

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

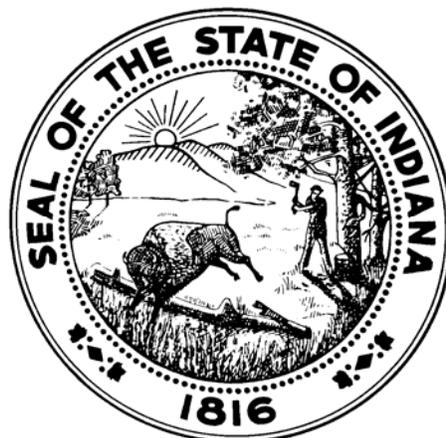
AUDIT REPORT

OF

VIGO COUNTY SCHOOL CORPORATION

VIGO COUNTY, INDIANA

July 1, 2004 to June 30, 2006



FILED
04/27/2007

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials.....	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
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.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Cash and Investments	6-7
Statement of Cash Activities	8-9
Fund Financial Statements:	
Statement of Receipts, Disbursements, and Cash and Investment Balances – Governmental Funds.....	10-11
Statement of Cash and Investments – Fiduciary Funds.....	12-13
Notes to Financial Statements	14-24
Required Supplementary Information:	
Schedule of Funding Progress	25
Audit Results and Comments:	
Overdrawn Cash Balances	26
Optical Images of Checks.....	26
Receipt Issuance	26
Deposits.....	27
Use of Form SA-5, Financial Report.....	27
Disbursement Documentation	27
Investment Maturity Limitations	27
Supplemental Audit of Federal Awards:	
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	30-31
Schedule of Expenditures of Federal Awards.....	32-34
Notes to Schedule of Expenditures of Federal Awards	35
Schedule of Findings and Questioned Costs.....	36
Auditee Prepared Schedule:	
Summary Schedule of Prior Audit Findings.....	37
Exit Conference.....	38

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Thomas W. Thornton	01-01-02 to 01-03-06
	Donna J. Wilson	01-04-06 to 12-31-07
Superintendent of Schools	Daniel Tanoos	07-01-01 to 06-30-09
President of the School Board	Michael Tom	01-01-04 to 12-31-04
	Guille Cox	01-01-05 to 12-31-05
	Gene Shike	01-01-06 to 12-31-06
	Jacqueline Lower	01-01-07 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE VIGO COUNTY SCHOOL CORPORATION, VIGO COUNTY, INDIANA

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

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

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

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

In accordance with Government Auditing Standards, we have also issued a report dated April 10, 2007, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

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

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

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements.

STATE BOARD OF ACCOUNTS

April 10, 2007



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 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 VIGO COUNTY SCHOOL CORPORATION, VIGO COUNTY, INDIANA

We have audited the financial statements of the Vigo County School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated April 10, 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

April 10, 2007

VIGO COUNTY SCHOOL CORPORATION
 STATEMENT OF CASH AND INVESTMENTS
 June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 25,348,404
Restricted assets:	
Cash and investments	<u>4,013,749</u>
Total assets	<u>\$ 29,362,153</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 4,013,749
Unrestricted	<u>25,348,404</u>
Total net assets	<u>\$ 29,362,153</u>

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

VIGO COUNTY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 21,915,870
Restricted assets:	
Cash and investments	<u>4,804,742</u>
Total assets	<u>\$ 26,720,612</u>
<u>Net Assets</u>	
Restricted for:	
Debt service	\$ 4,804,742
Unrestricted	<u>21,915,870</u>
Total net assets	<u>\$ 26,720,612</u>

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

VIGO COUNTY SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 56,686,504	\$ -	\$ 900,552	\$ (55,785,952)
Support services	68,932,988	3,044,650	4,719,753	(61,168,585)
Community services	1,162,641	-	-	(1,162,641)
Nonprogrammed charges	3,632,869	-	-	(3,632,869)
Debt service	19,670,411	-	-	(19,670,411)
Total governmental activities	<u>\$ 150,085,413</u>	<u>\$ 3,044,650</u>	<u>\$ 5,620,305</u>	<u>(141,420,458)</u>
General receipts:				
Property taxes				65,966,335
Other local sources				11,843,222
State aid				64,010,937
Grants and contributions not restricted				7,652,521
Bonds and loans				5,515,850
Sale of property, adjustments, and refunds				986,355
Investment earnings				491,219
Intergovernmental transfers				<u>1,741,646</u>
				<u>158,208,085</u>
				16,787,627
				<u>12,574,526</u>
				<u>\$ 29,362,153</u>

