

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

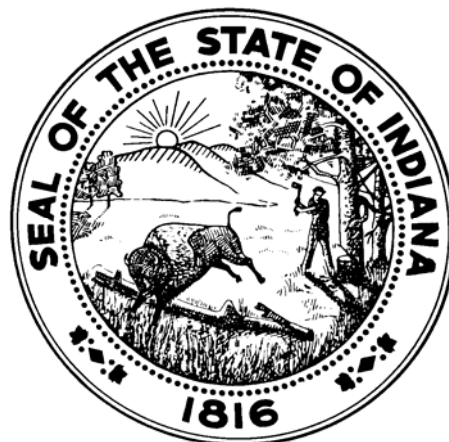
AUDIT REPORT

OF

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT

DEKALB COUNTY, INDIANA

July 1, 2004 to June 30, 2006



**FILED**

02/16/2007



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Monte S. Van Gessel Pam Good	07-01-04 to 01-12-07 01-15-07 to 06-30-07
Superintendent of Schools	Alan C. Middleton	07-01-04 to 06-30-07
President of the School Board	Suzanne M. Stafford Jerry Weller	07-01-04 to 06-30-05 07-01-06 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 GARRETT-KEYSER-BUTLER COMMUNITY  
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 Garrett-Keyser-Butler Community 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 22, 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.

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

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

The 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 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 22, 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 GARRETT-KEYSER-BUTLER COMMUNITY  
SCHOOL DISTRICT, DEKALB COUNTY, INDIANA

We have audited the financial statements of the Garrett-Keyser-Butler Community School District (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated January 22, 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 22, 2007

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH AND INVESTMENTS  
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 174,479
Restricted assets:	
Cash and investments	<u>368</u>
Total assets	<u>\$ 174,847</u>
<u>Net Assets</u>	
Restricted for:	
Debt service	\$ 368
Unrestricted	<u>174,479</u>
Total net assets	<u>\$ 174,847</u>

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



GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH AND INVESTMENTS  
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 410,178
Restricted assets:	
Cash and investments	<u>(61,212)</u>
Total assets	<u>\$ 348,966</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ (61,212)
Unrestricted	<u>410,178</u>
Total net assets	<u>\$ 348,966</u>

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

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT  
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	\$ 7,548,981	\$ -	\$ 57,981	\$ (7,491,000)
Support services	8,260,333	421,705	300,307	(7,538,321)
Community services	150,968	-	-	(150,968)
Nonprogrammed charges	862,219	-	-	(862,219)
Debt service	6,947,835	-	-	(6,947,835)
<b>Total governmental activities</b>	<b>\$ 23,770,336</b>	<b>\$ 421,705</b>	<b>\$ 358,288</b>	<b>(22,990,343)</b>
General receipts:				
Property taxes				6,080,999
Other local sources				2,082,584
State aid				6,549,112
Grants and contributions not restricted				2,211,342
Bonds and loans				4,050,000
Sale of property, adjustments, and refunds				462,652
Investment earnings				16,170
Transfers:				
Intergovernmental				1,430,379
				<u>22,883,238</u>
				Change in cash and investments (107,105)
				<u>Net assets - beginning 281,952</u>
				<u><u>Net assets - ending \$ 174,847</u></u>

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

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT  
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	\$ 7,949,548	\$ -	\$ 69,156	\$ (7,880,392)
Support services	8,424,537	411,250	349,475	(7,663,812)
Community services	157,969	-	-	(157,969)
Nonprogrammed charges	552,118	-	-	(552,118)
Debt service	<u>3,894,511</u>	<u>-</u>	<u>-</u>	<u>(3,894,511)</u>
Total governmental activities	<u>\$ 20,978,683</u>	<u>\$ 411,250</u>	<u>\$ 418,631</u>	<u>(20,148,802)</u>
General receipts:				
Property taxes				5,407,747
Other local sources				1,520,198
State aid				6,955,267
Grants and contributions not restricted				2,117,219
Bonds and loans				2,475,000
Sale of property, adjustments, and refunds				94,752
Investment earnings				41,733
Transfers:				
Intergovernmental				<u>1,711,005</u>
Total general receipts and transfers				<u>20,322,921</u>
Change in cash and investments				174,119
Net assets - beginning				<u>174,847</u>
Net assets - ending				<u>\$ 348,966</u>

