

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

AUDIT REPORT

OF

BARR-REEVE COMMUNITY SCHOOLS, INC.

DAVISS COUNTY, INDIANA

July 1, 2006 to June 30, 2008



FILED

06/09/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Mary Lottes	07-01-06 to 06-30-09
Superintendent of Schools	Dr. Brian Harmon	07-01-06 to 06-30-09
President of the School Board	Joe Cummings Scott Lottes Galen Graber	07-01-06 to 06-30-07 07-01-07 to 06-30-08 07-01-08 to 06-30-09



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 BARR-REEVE COMMUNITY
SCHOOLS, INC., DAVIESS COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Barr-Reeve Community Schools, Inc., (School Corporation), as of and for the years ended June 30, 2007 and 2008, 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, 2007 and 2008, 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 23, 2009, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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 accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the

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

U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. 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

April 23, 2009



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ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE BARR-REEVE COMMUNITY
SCHOOLS, INC., DAVIESS COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Barr-Reeve Community Schools, Inc., (School Corporation), as of and for the years ended June 30, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated April 23, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management in a separate letter dated April 23, 2009.

This report is intended solely for the information and use of the School Corporation's management, the School Board, 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 23, 2009

BARR-REEVE COMMUNITY SCHOOLS, INC.
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 3,946,553	\$ -	\$ 291,750	\$ (3,654,803)
Support services	2,314,341	476,614	377,797	(1,459,930)
Community services	103,905	-	-	(103,905)
Nonprogrammed charges	694,181	-	-	(694,181)
Debt service	693,704	-	-	(693,704)
	<u>\$ 7,752,684</u>	<u>\$ 476,614</u>	<u>\$ 669,547</u>	<u>(6,606,523)</u>
General receipts:				
Property taxes				3,003,488
Other local sources				977,245
State aid				2,557,839
Investment earnings				140,563
				<u>6,679,135</u>
Total general receipts				<u>6,679,135</u>
Change in net assets				72,612
Net assets - beginning				<u>4,169,451</u>
Net assets - ending				<u>\$ 4,242,063</u>
<u>Assets</u>				
Cash and investments				\$ 3,327,419
Restricted assets:				
Cash and investments				<u>914,644</u>
Total assets				<u>\$ 4,242,063</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 181,804
Other purposes				732,840
Unrestricted				<u>3,327,419</u>
Total net assets				<u>\$ 4,242,063</u>

The notes to the financial statements are an integral part of this statement.

BARR-REEVE COMMUNITY SCHOOLS, INC.
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 3,842,324	\$ -	\$ 396,342	\$ (3,445,982)
Support services	2,508,214	240,575	365,276	(1,902,363)
Community services	115,643	-	-	(115,643)
Nonprogrammed charges	189,348	-	-	(189,348)
Debt service	672,147	-	-	(672,147)
	<u>\$ 7,327,676</u>	<u>\$ 240,575</u>	<u>\$ 761,618</u>	<u>(6,325,483)</u>
Total government				
General receipts:				
Property taxes				2,018,757
Other local sources				634,053
State aid				2,476,099
Sale of property, adjustments, and refunds				4,569
Investment earnings				104,892
				<u>5,238,370</u>
Total general receipts				
Change in net assets				(1,087,113)
Net assets - beginning				<u>4,242,063</u>
Net assets - ending				<u>\$ 3,154,950</u>
<u>Assets</u>				
Cash and investments				\$ 2,199,975
Restricted assets:				
Cash and investments				<u>954,975</u>
Total assets				<u>\$ 3,154,950</u>
<u>Net Assets</u>				
Restricted for:				
Other purposes				\$ 954,975
Unrestricted				<u>2,199,975</u>
Total net assets				<u>\$ 3,154,950</u>

The notes to the financial statements are an integral part of this statement.