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

VIGO COUNTY SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 57,507,761	\$ -	\$ 720,352	\$ (56,787,409)
Support services	72,479,478	3,049,966	4,335,208	(65,094,304)
Community services	1,212,545	-	-	(1,212,545)
Nonprogrammed charges	4,927,155	-	-	(4,927,155)
Debt service	<u>13,887,163</u>	<u>-</u>	<u>-</u>	<u>(13,887,163)</u>
Total governmental activities	<u>\$ 150,014,102</u>	<u>\$ 3,049,966</u>	<u>\$ 5,055,560</u>	<u>(141,908,576)</u>
General receipts:				
Property taxes				47,904,547
Other local sources				9,983,867
State aid				69,487,799
Grants and contributions not restricted				7,551,888
Sale of property, adjustments, and refunds				661,363
Investment earnings				980,268
Intergovernmental transfers				<u>2,697,303</u>
Total general receipts and intergovernmental transfers				<u>139,267,035</u>
Change in cash and investments				(2,641,541)
Net assets - beginning				<u>29,362,153</u>
Net assets - ending				<u>\$ 26,720,612</u>

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

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

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 41,139,583	\$ 6,177,134	\$ 12,149,007	\$ 15,639,512	\$ 1,402,345	\$ 4,837,845	\$ 81,345,426
State sources	65,178,844	-	-	-	-	1,428,910	66,607,754
Federal sources	-	-	-	-	-	10,676,009	10,676,009
Bonds and loans	5,515,850	-	-	-	-	-	5,515,850
Sale of property, adjustments and refunds	597,806	13,795	-	65,926	-	308,828	986,355
Intergovernmental transfers	843	60,845	123,351	161,565	10,256	1,384,786	1,741,646
Total receipts	<u>112,432,926</u>	<u>6,251,774</u>	<u>12,272,358</u>	<u>15,867,003</u>	<u>1,412,601</u>	<u>18,636,378</u>	<u>166,873,040</u>
Disbursements:							
Current:							
Instruction	49,874,897	-	-	-	-	6,811,607	56,686,504
Support services	42,033,020	5,039,591	-	13,000,617	-	8,859,760	68,932,988
Community services	1,135,029	-	-	-	-	27,612	1,162,641
Nonprogrammed charges	2,806,532	-	-	-	-	826,337	3,632,869
Debt services	11,500,000	-	8,170,411	-	-	-	19,670,411
Total disbursements	<u>107,349,478</u>	<u>5,039,591</u>	<u>8,170,411</u>	<u>13,000,617</u>	<u>-</u>	<u>16,525,316</u>	<u>150,085,413</u>
Excess of total receipts over total disbursements	5,083,448	1,212,183	4,101,947	2,866,386	1,412,601	2,111,062	16,787,627
Cash and investments - beginning	10,396,023	(1,350,472)	(88,198)	752,779	(698,873)	3,563,267	12,574,526
Cash and investments - ending	<u>\$ 15,479,471</u>	<u>\$ (138,289)</u>	<u>\$ 4,013,749</u>	<u>\$ 3,619,165</u>	<u>\$ 713,728</u>	<u>\$ 5,674,329</u>	<u>\$ 29,362,153</u>