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

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended June 30, 2005

	General	Transportation Operating	School Lunch	Debt Service	Retirement/ Severance Debt Service	Capital Projects	School Bus Replacement	Other	Totals
<b>Receipts:</b>									
Local sources	\$ 3,484,185	\$ 636,670	\$ 349,933	\$ 1,868,319	\$ 165,797	\$ 1,009,482	\$ 71,471	\$ 1,015,062	\$ 8,600,919
Intermediate sources	67	-	-	-	-	-	-	469	536
State sources	6,525,258	-	11,255	-	-	-	-	385,803	6,922,316
Federal sources	-	-	237,670	-	-	-	-	1,958,757	2,196,427
Bonds and loans	3,365,300	115,000	-	340,000	80,700	139,000	10,000	-	4,050,000
Sale of property, adjustments and refunds	131,964	97,285	360	-	-	1,841	-	231,204	462,654
Intergovernmental transfers	-	-	-	-	-	-	-	1,430,379	1,430,379
<b>Total receipts</b>	<b>13,506,774</b>	<b>848,955</b>	<b>599,218</b>	<b>2,208,319</b>	<b>246,497</b>	<b>1,150,323</b>	<b>81,471</b>	<b>5,021,674</b>	<b>23,663,231</b>
<b>Disbursements:</b>									
<b>Current:</b>									
Instruction	4,516,882	-	-	-	-	-	-	3,032,099	7,548,981
Support services	4,556,603	588,691	610,263	-	-	906,855	36,954	1,560,967	8,260,333
Community services	140,109	-	-	-	-	-	-	10,859	150,968
Nonprogrammed charges	297,634	220	-	94,959	70	365	25	468,946	862,219
Debt services	4,175,000	135,000	-	2,206,130	166,705	265,000	-	-	6,947,835
<b>Total disbursements</b>	<b>13,686,228</b>	<b>723,911</b>	<b>610,263</b>	<b>2,301,089</b>	<b>166,775</b>	<b>1,172,220</b>	<b>36,979</b>	<b>5,072,871</b>	<b>23,770,336</b>
Excess (deficiency) of total receipts over (under) total disbursements	(179,454)	125,044	(11,045)	(92,770)	79,722	(21,897)	44,492	(51,197)	(107,105)
Cash and investments - beginning	(271,871)	(125,014)	67,173	93,131	(79,715)	22,360	(44,511)	620,399	281,952
Cash and investments - ending	\$ (451,325)	\$ 30	\$ 56,128	\$ 361	\$ 7	\$ 463	\$ (19)	\$ 569,202	\$ 174,847

