

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

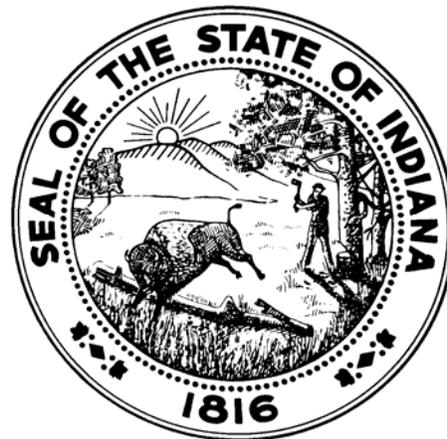
AUDIT REPORT

OF

BLACKFORD COUNTY SCHOOLS

BLACKFORD COUNTY, INDIANA

July 1, 2004 to June 30, 2006



FILED
02/23/2007

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Barbara S. Grover	01-01-04 to 12-30-07
Superintendent of Schools	Dr. Gerald R. Chabot	07-01-04 to 06-30-09
President of the School Board	Nancy Barry John Payne	01-01-04 to 12-31-06 01-01-07 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE BLACKFORD COUNTY SCHOOLS, BLACKFORD COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Blackford County Schools (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 24, 2007, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

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

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

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

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

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

STATE BOARD OF ACCOUNTS

January 30, 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 BLACKFORD COUNTY SCHOOLS, BLACKFORD COUNTY, INDIANA

We have audited the financial statements of the Blackford County Schools (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated January 30, 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 any one 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 30, 2007

BLACKFORD COUNTY SCHOOLS
STATEMENT OF CASH AND INVESTMENTS
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 5,090,056
Restricted assets:	
Cash and investments	<u>224,075</u>
Total assets	<u>\$ 5,314,131</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 224,075
Unrestricted	<u>5,090,056</u>
Total net assets	<u>\$ 5,314,131</u>

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

BLACKFORD COUNTY SCHOOLS
STATEMENT OF CASH AND INVESTMENTS
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 5,225,394
Restricted assets:	
Cash and investments	<u>254,765</u>
Total assets	<u>\$ 5,480,159</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 254,765
Unrestricted	<u>5,225,394</u>
Total net assets	<u>\$ 5,480,159</u>

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

BLACKFORD COUNTY SCHOOLS
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	\$ 7,555,545	\$ -	\$ 113,204	\$ (7,442,341)
Support services	10,040,646	450,440	437,840	(9,152,366)
Community services	189,450	-	-	(189,450)
Nonprogrammed charges	127,336	-	-	(127,336)
Debt service	4,083,775	-	-	(4,083,775)
Total governmental activities	\$ 21,996,752	\$ 450,440	\$ 551,044	(20,995,268)
General receipts:				
Property taxes				7,555,495
Other local sources				1,134,809
State aid				9,978,366
Grants and contributions not restricted				1,177,568
Bonds and loans				1,284,358
Sale of property, adjustments, and refunds				175,992
Investment earnings				226,837
Total general receipts				21,533,425
Change in cash and investments				538,157
Net assets - beginning				4,775,974
Net assets - ending				\$ 5,314,131

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

BLACKFORD COUNTY SCHOOLS
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	\$ 7,833,282	\$ -	\$ 95,879	\$ (7,737,403)
Support services	9,965,072	490,730	517,586	(8,956,756)
Community services	185,657	-	-	(185,657)
Nonprogrammed charges	156,787	-	-	(156,787)
Debt service	4,068,327	-	-	(4,068,327)
Total governmental activities	\$ 22,209,125	\$ 490,730	\$ 613,465	(21,104,930)
General receipts:				
Property taxes				7,634,143
Other local sources				1,048,659
State aid				10,554,318
Grants and contributions not restricted				1,068,768
Bonds and loans				581,582
Sale of property, adjustments, and refunds				101,914
Investment earnings				281,574
Total general receipts				21,270,958
Change in cash and investments				166,028
Net assets - beginning				5,314,131
Net assets - ending				\$ 5,480,159