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

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

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 29,249,290	\$ 4,996,989	\$ 9,178,156	\$ 12,801,960	\$ 803,972	\$ 4,888,279	\$ 61,918,646
State sources	70,354,972	-	-	-	-	1,435,264	71,790,236
Federal sources	-	-	-	-	-	10,305,013	10,305,013
Sale of property, adjustments and refunds	365,197	3,703	-	23,103	105,633	163,727	661,363
Intergovernmental transfers	1,330,511	2,944	-	-	40,297	1,323,551	2,697,303
Total receipts	101,299,970	5,003,636	9,178,156	12,825,063	949,902	18,115,834	147,372,561
Disbursements:							
Current:							
Instruction	50,706,810	-	-	-	-	6,800,951	57,507,761
Support services	43,721,643	5,001,522	-	12,713,800	1,529,633	9,512,880	72,479,478
Community services	1,170,106	-	-	-	-	42,439	1,212,545
Nonprogrammed charges	2,514,570	-	-	-	-	2,412,585	4,927,155
Debt services	5,500,000	-	8,387,163	-	-	-	13,887,163
Total disbursements	103,613,129	5,001,522	8,387,163	12,713,800	1,529,633	18,768,855	150,014,102
Excess (deficiency) of total receipts over (under) total disbursements	(2,313,159)	2,114	790,993	111,263	(579,731)	(653,021)	(2,641,541)
Cash and investments - beginning	15,479,471	(138,289)	4,013,749	3,619,165	713,728	5,674,329	29,362,153
Cash and investments - ending	<u>\$ 13,166,312</u>	<u>\$ (136,175)</u>	<u>\$ 4,804,742</u>	<u>\$ 3,730,428</u>	<u>\$ 133,997</u>	<u>\$ 5,021,308</u>	<u>\$ 26,720,612</u>

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

VIGO COUNTY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2005

<u>Assets</u>	<u>Agency Funds</u>
Cash and investments	\$ <u>896,959</u>

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

VIGO COUNTY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2006

<u>Assets</u>	<u>Agency Funds</u>
Cash and investments	\$ <u>894,047</u>

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

VIGO COUNTY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

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

Primary Government: Vigo County School Corporation

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

Jointly Governed Organizations

The School Corporation is a participant with South Vermillion School Corporation, Rockville Community School Corporation, and Southwest Parke School Corporation in a joint venture to operate the Covered Bridge Special Education District which was created to provide instruction for handicapped children. Complete financial statements for the Covered Bridge Special Education District can be obtained from the State Board of Accounts, 302 West Washington Street, 4th Floor, Room E418, Indianapolis, IN 46204-2738.

The School Corporation is a participant with Clay Community School Corporation in a joint venture to operate the Area 35 Vocational Education District which was created to provide vocational instruction to students. Complete financial statements for the Area 35 Vocational Education District can be obtained from the Vigo County School Corporation, the administrative and fiscal agent for the program.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

VIGO COUNTY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

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

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

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

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

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

Additionally, the School Corporation reports the following fund types:

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

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The School Corporation has elected not to follow subsequent private-sector guidance.

VIGO COUNTY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

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

3. Compensated Absences

a. Sick Leave

School Corporation employees earn sick leave at rates of 7 days to 12 days per year, based on employment classification. Unused sick leave may be accumulated to maximums of 100 to 220 days, based on employment classification. Accumulated sick leave is paid to some classifications of employees through cash payments.

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. Vacation leave does not accumulate from year to year for employees classified as members of the Secretaries Association. Vacation leave may be accumulated to a maximum of 10 days or 40 days, based on employment classification. Accumulated vacation leave is paid to employees through cash payments upon retirement, resignation or death.

VIGO COUNTY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

c. Personal Leave

School Corporation employees earn personal leave at rates of 2 days to 5 days per year. Unused personal leave days shall be accumulated as sick days the following year.

4. Capital Assets

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

5. Long-Term Debt

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

6. Equity Classification

Government-Wide Statements

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

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

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

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts and Disbursements

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

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.

VIGO COUNTY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

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

Government-Wide Financial Statements

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

Interfund activity - 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. The effects of interfund services between funds, if any, are not eliminated in the Statement of Cash and Investments and the Statement of Cash Activities.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

VIGO COUNTY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Cash and Investment Balance Deficits

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

Fund	06-30-05	06-30-06
Transportation	\$ (138,289)	\$ (136,176)
Special Education Preschool	(21,588)	(168,646)
Joint Services and Supply	-	(572)
Miscellaneous Programs	(433)	(965)
Chapter I	-	(11,335)
Innovative Education Program Strategies	(22,693)	-
Vocational and Technical Board Grants	(31,925)	-
Federal Programs	-	(4,200)
Other Federal Programs	-	(5,129)

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

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. 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.