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

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended June 30, 2006

	General	Transportation Operating	School Lunch	Debt Service	Retirement/ Severance Debt Service	Capital Projects	School Bus Replacement	Other	Totals
<b>Receipts:</b>									
Local sources	\$ 3,137,052	\$ 554,204	\$ 331,317	\$ 1,517,942	\$ 196,217	\$ 681,535	\$ 65,641	\$ 896,510	\$ 7,380,418
Intermediate sources	134	-	-	-	-	-	-	375	509
State sources	6,907,398	-	10,948	-	-	-	-	229,090	7,147,436
Federal sources	6,750	-	261,009	-	-	-	-	2,075,921	2,343,680
Bonds and loans	2,234,000	-	-	241,000	-	-	-	-	2,475,000
Sale of property, adjustments and refunds	37,388	18,492	1,711	-	-	145	-	37,018	94,754
Intergovernmental transfers	-	-	-	-	-	-	-	1,711,005	1,711,005
<b>Total receipts</b>	<b>12,322,722</b>	<b>572,696</b>	<b>604,985</b>	<b>1,758,942</b>	<b>196,217</b>	<b>681,680</b>	<b>65,641</b>	<b>4,949,919</b>	<b>21,152,802</b>
<b>Disbursements:</b>									
<b>Current:</b>									
Instruction	4,894,278	-	-	-	-	-	-	3,055,270	7,949,548
Support services	4,969,465	609,061	628,747	-	-	600,728	76,114	1,540,422	8,424,537
Community services	149,663	-	-	-	-	-	-	8,306	157,969
Nonprogrammed charges	279,938	-	-	26,528	-	-	-	245,652	552,118
Debt services	1,640,300	115,000	-	1,732,431	257,780	139,000	10,000	-	3,894,511
<b>Total disbursements</b>	<b>11,933,644</b>	<b>724,061</b>	<b>628,747</b>	<b>1,758,959</b>	<b>257,780</b>	<b>739,728</b>	<b>86,114</b>	<b>4,849,650</b>	<b>20,978,683</b>
Excess (deficiency) of total receipts over (under) total disbursements	389,078	(151,365)	(23,762)	(17)	(61,563)	(58,048)	(20,473)	100,269	174,119
Cash and investments - beginning	(451,325)	30	56,128	361	7	463	(19)	569,202	174,847
Cash and investments - ending	\$ (62,247)	\$ (151,335)	\$ 32,366	\$ 344	\$ (61,556)	\$ (57,585)	\$ (20,492)	\$ 669,471	\$ 348,966

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

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH AND INVESTMENTS  
FIDUCIARY FUND  
For The Year Ended June 30, 2005

	<u>Pension Trust Funds</u>
Deductions:	
Support services	\$ <u>120,588</u>
Deficiency of total additions under total deductions	(120,588)
Cash and investments - beginning	<u>239,769</u>
Cash and investments - ending	<u>\$ 119,181</u>

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

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH AND INVESTMENTS  
FIDUCIARY FUND  
For The Year Ended June 30, 2006

	Pension Trust Funds
Deductions:	
Support services	\$ 119,181
Deficiency of total additions	
Under total deductions	(119,181)
Cash and investments - beginning	119,181
Cash and investments - ending	\$ -

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

GARRETT-KEYSER-BUTLER COMMUNITY 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	\$ 119,181	\$ 10,732
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ 119,181	

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



GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH AND INVESTMENTS  
FIDUCIARY FUNDS  
June 30, 2006

<u>Assets</u>	<u>Agency Funds</u>
Cash and investments	<u>\$ 11,013</u>

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

GARRETT-KEYSER-BUTLER COMMUNITY 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.

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

Primary Government

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 an amount annually to supplement the Co-op. The School Corporation is the administrator for the Co-op. The Co-op's financial transactions are accounted for in several special revenue funds on the records of the School Corporation.

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 an amount annually to supplement the Co-op. Complete financial statements for the Co-op can be obtained from DeKalb Eastern Community School District, 300 East Washington Street, Butler, IN 46721.

Related Organizations

The School Corporation's officials are also responsible for appointing the members of the boards of other organizations, but the School Corporation's accountability for these organizations does not extend beyond making the appointments. The School Corporation appoints the board members of the Garrett Public Library.

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

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

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 proprietary funds.

The School Corporation reports the following major governmental funds:

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

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

The school lunch fund accounts for receipts and disbursements concerning the school lunch 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 retirement/severance debt service fund accounts for repayment of debt to finance retirement/severance benefits.

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 pension trust fund accounts for receipts and disbursements concerning retirement/severance benefits as was previously authorized by statute. This fund was eliminated during the audit period.

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

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

3. Compensated Absences

a. Sick Leave

Certified School Corporation employees earn sick leave at the rate of 10 days for the first year of employment and from 7 to 9 days for each succeeding year based upon the number of sick days accumulated. Unused sick leave may be accumulated to a maximum of 210 days.