BARR-REEVE COMMUNITY SCHOOLS, INC.
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 2,045,784	\$ 421,112	\$ -	\$ 713,659	\$ 647,418	\$ -	\$ 267,329	\$ 4,095,302
State sources	2,533,033	-	-	-	-	-	24,806	2,557,839
Federal sources	-	-	-	-	-	-	669,547	669,547
Total receipts	4,578,817	421,112	-	713,659	647,418	-	961,682	7,322,688
Disbursements:								
Current:								
Instruction	3,371,334	-	100,000	-	-	-	475,219	3,946,553
Support services	1,088,663	287,652	-	-	501,022	-	437,004	2,314,341
Community services	97,373	-	-	-	-	-	6,532	103,905
Nonprogrammed charges	233,524	-	-	-	-	-	5,500	239,024
Debt services	-	-	-	667,088	-	-	26,616	693,704
Total disbursements	4,790,894	287,652	100,000	667,088	501,022	-	950,871	7,297,527
Excess (deficiency) of receipts over disbursements	(212,077)	133,460	(100,000)	46,571	146,396	-	10,811	25,161
Other financing sources (uses):								
Transfers in	41,922	-	250,000	5,944	-	-	95,635	393,501
Transfers out	(30,000)	(150,000)	-	(50,000)	(50,000)	-	(113,501)	(393,501)
Total other financing sources (uses)	11,922	(150,000)	250,000	(44,056)	(50,000)	-	(17,866)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(200,155)	(16,540)	150,000	2,515	96,396	-	(7,055)	25,161
Cash and investments - beginning	2,148,776	181,111	400,000	179,289	160,669	15,881	398,336	3,484,062
Cash and investments - ending	\$ 1,948,621	\$ 164,571	\$ 550,000	\$ 181,804	\$ 257,065	\$ 15,881	\$ 391,281	3,509,223
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:								
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.								
								732,840
Net assets of governmental activities								<u>\$ 4,242,063</u>
Cash and Investment Assets - Ending								
Cash and investments	\$ 1,948,621	\$ 164,571	\$ 550,000	\$ -	\$ 257,065	\$ 15,881	\$ 391,281	\$ 3,327,419
Restricted assets:								
Cash and investments	-	-	-	181,804	-	-	-	181,804
Total cash and investment assets - ending	\$ 1,948,621	\$ 164,571	\$ 550,000	\$ 181,804	\$ 257,065	\$ 15,881	\$ 391,281	\$ 3,509,223
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ 181,804	\$ -	\$ -	\$ -	\$ 181,804
Unrestricted	1,948,621	164,571	550,000	-	257,065	15,881	391,281	3,327,419
Total cash and investment fund balance - ending	\$ 1,948,621	\$ 164,571	\$ 550,000	\$ 181,804	\$ 257,065	\$ 15,881	\$ 391,281	\$ 3,509,223

The notes to the financial statements are an integral part of this statement.