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.

VIGO COUNTY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The School Corporation does not have a formal investment policy for custodial credit risk for investments.

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School Corporation does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

The School Corporation does not have a formal policy in regards to foreign currency risk.

VIGO COUNTY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Interfund Transfers

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

<u>Transfer From</u>	<u>Transfer To</u>	<u>2004-2005</u>	<u>2005-2006</u>
General Fund	Transportation Operating	\$ 60,845	\$ 2,944
General Fund	Debt Service	123,351	-
General Fund	Capital Projects	161,565	-
General Fund	School Bus Replacement	10,256	40,297
General Fund	Other	1,228,979	1,075,051
Other	General	843	1,330,511
Other	Other	<u>155,807</u>	<u>248,500</u>
Totals		<u>\$ 1,741,646</u>	<u>\$ 2,697,303</u>

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

IV. Other Information

A. Risk Management

The School Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; 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. Risk financing is not utilized for the other risks of loss.

B. Holding Corporations

The School Corporation has entered into capital leases with the Vigo County Middle School Building Corporation and Vigo County Elementary School Building Corporation (the lessors). The lessors were organized as not-for-profits corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessors have been determined to be related parties of the School Corporation. Lease payments for the years ended June 30, 2005 and 2006, were \$4,296,000 and \$5,375,000, respectively.

C. Postemployment Benefits

In addition to the pension benefits described in Note IV, D, the School Corporation provides postemployment health and life insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 50 with at least 10 years of service.

VIGO COUNTY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Currently, 226 retirees meet these eligibility requirements. The School Corporation and retirees provide 100% of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. Disbursements for postemployment benefits cannot be reasonably estimated.

These funds are held in reserve to pay health insurance premiums of qualified retirees for a limited time, in accordance with various governmental regulations.

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.

VIGO COUNTY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 611,058
Interest on net pension obligation	(58,970)
Adjustment to annual required contribution	67,201
Annual pension cost	619,289
Contributions made	762,170
Decrease in net pension obligation	(142,881)
Net pension obligation, beginning of year	(813,384)
Net pension obligation, end of year	\$ (956,265)
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
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	4 year smoothed market

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%
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%

VIGO COUNTY SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-03	\$ 747,197	95%	\$ (619,887)
	06-30-04	549,113	135%	(813,384)
	06-30-05	619,289	139%	(956,265)

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 \$1,550,859, \$1,703,268, and \$2,195,286, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

VIGO COUNTY SCHOOL CORPORATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (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	\$ 14,083,533	\$ 13,628,938	\$ 454,595	103%	\$ 11,899,982	4%
07-01-04	14,312,279	14,347,282	(35,003)	100%	12,185,159	(0%)
07-01-05	14,914,984	15,856,876	(941,892)	94%	12,445,927	(8%)

VIGO COUNTY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

Several funds had overdrawn cash balances during the audit period. A similar comment appeared in prior Report B24594.

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

OPTICAL IMAGES OF CHECKS (Applies to Consolidated Elementary, Davis Park Elementary, Devaney Elementary, Deming Elementary, Dixie Bee Elementary, Farrington Elementary, Fayette Elementary, Fugua Elementary, Lost Creek Elementary, Meadows Elementary, Oubache Elementary, Riley Elementary, Rio Grande Elementary, Sugar Grove Elementary, Terre Town Elementary, West Vigo Elementary, West Vigo High School, Terre Haute North Vigo High School, Terre Haute South Vigo High School, Washington Alternative School and McLean Alternative School)

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned an optical image of only the front side of the checks.

Indiana Code 5-15-6-3(a) concerning optical imaging of checks states in part:

". . . 'original records' includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

Furthermore, Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

RECEIPT ISSUANCE (Applies to Consolidated Elementary)

Receipts were not always issued or recorded.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Manual for Extra-Curricular Accounts, Chapter 7)

VIGO COUNTY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

DEPOSITS (Applies to Deming Elementary)

Some receipts were written for amounts which could not be verified to bank deposits. Further examination disclosed the discrepancy may have been the result of checks being cashed instead of deposited and/or cash being withheld for petty cash disbursements.

