

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

AUDIT REPORT

OF

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT

DEKALB COUNTY, INDIANA

July 1, 2004 to June 30, 2006



**FILED**  
02/15/2007



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Angela M. Lockwood	07-01-04 to 06-30-07
Superintendent of Schools	Kenneth E. Fowble	07-01-04 to 06-30-07
President of the School Board	James A. Miller Rob M. Miller	07-01-04 to 06-30-05 07-01-05 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 DEKALB COUNTY CENTRAL UNITED  
SCHOOL DISTRICT, DEKALB COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the DeKalb County Central United School District (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 25, 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, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

STATE BOARD OF ACCOUNTS

January 25, 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 DEKALB COUNTY CENTRAL UNITED  
SCHOOL DISTRICT, DEKALB COUNTY, INDIANA

We have audited the financial statements of the DeKalb County Central United School District (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated January 25, 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 25, 2007

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT  
STATEMENT OF CASH AND INVESTMENTS  
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 4,739,586
Restricted assets:	
Cash and investments	<u>781,116</u>
Total assets	<u>\$ 5,520,702</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 781,116
Unrestricted	<u>4,739,586</u>
Total net assets	<u>\$ 5,520,702</u>

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

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT  
STATEMENT OF CASH AND INVESTMENTS  
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 3,664,209
Restricted assets:	
Cash and investments	<u>570,995</u>
Total assets	<u>\$ 4,235,204</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 570,995
Unrestricted	<u>3,664,209</u>
Total net assets	<u>\$ 4,235,204</u>

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

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT  
STATEMENT OF CASH ACTIVITIES  
For the Year Ended June 30, 2005

Functions/Programs	Disbursements	Program Receipts		Net Disbursements
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 12,837,851	\$ -	\$ 217,211	\$ (12,620,640)
Support services	16,263,530	1,192,896	532,394	(14,538,240)
Community services	65,114	-	-	(65,114)
Nonprogrammed charges	899,934	-	-	(899,934)
Debt service	15,236,741	-	-	(15,236,741)
Total governmental activities	\$ 45,303,170	\$ 1,192,896	\$ 749,605	(43,360,669)
General receipts:				
Property taxes				17,684,537
Other local sources				4,277,056
State aid				13,734,988
Grants and contributions not restricted				577,757
Bonds and loans				6,395,817
Sale of property, adjustments, and refunds				187,998
Investment earnings				63,781
Intergovernmental transfers				745,861
				Total general receipts and intergovernmental transfers
				43,667,795
				Change in cash and investments
				307,126
				Net assets - beginning
				5,213,576
				Net assets - ending
				\$ 5,520,702

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

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT  
STATEMENT OF CASH ACTIVITIES  
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts		Net Disbursements
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 12,679,811	\$ -	\$ 145,507	\$ (12,534,304)
Support services	17,736,515	1,191,195	545,026	(16,000,294)
Community services	91,221	-	-	(91,221)
Nonprogrammed charges	1,205,821	-	-	(1,205,821)
Debt service	9,936,101	-	-	(9,936,101)
Total governmental activities	\$ 41,649,469	\$ 1,191,195	\$ 690,533	(39,767,741)
General receipts:				
Property taxes				16,389,995
Other local sources				3,791,639
State aid				14,756,190
Grants and contributions not restricted				908,971
Bonds and loans				1,835,659
Sale of property, adjustments, and refunds				331,822
Investment earnings				187,855
Intergovernmental transfers				280,112
				Total general receipts and intergovernmental transfers
				38,482,243
				Change in cash and investments
				(1,285,498)
				Net assets - beginning
				5,520,702
				Net assets - ending
				\$ 4,235,204