BARR-REEVE COMMUNITY SCHOOLS, INC.
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 1,374,418	\$ 293,531	\$ -	\$ 444,138	\$ 478,741	\$ -	\$ 301,589	\$ 2,892,417
Intermediate sources	161	-	-	-	-	-	75	236
State sources	2,423,284	-	-	-	-	-	52,815	2,476,099
Federal sources	-	-	-	-	-	-	761,618	761,618
Sale of property, adjustments and refunds	1,097	-	-	-	3,172	-	300	4,569
Total receipts	3,798,960	293,531	-	444,138	481,913	-	1,116,397	6,134,939
Disbursements:								
Current:								
Instruction	3,319,931	-	7,956	-	-	-	514,437	3,842,324
Support services	1,183,610	310,127	-	-	538,161	-	476,316	2,508,214
Community services	103,138	-	-	-	-	-	12,505	115,643
Nonprogrammed charges	300,231	-	-	-	-	-	8,250	308,481
Debt services	-	-	-	554,289	-	-	117,858	672,147
Total disbursements	4,906,910	310,127	7,956	554,289	538,161	-	1,129,366	7,446,809
Deficiency of receipts over disbursements	(1,107,950)	(16,596)	(7,956)	(110,151)	(56,248)	-	(12,969)	(1,311,870)
Other financing sources (uses):								
Transfers in	147,502	-	-	-	-	-	143,905	291,407
Transfers out	(60,000)	-	-	(5,495)	(147,502)	-	(78,410)	(291,407)
Total other financing sources (uses)	87,502	-	-	(5,495)	(147,502)	-	65,495	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,020,448)	(16,596)	(7,956)	(115,646)	(203,750)	-	52,526	(1,311,870)
Cash and investments - beginning	1,948,621	164,571	550,000	181,804	257,065	15,881	391,281	3,509,223
Cash and investments - ending	\$ 928,173	\$ 147,975	\$ 542,044	\$ 66,158	\$ 53,315	\$ 15,881	\$ 443,807	2,197,353
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:								
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.								
								957,597
Net assets of governmental activities								\$ 3,154,950
Cash and Investment Assets - Ending								
Cash and investments	\$ 928,173	\$ 147,975	\$ 542,044	\$ -	\$ 53,315	\$ 15,881	\$ 512,587	\$ 2,199,975
Restricted assets:								
Cash and investments	-	-	-	66,158	-	-	(68,780)	(2,622)
Total cash and investment assets - ending	\$ 928,173	\$ 147,975	\$ 542,044	\$ 66,158	\$ 53,315	\$ 15,881	\$ 443,807	\$ 2,197,353
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ 66,158	\$ -	\$ -	\$ (68,780)	\$ (2,622)
Unrestricted	928,173	147,975	542,044	-	53,315	15,881	512,587	2,199,975
Total cash and investment fund balance - ending	\$ 928,173	\$ 147,975	\$ 542,044	\$ 66,158	\$ 53,315	\$ 15,881	\$ 443,807	\$ 2,197,353

The notes to the financial statements are an integral part of this statement.

BARR-REEVE COMMUNITY SCHOOLS, INC.
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2007

	Internal Service Fund
Operating receipts:	
Charges for services	\$ 872,442
Miscellaneous	465,744
Total operating receipts	1,338,186
Operating disbursements:	
Insurance claims and expense	1,290,735
Change in net assets	47,451
Cash and investment fund balance - beginning	685,389
Cash and investment fund balance - ending	\$ 732,840
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	\$ 732,840
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	\$ 732,840

The notes to the financial statements are an integral part of this statement.

BARR-REEVE COMMUNITY SCHOOLS, INC.
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2008

	Internal Service Fund
Operating receipts:	
Charges for services	\$ 967,009
Miscellaneous	62,505
Total operating receipts	1,029,514
Operating disbursements:	
Insurance claims and expense	804,757
Change in net assets	224,757
Cash and investment fund balance - beginning	732,840
Cash and investment fund balance - ending	\$ 957,597
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	\$ 957,597
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	\$ 957,597

The notes to the financial statements are an integral part of this statement.

BARR-REEVE COMMUNITY SCHOOLS, INC.
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2007

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Contributions:		
Other	\$ -	\$ 500
Deductions:		
Benefits	121,837	-
Administrative and general	<u>-</u>	<u>2,828</u>
Total deductions	<u>121,837</u>	<u>2,828</u>
Deficiency of total additions over total deductions	(121,837)	(2,328)
Cash and investment fund balance - beginning	<u>372,017</u>	<u>3,783</u>
Cash and investment fund balance - ending	<u>\$ 250,180</u>	<u>\$ 1,455</u>
Net assets:		
Cash and investments	<u>\$ 250,180</u>	<u>\$ 1,455</u>

The notes to the financial statements are an integral part of this statement.

BARR-REEVE COMMUNITY SCHOOLS, INC.
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Contributions:		
Other	\$ 200,000	\$ 1,281
Deductions:		
Benefits	241,554	-
Administrative and general	<u>-</u>	<u>1,712</u>
Total deductions	<u>241,554</u>	<u>1,712</u>
Deficiency of total additions over total deductions	(41,554)	(431)
Cash and investment fund balance - beginning	<u>250,180</u>	<u>1,455</u>
Cash and investment fund balance - ending	<u>\$ 208,626</u>	<u>\$ 1,024</u>
Net assets:		
Cash and investments	<u>\$ 208,626</u>	<u>\$ 1,024</u>

The notes to the financial statements are an integral part of this statement.