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

USE OF FORM SA-5, FINANCIAL REPORT (Applies to Lost Creek Elementary, Sarah Scott Middle School, and Terre Haute North Vigo High School)

Financial Reports (Form SA-5) were incomplete as the investments were not presented for audit.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

DISBURSEMENT DOCUMENTATION (Applies to West Vigo Elementary and Woodrow Wilson Middle School)

Several payments were observed which did not contain adequate supporting documentation such as receipts and invoices.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

INVESTMENT MATURITY LIMITATIONS (Applies to Terre Haute South Vigo High School)

The High School purchased Certificates of Deposit, which have a stated maturity in excess of two years.

Indiana Code 5-13-10.5-3 states in part:

". . . investments under this chapter may be made only in securities having a stated final maturity of two (2) years or less from the date of purchase."

(This page intentionally left blank.)

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 VIGO COUNTY SCHOOL CORPORATION, VIGO COUNTY, INDIANA

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

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

April 10, 2007

STATE BOARD OF ACCOUNTS

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

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-05	Total Federal Awards Expended 06-30-06
U.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Indiana Department of Education Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 712,999	\$ 838,152
National School Lunch Program	10.555		<u>2,505,622</u>	<u>2,922,782</u>
Total for federal grantor agency			<u>3,218,621</u>	<u>3,760,934</u>
U.S. DEPARTMENT OF JUSTICE				
Direct Grant				
Juvenile Accountability Incentive Block Grants	16.523			
Indiana Criminal Justice Institute		01-JB-064	-	4,994
Indiana Criminal Justice Institute		02-JB-067	21,506	-
Indiana Criminal Justice Institute		03-JB-061	<u>22,840</u>	<u>7,151</u>
Total for federal grantor agency			<u>44,346</u>	<u>12,145</u>
U.S. DEPARTMENT OF LABOR				
Pass-Through Ivy Tech State College WIA Youth Activities				
School to Work FY 2001	17.259		<u>1,444</u>	<u>-</u>
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education Adult Education-State Grant Program				
FY 02-03	84.002A	2003-8036	6,557	-
FY 03-04		2004-8036	-	4,283
FY 04-05		2005-8036	91,403	6,925
FY 05-06		2006-8036	-	45,835
Finishing First			<u>5,964</u>	<u>-</u>
Total for program			<u>103,924</u>	<u>57,043</u>
Title 1 Grants to Local Educational Agencies	84.010			
FY 03-04 Basic Concentration Funds		04-8030	1,019,862	-
FY 04-05 Basic Concentration Funds		05-8030	2,702,707	1,066,407
FY 05-06 Basic Concentration Funds		06-8030	-	2,903,488
FY 03-04 Prevention and Intervention Programs for Delinquent Children and Youth Living in Institutions		04-8030	73,728	-
FY 04-05 Prevention and Intervention Programs for Delinquent Children and Youth Living in Institutions		05-8030	120,290	86,053
FY 05-06 Prevention and Intervention Programs for Delinquent Children and Youth Living in Institutions		06-8030	<u>-</u>	<u>145,740</u>
Total for program			<u>3,916,587</u>	<u>4,201,688</u>
Vocational Education-Basic Grants to States	84.048			
FY 04 Perkins Vocational and Applied Technology Education Grant		04-4700-8030	172,037	-
FY 05 Perkins Vocational and Applied Technology Education Grant		05-4700-8030	314,792	62,367
FY 06 Perkins Vocational and Applied Technology Education Grant		06-4700-8030	<u>-</u>	<u>338,270</u>
Total for program			<u>486,829</u>	<u>400,637</u>
Safe and Drug Free Schools and Communities-State Grants	84.186			
FY 03		02-053	2,178	-
FY 04		03-016	46,094	6,209
FY 05		04-047	33,920	57,347
FY 06		05-090	<u>-</u>	<u>18,193</u>
Total for program			<u>82,192</u>	<u>81,749</u>