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

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT  
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
<b>Receipts:</b>							
Local sources	\$ 10,643,872	\$ 1,770,500	\$ 5,928,416	\$ 2,699,982	\$ 467,826	\$ 2,040,488	\$ 23,551,084
Intermediate sources	6	-	-	-	-	-	6
State sources	13,934,097	-	-	-	-	226,551	14,160,648
Federal sources	-	-	-	-	-	901,702	901,702
Bonds and loans	6,195,817	-	-	-	-	200,000	6,395,817
Sale of property, adjustments and refunds	6,873	1,138	-	135,383	-	13,220	156,614
Intergovernmental transfers	80,443	172,154	-	-	-	156,165	408,762
<b>Total receipts</b>	<u>30,861,108</u>	<u>1,943,792</u>	<u>5,928,416</u>	<u>2,835,365</u>	<u>467,826</u>	<u>3,538,126</u>	<u>45,574,633</u>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	11,706,592	-	-	-	-	1,131,259	12,837,851
Support services	10,079,806	1,845,144	-	2,251,149	33,752	1,982,690	16,192,541
Community services	60,117	-	-	-	-	4,997	65,114
Nonprogrammed charges	538,306	-	92,154	83,344	-	186,130	899,934
Debt services	8,152,886	957,968	5,704,064	282,930	-	138,893	15,236,741
<b>Total disbursements</b>	<u>30,537,707</u>	<u>2,803,112</u>	<u>5,796,218</u>	<u>2,617,423</u>	<u>33,752</u>	<u>3,443,969</u>	<u>45,232,181</u>
Excess (deficiency) of total receipts over (under) total disbursements	323,401	(859,320)	132,198	217,942	434,074	94,157	342,452
Cash and investments - beginning	2,632,400	405,978	786,629	156,219	(227,294)	1,306,573	5,060,505
Cash and investments - ending	<u>\$ 2,955,801</u>	<u>\$ (453,342)</u>	<u>\$ 918,827</u>	<u>\$ 374,161</u>	<u>\$ 206,780</u>	<u>\$ 1,400,730</u>	<u>\$ 5,402,957</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	\$ 342,452
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>(35,326)</u>
Change in cash and investments of governmental activities	<u>\$ 307,126</u>

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT  
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
<b>Receipts:</b>							
Local sources	\$ 9,072,900	\$ 1,515,872	\$ 5,455,961	\$ 2,333,200	\$ 248,223	\$ 2,920,347	\$ 21,546,503
Intermediate sources	305	-	-	-	-	-	305
State sources	14,883,718	-	-	-	-	365,968	15,249,686
Federal sources	-	-	-	-	-	1,106,009	1,106,009
Bonds and loans	820,452	765,207	-	-	-	250,000	1,835,659
Sale of property, adjustments and refunds	10,392	120	-	170,872	-	38,764	220,148
Intergovernmental transfers	55,018	46,077	-	-	-	179,016	280,111
<b>Total receipts</b>	<u>24,842,785</u>	<u>2,327,276</u>	<u>5,455,961</u>	<u>2,504,072</u>	<u>248,223</u>	<u>4,860,103</u>	<u>40,238,421</u>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	11,634,128	-	-	-	-	1,045,683	12,679,811
Support services	10,827,743	1,713,247	97,493	2,454,396	652,933	2,073,672	17,819,484
Community services	75,152	-	-	-	-	16,069	91,221
Nonprogrammed charges	614,968	-	46,077	3,443	-	541,332	1,205,820
Debt services	3,617,661	234,144	5,566,059	260,497	-	257,740	9,936,101
<b>Total disbursements</b>	<u>26,769,652</u>	<u>1,947,391</u>	<u>5,709,629</u>	<u>2,718,336</u>	<u>652,933</u>	<u>3,934,496</u>	<u>41,732,437</u>
Excess (deficiency) of total receipts over (under) total disbursements	(1,926,867)	379,885	(253,668)	(214,264)	(404,710)	925,607	(1,494,017)
Cash and investments - beginning	2,955,801	(453,342)	918,827	374,161	206,780	1,400,730	5,402,957
Cash and investments - ending	<u>\$ 1,028,934</u>	<u>\$ (73,457)</u>	<u>\$ 665,159</u>	<u>\$ 159,897</u>	<u>\$ (197,930)</u>	<u>\$ 2,326,337</u>	<u>\$ 3,908,940</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	\$ (1,494,017)
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>208,519</u>
Change in cash and investments of governmental activities	<u>\$ (1,285,498)</u>

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH AND INVESTMENTS  
PROPRIETARY FUND  
For The Year Ended June 30, 2005