BARR-REEVE COMMUNITY SCHOOLS, INC.
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: Barr-Reeve Community Schools, Inc.

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

Joint Venture

The School Corporation is a participant with thirteen schools in a joint venture to operate Twin Rivers Vocational Area which was created to provide vocational education to students of the participating school corporations and also citizens within the jurisdiction of the participating school corporations in accordance with Indiana Code 20-1-18-7. The School Corporation is obligated by contract to remit an annual fee for membership in an amount determined by the governing board of the Cooperative. The Twin Rivers Vocation Area's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Twin Rivers Vocational Area can be obtained from Twin Rivers Vocational Area, 20 N. 3rd Street, Vincennes, IN 47591.

The School Corporation is a participant with four schools in a joint venture to operate the Daviess-Martin Special Education Cooperative which was created to provide special education for all eligible students of the participating school corporations. The School Corporation is obligated by contract to remit an annual fee for membership in an amount determined by the governing board of the Cooperative. The Daviess-Martin Special Education Cooperative's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Daviess-Martin County Special Education Cooperative can be obtained from Daviess-Martin Special Education Cooperative, P. O. Box 637, Washington, IN 47501.

The School Corporation is a participant with thirty-three public and six private school corporations in a joint venture to operate the Southern Indiana Education Center (SIEC). The SIEC was created to operate and maintain an educational service center in order to allow participating schools to cooperate and share certain programs and services. The School Corporation is obligated by contract to remit annually a fee for membership in an amount determined by the governing board of the SIEC. The SIEC's continued existence depends on continued funding by the School Corporation. The School Corporation is obligated for the debts of the SIEC. Complete financial statements for the SIEC can be obtained from Southwest Dubois County School Corporation, 113 Jackson Street, Huntingburg, IN 47542.

BARR-REEVE COMMUNITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

The School Corporation reports the following major governmental funds:

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

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

The rainy day fund is to account for transfers of unused and unencumbered funds in accordance with Indiana Code 36-1-8-5 and a locally adopted resolution. The fund is subject to the same appropriation process as funds that receive tax money.

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

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

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

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for the self-insurance for health coverage for employees of the school corporation.

The pension trust funds account for the activities of the bonds and payments anticipated to be made to employees on or after the termination of employment or to pay postretirement or severance benefits held by the School Corporation in a trustee capacity.

BARR-REEVE COMMUNITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the students and school corporation.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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 other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds.

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

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

BARR-REEVE COMMUNITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Capital Assets

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

4. Long-Term Debt

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

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

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 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.

BARR-REEVE COMMUNITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Internal and Interfund Balances and Activities

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

Fund Financial Statements

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

Government-Wide Financial Statements

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

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

BARR-REEVE COMMUNITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

B. Cash and Investment Balance Deficits

At June 30, 2007 and 2008, the following fund reported a deficit in cash and investments, which is a violation of the Uniform Compliance Guidelines and state statute:

Fund	2006-07	2007-08
Retirement Severance Bond	\$ <u> -</u>	\$ <u> 68,780</u>

The cash and investment deficit arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; this deficit is to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. At June 30, 2008, the School Corporation had deposit balances in the amount of \$3,364,600. All of these deposits were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2007 and 2008, were as follows:

Transfer From	Transfer To	2006-07	2007-08
General Fund	Other governmental funds	\$ 30,000	\$ 60,000
Transportation	Rainy Day	150,000	-
Debt Service	Rainy Day	50,000	-
Capital Projects	Rainy Day	50,000	-
Debt Service	Other governmental funds	-	5,495
Capital Projects	General Fund	-	147,502
Other governmental funds	General Fund	41,922	-
Other governmental funds	Debt Service	5,944	-
Other governmental funds	Other governmental funds	<u>65,635</u>	<u>78,410</u>
Totals		<u>\$ 393,501</u>	<u>\$ 291,407</u>

BARR-REEVE COMMUNITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

The School Corporation typically uses transfers for cash flow purposes as provided by various statutory provisions.

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.

Medical Benefits to Employees, Retirees, and Dependents

The School Corporation has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees, and dependents. The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$25,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Amounts are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund and are reported as quasi-external interfund transactions.