Noncertified School Corporation employees earn sick leave at the rate of 10 days for the first year of employment and 7 days for each succeeding year. Unused sick leave may be accumulated to a maximum of 150 days. Accumulated sick leave is paid to employees through cash payments at a rate of \$30 per day upon retirement.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 10 days to 20 days per year based upon the number of years of service. One year of vacation leave may be carried forward to the next year. Accumulated vacation leave is paid to employees through cash payments upon retirement.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 2 days per year. Unused personal days are paid out in June of each year.

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 (bonds and loans) 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."

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

Fund Financial Statements

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

E. Receipts and Disbursements

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.

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:

1. 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.

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Primary government and component unit activity and balances – Resource flows between the primary government and the discretely-presented component unit are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

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, approves the budget for the next year. Copies of the budget resolution and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

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

B. Cash and Investment Balance Deficits

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

Fund	2004	2005
General	\$ (451,325)	\$ (62,247)
Transportation operating	-	(131,335)
Retirement debt service	-	(61,556)
Capital projects	-	(57,585)
School bus replacement	(19)	(20,492)
Textbook rental	(84,905)	(115,695)
Vocational carryover	(405,547)	(540,500)
Vocational administration 2004	(82,480)	(72,444)
Adult and continuing education	(21,496)	(19,658)
Vocational administration 2005	-	(66,115)
Building trades houses	-	(132,662)

Cash and investment deficits arose primarily because of the underestimate of current requirements.

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

III. Detailed Notes on All Funds

Deposits and Investments

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.

IV. Other Information

A. Risk Management

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

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

B. Holding Corporation

The School Corporation has entered into a capital lease with Garrett-Keyser-Butler 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 years ended June 30, 2005 and 2006, totaled \$2,129,880 and \$1,337,668 respectively.

C. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plan

a. 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



GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Cost

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

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 125,823
Interest on net pension obligation	(12,350)
Adjustment to annual required contribution	14,074
Annual pension cost	127,547
Contributions made	156,564
Decrease in net pension obligation	(29,017)
Net pension obligation, beginning of year	(170,342)
Net pension obligation, end of year	\$ (199,359)

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	PERF
Contribution rates:	
School Corporation	5.75%
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%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 154,976	91%	\$ (126,986)
	06-30-04	110,298	139%	(170,342)
	06-30-05	127,547	142%	(199,359)

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

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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, 2006, 2005, and 2004, were \$210,877, \$195,583, and \$186,057, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

GARRETT-KEYSER-BUTLER COMMUNITY 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)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 1,906,016	\$ 1,888,117	\$ 17,899	101%	\$ 2,238,176	1%
07-01-04	1,979,632	2,127,662	(148,030)	93%	2,312,077	(6%)
07-01-05	2,101,982	2,454,650	(352,668)	86%	2,422,200	(15%)

GARRETT KEYSER BUTLER COMMUNITY 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.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 785,373
Buildings	23,378,412
Improvements other than buildings	2,343,338
Machinery and equipment	1,719,316
Transportation equipment	<u>2,477,398</u>
 Total governmental activities, capital assets not being depreciated	 <u><u>\$ 30,703,837</u></u>

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 June 30, 2006

Description of Debt	Ending Balance	Due Within One Year
Governmental activities:		
Temporary loans payable	\$ 900,000	\$ 900,000
Capital leases:		
School building improvements	12,945,000	380,000
Common school loans	188,816	62,225
Bonds payable:		
General obligation bonds:		
2004 Pension bond	<u>1,240,000</u>	<u>60,000</u>
Total governmental activities long-term debt	<u>\$ 15,273,816</u>	<u>\$ 1,402,225</u>

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT  
AUDIT RESULT AND COMMENT

OVERDRAWN FUND BALANCES

The following funds were overdrawn as shown below at June 30, 2006:

General	\$ (62,247)
Transportation Operating	(131,335)
Retirement Debt Service	(57,585)
Capital Projects	(61,556)
School Bus Replacement	(20,492)
Textbook Rental	(115,695)
Vocational Carryover	(540,500)
Vocational Administration 2004	(72,444)
Adult and Continuing Education	(19,658)
Vocational Administration 2005	(66,115)
Building Trades Houses	(132,662)

A similar comment appeared in the prior Report B24911.