	<u>Internal Service Fund</u>
Receipts:	
Local sources	\$ 2,644,405
Sale of property, adjustments and refunds	<u>31,384</u>
Total receipts	<u>2,675,789</u>
Disbursements:	
Support services	<u>2,711,115</u>
Changes in cash and investments	(35,326)
Cash and investments - beginning	<u>153,071</u>
Cash and investments - ending	<u><u>\$ 117,745</u></u>

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

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT  
 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	\$ 3,187,380
Sale of property, adjustments and refunds	<u>111,674</u>
Total receipts	<u>3,299,054</u>
Disbursements:	
Support services	<u>3,090,535</u>
Changes in cash and investments	208,519
Cash and investments - beginning	<u>117,745</u>
Cash and investments - ending	<u><u>\$ 326,264</u></u>

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

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH AND INVESTMENTS  
FIDUCIARY FUNDS  
For The Year Ended June 30, 2005

	<u>Pension Trust Funds</u>
Additions:	
Local sources	\$ 36,710
Bonds and loans	<u>6,119,250</u>
Total additions	<u>6,155,960</u>
Deductions:	
Support services	519,162
Debt services	<u>13,860</u>
Total deductions	<u>533,022</u>
Excess of total additions over total deductions	5,622,938
Cash and investments - beginning	<u>-</u>
Cash and investments - ending	<u>\$ 5,622,938</u>

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

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT  
 STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CHANGES IN CASH AND INVESTMENTS  
 FIDUCIARY FUNDS  
 For The Year Ended June 30, 2006

	<u>Pension Trust Funds</u>
Additions:	
Local sources	\$ 149,582
Deductions:	
Support services	<u>1,552,146</u>
Deficiency of total additions under total deductions	(1,402,564)
Cash and investments - beginning	<u>5,622,938</u>
Cash and investments - ending	<u><u>\$ 4,220,374</u></u>

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

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT  
 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	<u>\$ 5,622,938</u>	<u>\$ 33,074</u>
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	<u>\$ 5,622,938</u>	

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

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT  
 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	<u>\$ 4,220,374</u>	<u>\$ 37,203</u>
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	<u>\$ 4,220,374</u>	

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

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT  
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.

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

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

Joint Ventures

The School Corporation is a participant with other interested School Corporations in DeKalb, LaGrange, Noble, and Steuben Counties, in a joint venture to operate the Four County Area Vocational Cooperative (Co-op) which was created to provide vocational instruction for children. The School Corporation is obligated by contract to remit a proportionate share of annual costs to supplement the Co-op. Complete financial statements for the Co-op can be obtained from the Garrett-Keyser-Butler School Corporation, 801 Houston Street, Garrett, Indiana, 46738.

The School Corporation is a participant with other interested School Corporations in DeKalb, LaGrange, Noble, and Steuben Counties in a joint venture to operate the Northeast Indiana Special Education Cooperative (Co-op) which was created to provide programs and services for children with exceptional needs. The School Corporation is obligated by contract to remit a proportionate share of annual costs to supplement the Co-op. Complete financial statements for the Co-op can be obtained from DeKalb County Eastern Community School Corporation, 300 East Washington Street, Butler, Indiana, 46721.

The School Corporation is a participant with interested school corporations in DeKalb County in a joint venture to operate an Alternative School. The Alternative School was created to serve students who are not successful in the traditional high school structure. The joint venture's continued existence depends on continued funding by the School Corporation. The School Corporation is the administrator for the Alternative School. The Alternative School's financial records are accounted for on the records of the School Corporation.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. However, there are no business-type activities to report at this time.

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT  
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 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 health insurance provided to other departments on a cost-reimbursement basis.

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

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

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

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

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.

3. Compensated Absences

a. Sick Leave

Certified personnel (teachers) are authorized 10 days per school year. These days are cumulative to a total of 185 days. Administrators are authorized 12 days each year. These days are cumulative up to the number of contracted days, 200-240 days, depending on the position. Noncertified personnel are authorized 8 to 10 days per year depending upon the position. These days are cumulative to a total of 110-130 days. Accumulated sick leave is not paid to employees through cash payments upon termination unless they have been employed at least 15 years and then only at a pro-rated amount based on length of employment.

b. Vacation Leave

Administrative employees on 12-month contracts are authorized 15 days annually. Noncertified School Corporation employees earn vacation leave at rates from 5 days to 15 days per school year based upon the number of years of service. Vacation leave does not accumulate from year to year.