Job Related Illnesses or Injuries to Employees

During 2005, the School Corporation joined with other governmental entities in the Indiana Public Employer's Plan, a public entity risk pool currently operating as a common risk management and insurance program for 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 job related illness or injuries to employees. The School Corporation pays an annual premium to the risk pool for its job related illnesses or injuries to employees coverage. 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. The risk pool obtains independent coverage for insured events in excess of the \$1,000,000 limit.

B. Holding Corporation

The School Corporation has entered into a capital lease with the Barr-Reeve Community School Building Corporation, the lessor. The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years ending June 30, 2007 and 2008, totaled \$343,500 and \$349,000, respectively.

BARR-REEVE COMMUNITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health, dental, and vision insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55 with at least 10 years of service. Currently, one employee meets these eligibility requirements. The School Corporation provides 100% of these postemployment benefits. Disbursements for these postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2008, \$9,285 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 is not available.

BARR-REEVE COMMUNITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 27,038
Interest on net pension obligation	(845)
Adjustment to annual required contribution	963
Annual pension cost	27,156
Contributions made	31,119
Increase (decrease) in net pension obligation	(3,963)
Net pension obligation, beginning of year	(11,657)
Net pension obligation, end of year	\$ (15,620)

	PERF
Contribution rates:	
School Corporation	6.5%
Plan members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

<u>Actuarial Assumptions</u>	PERF
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%

*2.75% converted members; 4% nonconverted members

BARR-REEVE COMMUNITY SCHOOLS, INC.
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-05	\$ 26,164	90%	\$ (14,972)
	06-30-06	27,957	88%	(11,657)
	06-30-07	27,156	115%	(15,620)

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 Cost

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.

BARR-REEVE COMMUNITY SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 7.25% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2006, 2007, and 2008, were \$79,796, \$47,504, and \$46,405, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

BARR-REEVE COMMUNITY SCHOOLS, INC.
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund							Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
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)		
07-01-05	\$ 375,675	\$ 415,783	\$ (40,108)	90%	\$ 449,251	(9%)	
07-01-06	470,453	438,592	31,861	107%	460,926	7%	
07-01-07	528,482	487,686	40,796	108%	517,070	8%	

BARR-REEVE COMMUNITY SCHOOLS, INC.
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	Special Education Preschool	School Lunch	Textbook Rental	Levy Excess	Education License Plate Fee	Davieess County Foundation Library Grant
Receipts:						
Local sources	\$ 4,096	\$ 171,224	\$ 83,766	\$ -	\$ 450	\$ 2,000
State sources	3,070	4,072	6,210	-	-	-
Federal sources	-	55,070	-	-	-	-
Total receipts	7,166	230,366	89,976	-	450	2,000
Disbursements:						
Current:						
Instruction	-	-	-	-	-	-
Support services	-	263,324	77,275	-	-	573
Community services	-	-	-	-	-	-
Nonprogrammed charges	5,500	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	5,500	263,324	77,275	-	-	573
Excess (deficiency) of receipts over disbursements	1,666	(32,958)	12,701	-	450	1,427
Other financing sources (uses):						
Transfers in	-	30,000	-	-	-	-
Transfers out	-	-	-	(41,922)	-	-
Total other financing sources (uses)	-	30,000	-	(41,922)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,666	(2,958)	12,701	(41,922)	450	1,427
Cash and investments - beginning	9,780	11,011	39,899	41,922	2,569	-
Cash and investments - ending	<u>\$ 11,446</u>	<u>\$ 8,053</u>	<u>\$ 52,600</u>	<u>\$ -</u>	<u>\$ 3,019</u>	<u>\$ 1,427</u>
Cash and Investment Assets - Ending	\$ 11,446	\$ 8,053	\$ 52,600	\$ -	\$ 3,019	\$ 1,427
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 11,446</u>	<u>\$ 8,053</u>	<u>\$ 52,600</u>	<u>\$ -</u>	<u>\$ 3,019</u>	<u>\$ 1,427</u>