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

VIGO COUNTY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2005 and 2006
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-05	Total Federal Awards Expended 06-30-06
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through Indiana Department of Education (continued)				
Even Start - State Educational Agencies	84.213			
FY-04			40,930	-
FY-05			79,000	68,674
FY-06			-	33,991
Total for program			<u>119,930</u>	<u>102,665</u>
Fund for the Improvement of Education	84.215			
Smaller Learning Communities		S215L022036	193,234	199,054
Smaller Learning Communities		V215L052145	-	18,861
Total for program			<u>193,234</u>	<u>217,915</u>
Pass-Through Indiana Workforce Development				
Tech-Prep Education	84.243			
Project Lead the Way			-	4,200
Pass-Through Indiana Department of Education				
Goals 2000-State and Local Education Systemic Improvement Grants	84.276			
Educate Indiana 2000-2002		S276A990014	2,905	2,353
Twenty-First Century Community Learning Centers Program State Grants	84.287C			
FY-04			107,961	78,944
FY-06			-	36,065
Total for program			<u>107,961</u>	<u>115,009</u>
State Grants for Innovative Programs	84.298			
SY 02-03		02-198	32,525	-
SY 03-04		03-105	35,071	77,219
SY 04-05		04-203	-	13,696
SY 05-06		05-258	-	564
Total for program			<u>67,596</u>	<u>91,479</u>
Education Technology State Grants	84.318			
SY 02-03			36,253	-
FY 05			59,101	25,688
FY 06			-	40,218
Competitive Tech 05			202,338	33,371
Competitive Tech 06			-	28,024
Total for program			<u>297,692</u>	<u>127,301</u>
Comprehensive School Reform Demonstration	84.332A			
FY 04			52,274	-
FY 05			144,905	47,870
FY 06			-	135,036
Total for program			<u>197,179</u>	<u>182,906</u>
Reading Excellence	84.338			
I-Read				
FY 03		02-03	98,011	-
FY 04		03-04	34,592	-
Total for program			<u>132,603</u>	<u>-</u>

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

VIGO COUNTY SCHOOL CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Years Ended June 30, 2005 and 2006
 (Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-05	Total Federal Awards Expended 06-30-06
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through Indiana Department of Education (continued)				
Reading First State Grants	84-357A			
FY-04			134,697	-
FY-05			104,869	254,864
FY-06			-	196,499
Total for program			<u>239,566</u>	<u>451,363</u>
English Language Acquisition Grants	84.365A			
English Language Acquisition and Enhancement for Limited English Proficient Children		FY 06	-	4,110
Improving Teacher Quality State Grants	84.367			
SY03-04		6000/182500	-	68,127
SY03-04		03-105	673,093	284,542
SY04-05		04-179	120,139	506,322
FY06		05-216	-	106,951
Total for program			<u>793,232</u>	<u>965,942</u>
Total for federal grantor agency			<u>6,741,430</u>	<u>7,006,360</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Pass-Through Indiana Department of Education				
Health Center Grants for Homeless Populations	93.151			
Stewart B. McKinney Education of Homeless Children and Youth FY 04-05			55,000	-
<u>CORPORATION FOR NATIONAL SERVICE</u>				
Pass-Through Indiana Department of Education				
Learn and Serve America-School and Community-Based Programs	94.004			
Indiana Serve - America Service Learning FY 03-04			7,533	-
Indiana Serve - America Service Learning FY 04-05			14,249	3,603
Indiana Serve - America Service Learning FY 04-05			-	12,304
Homeland Security Initiative FY 05			5,276	34,724
Homeland Security Initiative FY 06			-	6,374
Total for federal grantor agency			<u>27,058</u>	<u>57,005</u>
Total federal awards expended			<u>\$ 10,087,899</u>	<u>\$ 10,836,444</u>

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

VIGO COUNTY SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

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

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

II. Noncash Assistance

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

Program Title	Federal CFDA Number	2004-2005	2005-2006
School Breakfast Program	10.553	\$ 43,480	\$ 23,076
National School Lunch Program	10.555	152,743	79,301

VIGO COUNTY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

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

Noncompliance material to financial statements noted? no

Federal Awards:

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

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

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

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$627,730

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.

VIGO COUNTY SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

VIGO COUNTY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on April 10, 2007, with Donna J. Wilson, Treasurer; and Robert Karr, Deputy Treasurer.