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

c. Personal Leave

Administrators and certified personnel are authorized 3 days per school year. Noncertified personnel are authorized 2 to 4 days per school year depending on the position. Personal leave does not accumulate from year to year and any unused personal leave at year end becomes sick leave.

2. 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.

3. 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.

4. Equity Classification

Government-Wide Statements

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

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

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

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts and Disbursements

Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, 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.

F. Internal and Interfund Balances and Activities

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

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are 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 Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied 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.

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT  
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 state statute:

Fund	2005	2006
Transportation Operating	\$ 453,342	\$ 73,458
School Bus Replacement	-	197,931
School Pension Debt Service	137,711	94,165

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 and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. At June 30, 2006, the bank balances held at National City Bank and Wells Fargo Bank in the amounts of \$2,820,000 and \$1,006,585, respectively, were collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-School Corporation's name. The remaining bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of June 30, 2006, the School Corporation had the following investments:

Investment Type	Primary Government Market Value
Repurchase Agreements	\$ 3,826,585

Investment Policies

Indiana Code 5-13-9 authorizes the School Corporation to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

government sponsored enterprise. Indiana Code also authorizes the unit to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

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

Additionally, the School Corporation may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The School Corporation does not have a formal investment policy for custodial credit risk for investments. At June 30, 2006, the School Corporation held investments in repurchase agreements in the amount of \$3,826,585. Of these investments \$3,826,585 were held by the counterparty's trust department or agent but not in the School Corporation's name.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School Corporation must follow state statute and limit the stated final maturities of the investments to no more than two years.

Investment Type	Investment Maturities (in Years)		
	Less Than 1	1-2	More Than 2
Repurchase Agreements	\$ 3,826,585	\$ -	\$ -

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Interfund Transfers

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

Transfer From	Transfer To	2005	2006
General Fund	Other governmental	\$ 100,000	\$ 130,000
Capital Projects	General Fund	3,344	3,443
Capital Projects	Transportation Operating	80,000	-
Debt Service	Transportation Operating	92,154	46,077
Other governmental	General Fund	31,532	15,502
	Other governmental	19,870	12,729
		<u>\$ 326,900</u>	<u>\$ 207,751</u>
Totals			

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

Medical Benefits to Employees

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 DeKalb Health 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 \$100,000 per plan year. In addition, the insurance company assumes the risk when the total claims per plan year exceed a predetermined aggregate amount. In 2006, this aggregate amount was \$2,317,861. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Premiums are paid into the fund by all insured funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based primarily upon the insured funds' number of employees.

B. Holding Corporations

The School Corporation has entered into a capital leases with DeKalb Central Building Corporation, DeKalb Central Elementary School Building Corporation and DeKalb Central Remodeling Building Corporation (the lessors). The lessors were organized as not-for-profit corporations pursuant to state

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessors have been determined to be a related party of the School Corporation. Lease payments during the audit period totaled \$1,081,550, \$4,982,428, and \$3,856,056, respectively.

C. Subsequent Events

On December 20, 2006, bonds in the amount of \$18,140,000 were issued through the DeKalb County Central High School Renovation Building Corporation for the purpose of funding renovations at DeKalb High School.

D. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55 with at least 15 years of service. Currently, 25 retirees meet these eligibility requirements. The School Corporation provides 100% (retiree pays \$1) 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 \$94,539 were recognized for postemployment benefits.

E. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT  
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	\$ 282,615
Interest on net pension obligation	(14,120)
Adjustment to annual required contribution	16,091
Annual pension cost	284,586
Contributions made	307,336
Decrease in net pension obligation	(22,750)
Net pension obligation, beginning of year	(194,757)
Net pension obligation, end of year	\$ (217,507)
Contribution rates:	
School Corporation	6.75%
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%

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 275,187	95%	\$ (148,495)
	06-30-04	239,096	119%	(194,757)
	06-30-05	284,586	129%	(217,507)

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

Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Costs

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2004, 2005, and 2006, were \$290,929, \$335,712, and \$385,566, respectively. The School Corporation actually contributed 100% of the required contributions for each of the fiscal years.