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

BLACKFORD COUNTY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 4,037,101	\$ 656,513	\$ 2,427,342	\$ 1,231,535	\$ 147,639	\$ 866,457	\$ 9,366,587
Intermediate sources	319	-	-	-	-	675	994
State sources	10,077,065	-	-	-	-	301,792	10,378,857
Federal sources	78	-	-	-	-	1,328,044	1,328,122
Bonds and loans	1,281,358	-	-	3,000	-	-	1,284,358
Sale of property, adjustments and refunds	31,773	3,304	-	391	-	140,523	175,991
Total receipts	<u>15,427,694</u>	<u>659,817</u>	<u>2,427,342</u>	<u>1,234,926</u>	<u>147,639</u>	<u>2,637,491</u>	<u>22,534,909</u>
Disbursements:							
Current:							
Instruction	6,703,730	-	-	-	-	851,815	7,555,545
Support services	6,572,502	714,822	-	1,416,155	185,798	1,151,369	10,040,646
Community services	187,441	-	-	-	-	2,009	189,450
Nonprogrammed charges	124,336	-	-	-	-	3,000	127,336
Debt services	1,328,110	-	2,370,500	-	-	385,165	4,083,775
Total disbursements	<u>14,916,119</u>	<u>714,822</u>	<u>2,370,500</u>	<u>1,416,155</u>	<u>185,798</u>	<u>2,393,358</u>	<u>21,996,752</u>
Excess (deficiency) of total receipts over (under) total disbursements	511,575	(55,005)	56,842	(181,229)	(38,159)	244,133	538,157
Cash and investments - beginning	1,999,468	64,399	157,481	1,865,394	161,871	527,361	4,775,974
Cash and investments - ending	<u>\$ 2,511,043</u>	<u>\$ 9,394</u>	<u>\$ 214,323</u>	<u>\$ 1,684,165</u>	<u>\$ 123,712</u>	<u>\$ 771,494</u>	<u>\$ 5,314,131</u>

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

BLACKFORD COUNTY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2006

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 3,891,525	\$ 708,310	\$ 2,436,248	\$ 1,362,835	\$ 146,266	\$ 908,721	\$ 9,453,905
Intermediate sources	319	-	-	-	-	881	1,200
State sources	10,635,721	-	-	-	-	163,919	10,799,640
Federal sources	18,923	-	-	-	-	1,436,911	1,455,834
Bonds and loans	581,582	-	-	-	-	-	581,582
Sale of property, adjustments and refunds	17,799	8,029	-	6,936	-	50,228	82,992
Intergovernmental transfers	-	-	-	-	-	205,673	205,673
Total receipts	15,145,869	716,339	2,436,248	1,369,771	146,266	2,766,333	22,580,826
Disbursements:							
Current:							
Instruction	6,789,623	-	-	-	-	1,043,659	7,833,282
Support services	6,463,084	649,931	-	1,475,642	132,578	1,243,837	9,965,072
Community services	183,389	-	-	-	-	2,268	185,657
Nonprogrammed charges	180,989	7,447	43,858	13,308	1,348	115,510	362,460
Debt services	1,311,227	-	2,371,500	-	-	385,600	4,068,327
Total disbursements	14,928,312	657,378	2,415,358	1,488,950	133,926	2,790,874	22,414,798
Excess (deficiency) of total receipts over (under) total disbursements	217,557	58,961	20,890	(119,179)	12,340	(24,541)	166,028
Cash and investments - beginning	2,511,043	9,394	214,323	1,684,165	123,712	771,494	5,314,131
Cash and investments - ending	<u>\$ 2,728,600</u>	<u>\$ 68,355</u>	<u>\$ 235,213</u>	<u>\$ 1,564,986</u>	<u>\$ 136,052</u>	<u>\$ 746,953</u>	<u>\$ 5,480,159</u>

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

BLACKFORD COUNTY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2005

	Pension Trust Funds	Private-Purpose Trust Funds
Total additions	\$ -	\$ -
Deductions:		
Instruction	-	464,520
Support services	420,588	1,147,871
Community services	-	50,689
Total deductions	420,588	1,663,080
Deficiency of total additions under total deductions	(420,588)	(1,663,080)
Cash and investments - beginning	2,533,495	2,925,450
Cash and investments - ending	\$ 2,112,907	\$ 1,262,370