The 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)

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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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 GARRETT-KEYSER-BUTLER COMMUNITY  
SCHOOL DISTRICT, DEKALB COUNTY, INDIANA

Compliance

We have audited the compliance of the Garrett-Keyser-Butler Community 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 22, 2007

GARRETT-KEYSER-BUTLER COMMUNITY 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
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 45,833	\$ 51,759
National School Lunch Program	10.555		<u>236,241</u>	<u>260,775</u>
Total for Cluster			<u>282,074</u>	<u>312,534</u>
Child and Adult Care Food Program	10.558		<u>51,382</u>	<u>67,465</u>
Total for federal grantor agency			<u>333,456</u>	<u>379,999</u>
<u>U.S. DEPARTMENT OF LABOR</u>				
Pass-Through Indiana Department of Education				
One Stop Career Initiative				
English Works	17.257	SY 04/05	22,203	-
Finishing First		SY 04/05	<u>1,080</u>	<u>-</u>
Total for federal grantor agency			<u>23,283</u>	<u>-</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Adult Education - State Grant Program				
	84.002	SY 04/05	137,267	-
		SY 05/06	<u>-</u>	<u>264,694</u>
Total for program			<u>137,267</u>	<u>264,694</u>
Title I Grants to Local Education Agencies				
	84.010	04-1820	17,982	-
		05-1820	89,663	11,928
		06-1820	<u>-</u>	<u>88,355</u>
Total for program			<u>107,645</u>	<u>100,283</u>
Vocational Education - Basic Grant to States				
	84.048	04-4700-09-1820	34,268	-
		05-4700-09-1820	266,028	88,677
		06-4700-09-1820	<u>-</u>	<u>240,906</u>
Total for program			<u>300,296</u>	<u>329,583</u>
Safe and Drug Free Schools and Communities - State Grant				
	84.186	04-146	149	-
		05-146	1,205	5,394
		06-146	<u>-</u>	<u>1,315</u>
Total for program			<u>1,354</u>	<u>6,709</u>

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

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT  
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 Education (continued)				
Innovative Education Program Strategies	84.298			
		2004	2,607	-
		2005	3,540	5,220
		2006	-	4,892
Total for program			<u>6,147</u>	<u>10,112</u>
Education Technology State Grants	84.318			
		SY 04/05	644	-
		SY 05/06	-	1,392
Total for program			<u>644</u>	<u>1,392</u>
Improving Teacher Quality State Grants	84.367			
		SY 03/04	37,379	-
		SY 04/05	53,420	1,263
		SY 05/06	-	16,716
Total for program			<u>90,799</u>	<u>17,979</u>
Total for federal grantor agency			<u>644,152</u>	<u>730,752</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Direct Grant				
Head Start	93.600			
		Head Start 2004	473,500	-
		Head Start 2005	458,900	510,600
		Head Start 2006	-	465,793
		Early Head Start 2004	152,500	-
		Early Head Start 2005	130,126	177,016
		Early Head Start 2006	-	123,447
Total for federal grantor agency			<u>1,215,026</u>	<u>1,276,856</u>
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>				
Pass-Through Indiana Department of Education				
Serve America	94.004			
		SY 04/05	4,000	-
Total for federal grantor agency			<u>4,000</u>	<u>-</u>
Total federal awards expended			<u>\$ 2,219,917</u>	<u>\$ 2,387,607</u>

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

GARRETT-KEYSER-BUTLER COMMUNITY 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 Garrett-Keyser-Butler Community 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
School Breakfast Program	10.553	\$ 7,215	\$ 9,053
National School Lunch Program	10.555	37,188	42,471

GARRETT-KEYSER-BUTLER COMMUNITY 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:

CFDA Number	Name of Federal Program or Cluster
	Child Nutrition Cluster
84.002	Adult Education State Grant Program
84.048	Vocational Education Basic Grant to States

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.

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on January 22, 2007, with Alan C. Middleton, Superintendent of Schools. The officials concurred with our audit findings.