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 4,212,312	\$ 4,734,128	\$ (521,816)	89%	\$ 3,986,455	(13%)
07-01-04	4,330,914	5,194,816	(863,902)	83%	4,173,164	(21%)
07-01-05	4,577,030	5,767,740	(1,190,710)	79%	4,489,970	(27%)

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT  
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 cost. Contributed or donated assets are reported at estimated fair value at the time received.

The school corporation does not have any infrastructure assets.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 533,500
Buildings	35,586,903
Improvements other than buildings	4,606,075
Machinery and equipment	<u>6,567,321</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 47,293,799</u>

DEKALB COUNTY CENTAL UNITED SCHOOL DISTRICT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT

June 30, 2006

Description of Debt	Ending Balance	Due Within One Year
<u>Capital leases:</u>		
DeKalb High School and Country Meadow Elementary School	\$ 10,985,000	\$ 2,340,000
DeKalb Middle School and Waterloo Elementary School	5,635,000	1,770,000
Computers 102094000003	71,069	71,069
Computers 102094000004	28,049	10,786
Computers 102094000005	44,097	16,956
Guaranteed energy savings contract	386,214	156,460
<u>Bonds payable:</u>		
General obligation bonds:		
Pension bonds of 2004	6,150,000	560,000
Temporary loans	<u>1,067,671</u>	<u>1,067,671</u>
Total governmental activities long-term debt	<u>\$ 24,367,100</u>	<u>\$ 5,992,942</u>

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT  
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCES

The cash balances of the Transportation Operating Fund, School Bus Replacement Fund and School Pension Debt Service Fund were overdrawn during the audit period.

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 Indiana Public School Corporations, Chapter 9)

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 DEKALB COUNTY CENTRAL UNITED  
SCHOOL DISTRICT, DEKALB COUNTY, INDIANA

Compliance

We have audited the compliance of the DeKalb County Central United School District (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 25, 2007

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT  
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
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 43,842	\$ 59,878
National School Lunch Program	10.555		<u>471,048</u>	<u>485,824</u>
Total for federal grantor agency			<u>514,890</u>	<u>545,702</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies	84.010			
		04-1835	55,383	-
		05-1835	239,468	58,551
		06-1835	<u>-</u>	<u>255,259</u>
Total for program			<u>294,851</u>	<u>313,810</u>
Safe and Drug Free Schools and Communities	84.186			
		03-156	14,828	-
		04-059	5,000	296
		05-118	<u>-</u>	<u>5,499</u>
Total for program			<u>19,828</u>	<u>5,795</u>
Innovative Education Program Strategies	84.298			
		02-159	2,510	-
		03-210	23,720	2,975
		04-174	<u>-</u>	<u>14,834</u>
Total for program			<u>26,230</u>	<u>17,809</u>
Education Technology State Grants	84.318			
		03-04	3,288	2,811
		04-05	-	6,950
		05-06	<u>-</u>	<u>4,601</u>
Total for program			<u>3,288</u>	<u>14,362</u>
Comprehensive School Reform Demonstration	84.332			
			<u>-</u>	<u>237,416</u>
Reading Excellence	84.338			
			<u>107,732</u>	<u>-</u>
Preparing, Training, and Recruiting High-Quality Teachers and Principals	84.367			
		03-253	70,751	2,884
		04-164	28,319	82,370
		05-093	<u>-</u>	<u>2,688</u>
Total for program			<u>99,070</u>	<u>87,942</u>
Total for federal grantor agency			<u>550,999</u>	<u>677,134</u>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>				
Pass-Through Indiana Department of Education				
Serve America	94.004			
		04-05	3,544	456
		05-06	<u>-</u>	<u>6,363</u>
Total for federal grantor agency			<u>3,544</u>	<u>6,819</u>
Total federal awards expended			<u>\$ 1,069,433</u>	<u>\$ 1,229,655</u>

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

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT  
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 DeKalb County Central United School District (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	2005	2006
National School Lunch Program	10.555	\$ 103,956	\$ 64,101

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT  
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.

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on January 25, 2007, with Rob M. Miller, President of the School Board; Kenneth E. Fowble, Superintendent of Schools; and Angela M. Lockwood, Treasurer. The officials concurred with our audit findings.