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

BLACKFORD COUNTY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2006

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Local sources	\$ 11,837	\$ 15,925
Intermediate sources	<u>-</u>	<u>796,300</u>
Total additions	<u>11,837</u>	<u>812,225</u>
Deductions:		
Instruction	-	385,922
Support services	454,228	234,153
Community services	<u>-</u>	<u>20,342</u>
Total deductions	<u>454,228</u>	<u>640,417</u>
Excess (deficiency) of total additions over (under) total deductions	(442,391)	171,808
Cash and investments - beginning	<u>2,112,907</u>	<u>1,262,370</u>
Cash and investments - ending	<u>\$ 1,670,516</u>	<u>\$ 1,434,178</u>

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

BLACKFORD COUNTY SCHOOLS
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2005

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Cash and investments	\$ 2,112,907	\$ 1,262,370
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ 2,112,907	\$ 1,262,370

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

BLACKFORD COUNTY SCHOOLS
 STATEMENT OF CASH AND INVESTMENTS
 FIDUCIARY FUNDS
 June 30, 2006

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Cash and investments	\$ 1,670,516	\$ 1,434,178
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ 1,670,516	\$ 1,434,178

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

BLACKFORD COUNTY SCHOOLS
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.

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*. There are no component units which require inclusion.

Joint Venture

The School Corporation is a participant with six other school corporations in a joint venture to operate the Delaware/Blackford Special Education Cooperative (the Cooperative), which was created to administer special education programs. The School Corporation is obligated by contract to annually remit to the Cooperative its proportional share (based on special education students enrolled) of the Cooperative's administrative expenses. Complete financial statements for the Cooperative can be obtained from Muncie Community Schools, 2501 North Oakwood Avenue, Muncie, IN 47304-2399.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Cash and Investments and the Statement of Cash Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

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.

BLACKFORD COUNTY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 accounts 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 the resources accumulated for pension/severance benefit payments.

The private-purpose trust funds account for the resources of a private literacy grant.

C. Measurement Focus and Basis of Accounting

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

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.

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.

BLACKFORD COUNTY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Property Taxes

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

3. Compensated Absences

a. Sick Leave

Nonteaching employees earn sick leave at the rate of 5 to 7 days per year. Unused sick leave may be accumulated to a maximum of 160 days. Accumulated sick leave is paid to nonteaching employees through cash payments upon retirement.

b. Vacation Leave

Nonteaching employees earn vacation leave at rates from 6 days to 15 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

c. Personal Leave

Nonteaching employees earn personal leave at the rate of 2 days per year. Unused personal leave may be accumulated to a maximum of 4 days. Accumulated personal leave in excess of 4 days is transferred to sick leave.

d. Unrestricted leave

Teaching employees earn unrestricted leave at the rate of 11 days per year. Unused unrestricted leave may be accumulated as sick leave to a maximum of 120 days, with payments into tax deferred annuities for any excesses. Accumulated sick leave is paid to teaching employees by contributions to tax-deferred annuities upon retirement.

4. Capital Assets

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

5. Long-Term Debt

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

BLACKFORD COUNTY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

6. Equity Classification

Government-Wide Statements

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

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

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

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts and Disbursements

1. Program Receipts

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

2. Operating Receipts and Disbursements

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

F. Internal and Interfund Balances and Activities

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

Fund Financial Statements

1. Interfund loans – Temporary interfund loans and their repayment are reported as interfund transfers.
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.

BLACKFORD COUNTY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Government-Wide Financial Statements

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

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Cash and Investments and the Statement of Cash Activities.

II. Stewardship, Compliance and Accountability

Budgetary Information

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

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

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

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

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

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of June 30, 2006, the School Corporation had no investments.

BLACKFORD COUNTY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 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.