BARR-REEVE COMMUNITY SCHOOLS, INC.
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	School Safe Haven	Walmart Donation	Gifted and Talented 2006-07	Universal Service	Gifted and Talented 2007-08	ISTA Library Grant
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 5,793	\$ -	\$ -
State sources	-	-	-	-	11,454	-
Federal sources	-	-	-	-	-	-
Total receipts	-	-	-	5,793	11,454	-
Disbursements:						
Current:						
Instruction	484	-	312	-	10,283	-
Support services	-	1,000	-	-	-	77
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	26,616	-	-
Total disbursements	484	1,000	312	26,616	10,283	77
Excess (deficiency) of receipts over disbursements	(484)	(1,000)	(312)	(20,823)	1,171	(77)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(484)	(1,000)	(312)	(20,823)	1,171	(77)
Cash and investments - beginning	484	1,000	312	44,144	-	77
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 23,321	\$ 1,171	\$ -
Cash and Investment Assets - Ending	\$ -	\$ -	\$ -	\$ 23,321	\$ 1,171	\$ -
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ -	\$ -	\$ -	\$ 23,321	\$ 1,171	\$ -

BARR-REEVE COMMUNITY SCHOOLS, INC.
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Technology Planning Grant	Title I 2006-07	Title I 2005-06	Title V Innovative Program Grant 06-07	Title V Innovative Program Grant 05-06	Drug Free Schools Grant 05-06
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	6,900	421,537	-	955	-	-
Total receipts	6,900	421,537	-	955	-	-
Disbursements:						
Current:						
Instruction	-	255,198	104,057	-	876	5,098
Support services	6,900	5,160	11,572	-	-	-
Community services	-	6,532	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	6,900	266,890	115,629	-	876	5,098
Excess (deficiency) of receipts over disbursements	-	154,647	(115,629)	955	(876)	(5,098)
Other financing sources (uses):						
Transfers in	-	61,051	-	-	-	-
Transfers out	-	-	(61,051)	-	-	-
Total other financing sources (uses)	-	61,051	(61,051)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	215,698	(176,680)	955	(876)	(5,098)
Cash and investments - beginning	-	-	176,680	-	876	5,098
Cash and investments - ending	<u>\$ -</u>	<u>\$ 215,698</u>	<u>\$ -</u>	<u>\$ 955</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Assets - Ending	<u>\$ -</u>	<u>\$ 215,698</u>	<u>\$ -</u>	<u>\$ 955</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ -</u>	<u>\$ 215,698</u>	<u>\$ -</u>	<u>\$ 955</u>	<u>\$ -</u>	<u>\$ -</u>

BARR-REEVE COMMUNITY SCHOOLS, INC.
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Drug Free Schools Grant 06-07	Improving Teacher Quality Grant	Title II Technology	Rural Schools and Low Income Grant	Retirement Severance Bond	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 267,329
State sources	-	-	-	-	-	24,806
Federal sources	9,167	74,349	55,340	46,229	-	669,547
Total receipts	9,167	74,349	55,340	46,229	-	961,682
Disbursements:						
Current:						
Instruction	190	62,492	-	36,229	-	475,219
Support services	-	-	61,123	10,000	-	437,004
Community services	-	-	-	-	-	6,532
Nonprogrammed charges	-	-	-	-	-	5,500
Debt services	-	-	-	-	-	26,616
Total disbursements	190	62,492	61,123	46,229	-	950,871
Excess (deficiency) of receipts over disbursements	8,977	11,857	(5,783)	-	-	10,811
Other financing sources (uses):						
Transfers in	-	4,584	-	-	-	95,635
Transfers out	(4,584)	-	-	-	(5,944)	(113,501)
Total other financing sources (uses)	(4,584)	4,584	-	-	(5,944)	(17,866)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,393	16,441	(5,783)	-	(5,944)	(7,055)
Cash and investments - beginning	-	30,463	28,077	-	5,944	398,336
Cash and investments - ending	<u>\$ 4,393</u>	<u>\$ 46,904</u>	<u>\$ 22,294</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 391,281</u>
Cash and Investment Assets - Ending	<u>\$ 4,393</u>	<u>\$ 46,904</u>	<u>\$ 22,294</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 391,281</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 4,393</u>	<u>\$ 46,904</u>	<u>\$ 22,294</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 391,281</u>

