\$ 650,423</u>	<u>\$ 712,775</u>

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

DELPHI COMMUNITY 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 Delphi Community School Corporation (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

II. Noncash Assistance

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

Program Title	Federal CFDA Number	2004-2005	2005-2006
School Breakfast Program	11.553	\$ 1,203	\$ 5,215
National School Lunch Program	11.555	23,989	19,971

DELPHI COMMUNITY 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:

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

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

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

DELPHI COMMUNITY SCHOOL CORPORATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

DELPHI COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on January 11, 2007, with Ralph L. Walker, Superintendent of Schools; Sharon Handlin, Treasurer; Robert Resler, President of the School Board; and Deborah L. Farrell, Assistant Treasurer. The officials concurred with our audit findings.