B. Interfund Transfers

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

<u>Transfer From</u>	<u>Transfer To</u>	<u>2006</u>
General Fund	Other governmental	\$ 40,018
Transportation Operating	Other governmental	7,447
Debt Service	Other governmental	28,042
Capital Projects	Other governmental	13,308
School Bus Replacement	Other governmental	1,348
All others	Other governmental	<u>115,510</u>
Total		<u>\$ 205,673</u>

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

BLACKFORD COUNTY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

IV. Other Information

A. Risk Management

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

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

Job Related Illnesses or Injuries to Employees

During 2006, the School Corporation joined the Indiana Public Employer's Plan, a public entity risk pool currently operating as a common risk management and insurance program for approximately 350 member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of workers compensation claims. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event.

Medical Benefits to Employees, Retirees, and Dependents

During 1998, the School Corporation joined the East Central Indiana School Trust, a public entity risk pool currently operating as a common risk management and insurance program for 11 member governmental entities. This risk pool was formed in 1990. The purpose of the risk pool is to provide a medium for the funding and administration of medical benefits. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$2,000,000 lifetime per employee. The risk pool obtains independent coverage for insured events in excess of \$150,000 per covered individual per calendar year.

B. Holding Corporation

The School Corporation has entered into a capital lease with Blackford County School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the government. Lease payments during the years ended June 30, 2005 and 2006, totaled \$2,370,000 and \$2,370,500, respectively.

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment benefits up to age 65, as authorized by Indiana Code 5-10-8, to all certified employees who retire from the School Corporation on or after attaining age 55 with at least 20 years of service, and to all other

BLACKFORD COUNTY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

retirees after age 60 with at least 15 years of service. Currently, 30 retirees meet these eligibility requirements. The School Corporation provides up to \$13,695 to these retirees in cash and/or credit toward insurance premiums. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2006, disbursements of \$366,921 were recognized for postemployment benefits.

D. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Information to segregate the assets/liabilities and the actuarial study figures between the School Corporation and the Utilities is not available.

BLACKFORD COUNTY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 142,262
Interest on net pension obligation	(10,329)
Adjustment to annual required contribution	11,770
Annual pension cost	143,703
Contributions made	173,442
Decrease in net pension obligation	(29,739)
Net pension obligation, beginning of year	(142,463)
Net pension obligation, end of year	\$ (172,202)
Contribution rates:	
School Corporation	6.5%
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	\$ 175,328	103%	\$ (107,571)
	06-30-04	140,562	125%	(142,463)
	06-30-05	143,703	123%	(172,202)

BLACKFORD COUNTY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2006, 2005, and 2004, were \$230,862, \$209,316, and \$185,193, respectively. The School Corporation contributed all of the required contribution for each of the fiscal years.

BLACKFORD COUNTY SCHOOLS
 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	\$ 2,157,523	\$ 2,332,584	\$ (175,061)	92%	\$ 2,501,397	(7%)
07-01-04	2,241,445	2,437,550	(196,105)	92%	2,461,387	(8%)
07-01-05	2,378,860	2,849,952	(471,092)	83%	2,653,826	(18%)

BLACKFORD COUNTY SCHOOLS
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. There are no general infrastructure assets.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 135,000
Buildings	36,757,553
Improvements other than buildings	726,204
Machinery and equipment	<u>7,708,404</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 45,327,161</u>

BLACKFORD COUNTY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

June 30, 2006

Description of Debt	Ending Balance	Due Within One Year
Governmental activities:		
Capital lease obligations:		
School buildings	\$ 21,140,000	\$ 2,370,000
Notes and loans payable:		
Energy savings	977,957	208,791
General obligation bonds payable:		
Retirement and severance	3,505,000	193,105
 Total long-term debt	 \$ 25,622,957	 \$ 2,771,896

BLACKFORD COUNTY SCHOOLS
AUDIT RESULTS AND COMMENTS

AVERAGE DAILY MEMBERSHIP (ADM) - INCORRECT REPORTING TO THE STATE

The documentation presented for audit indicates that enrollment and/or academic honors diplomas as reported on Form 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for the school years ending June 30, 2005 and 2006. The difference between the numbers reported on the ADM and the verified figures were:

<u>School Year</u>	<u>Grade Level</u>	<u>Count Reported on Form 30A</u>	<u>Documented Figures</u>	<u>Over (Under) Reported</u>
2004-2005	Academic Honors Diploma	50	51	(1.0)
2004-2005	1 through 12	2,159	2,158	1.0
2005-2006	Kindergarten	89.5	89.0	0.5

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

REPORTING REQUIREMENTS (Applies to Southside Elementary School)

The receipts and disbursements of the Book Fees Fund were understated in the Extracurricular Account Annual Reports. Also, the 2005-2006 Report did not include the required bank reconciliation, and the 2004-2005 Report contained a mathematical error.

Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Extracurricular Accounts, Chapter 7)

EXTRA-CURRICULAR ACCOUNT DEPOSITS (Applies to Montpelier Elementary School)

Receipts of textbook rental fees were not always deposited within a reasonable time. Such collections were often not deposited for one to three weeks.

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

TEXTBOOK RENTAL RECORDS (Applies to Blackford High School)

The computerized records of textbook rental charges, collections and balances included adjustments in payments received. Therefore, both bank deposits and posted receipts were less than shown in the subsidiary records.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. (Accounting and Uniform Compliance Guidelines Manual for Extracurricular Accounts, Chapter 7)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE BLACKFORD COUNTY SCHOOLS, BLACKFORD COUNTY, INDIANA

Compliance

We have audited the compliance of the Blackford County Schools (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 requirement(s) 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 30, 2007

BLACKFORD COUNTY SCHOOLS
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		\$ 84,909	\$ -
		FY 2004-05	-	101,821
		FY 2005-06	-	-
National School Lunch Program	10.555		345,679	-
		FY 2004-05	-	353,304
		FY 2005-06	-	-
Total for federal grantor agency			<u>430,588</u>	<u>455,125</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Pass-Through Blackford County Juvenile Accountability Incentive Block Grants	16.523			
		03-JF-027	9,342	-
		03-JF-035	1,179	10,821
Total for federal grantor agency			<u>10,521</u>	<u>10,821</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Muncie Community Schools Special Education Cluster Special Education - Grants to States	84.027			
		45704-010-PN01	486,134	-
		14206-100-PN01	-	516,019
Total for cluster			<u>486,134</u>	<u>516,019</u>
Pass-Through Indiana Department of Education Title I Grants to Local Educational Agencies	84.010			
		05-0515	252,173	-
		06-0515	-	319,499
Total for program			<u>252,173</u>	<u>319,499</u>
Safe and Drug Free Schools and Communities-State Grants (Title IV, Part A, Subpart 1 of ESEA)	84.186			
		04-123	11,471	-
		05-126	-	5,635
Total for program			<u>11,471</u>	<u>5,635</u>
Innovative Education Program Strategies (Title VI of ESEA)	84.298			
		02-077	3,242	-
		03-239	400	-
		04-236	-	15,961
		05-176	-	67,645
Total for program			<u>3,642</u>	<u>83,606</u>
Technology Literacy Challenge Fund Grants	84.318			
		FY02-04	8,073	-
		FY03-05	200	1,671
		FY04-06	-	3,975
		FY05-07	-	3,029
Total for program			<u>8,273</u>	<u>8,675</u>
Improving Teacher Quality State Grants	84.367			
		02-208	1,576	-
		03-226	23,240	-
		04-207	71,952	32,150
		05-117	-	51,187
Total for program			<u>96,768</u>	<u>83,337</u>
Total for federal grantor agency			<u>858,461</u>	<u>1,016,771</u>
Total federal awards expended			<u>\$ 1,299,570</u>	<u>\$ 1,482,717</u>

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

BLACKFORD COUNTY SCHOOLS
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 Blackford County Schools (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	\$ 11,519	\$ 9,452
National School Lunch Program	10.555	46,626	33,104

BLACKFORD COUNTY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weaknesses identified? no
 Reportable conditions identified that are not considered to be material weaknesses? none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:
 Material weaknesses identified? no
 Reportable conditions identified that are not considered to be material weaknesses? none reported

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

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

Identification of Major Programs:

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

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

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

BLACKFORD COUNTY SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

BLACKFORD COUNTY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on January 30, 2006, with Barbara S. Grover, Treasurer; David A. Bowman, Director of Business and Technology; Dr. Gerald R. Chabot, Superintendent of Schools; and John Payne, President of the School Board. The officials concurred with our audit findings.