BARR-REEVE COMMUNITY SCHOOLS, INC.
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008

	Special Education Preschool	School Lunch	Textbook Rental	Education License Plate Fee	Daviess County Foundation Library Grant	Universal Service
Receipts:						
Local sources	\$ 3,034	\$ 168,577	\$ 81,071	\$ -	\$ -	\$ 5,324
Intermediate sources	-	-	-	75	-	-
State sources	9,582	4,643	10,264	-	-	-
Federal sources	-	104,198	-	-	-	-
Sale of property, adjustments and refunds	-	300	-	-	-	-
Total receipts	12,616	277,718	91,335	75	-	5,324
Disbursements:						
Current:						
Instruction	-	-	-	-	-	-
Support services	-	330,748	78,941	-	1,427	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	8,250	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	8,250	330,748	78,941	-	1,427	-
Excess (deficiency) of receipts over disbursements	4,366	(53,030)	12,394	75	(1,427)	5,324
Other financing sources (uses):						
Transfers in	-	60,000	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	60,000	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,366	6,970	12,394	75	(1,427)	5,324
Cash and investments - beginning	11,446	8,053	52,600	3,019	1,427	23,321
Cash and investments - ending	\$ 15,812	\$ 15,023	\$ 64,994	\$ 3,094	\$ -	\$ 28,645
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 15,812	\$ 15,023	\$ 64,994	\$ 3,094	\$ -	\$ 28,645
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 15,812	\$ 15,023	\$ 64,994	\$ 3,094	\$ -	\$ 28,645
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	15,812	15,023	64,994	3,094	-	28,645
Total cash and investment fund balance - ending	\$ 15,812	\$ 15,023	\$ 64,994	\$ 3,094	\$ -	\$ 28,645

BARR-REEVE COMMUNITY SCHOOLS, INC.
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Gifted and Talented 2007-08	ISTA Library Grant	Title I 2006-07	Title I 2007-08	Title V Innovative Program Grant 06-07	Drug Free Schools Grant 07-08
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	28,326	-	-	-	-
Federal sources	-	-	-	498,694	924	9,140
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	-	28,326	-	498,694	924	9,140
Disbursements:						
Current:						
Instruction	1,171	5,103	145,661	264,565	18,313	-
Support services	-	-	5,341	1,624	955	-
Community services	-	-	3,675	8,830	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	1,171	5,103	154,677	275,019	19,268	-
Excess (deficiency) of receipts over disbursements	(1,171)	23,223	(154,677)	223,675	(18,344)	9,140
Other financing sources (uses):						
Transfers in	-	-	-	61,021	17,389	-
Transfers out	-	-	(61,021)	-	-	(4,570)
Total other financing sources (uses)	-	-	(61,021)	61,021	17,389	(4,570)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,171)	23,223	(215,698)	284,696	(955)	4,570
Cash and investments - beginning	1,171	-	215,698	-	955	-
Cash and investments - ending	\$ -	\$ 23,223	\$ -	\$ 284,696	\$ -	\$ 4,570
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ 23,223	\$ -	\$ 284,696	\$ -	\$ 4,570
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 23,223	\$ -	\$ 284,696	\$ -	\$ 4,570
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	23,223	-	284,696	-	4,570
Total cash and investment fund balance - ending	\$ -	\$ 23,223	\$ -	\$ 284,696	\$ -	\$ 4,570

BARR-REEVE COMMUNITY SCHOOLS, INC.
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Drug Free Schools Grant 06-07	Improving Teacher Quality Grant	Title II Technology	Rural Schools and Low Income Grant	Retirement Severance Bond	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 43,583	\$ 301,589
Intermediate sources	-	-	-	-	-	75
State sources	-	-	-	-	-	52,815
Federal sources	-	75,399	51,015	22,248	-	761,618
Sale of property, adjustments and refunds	-	-	-	-	-	300
Total receipts	-	75,399	51,015	22,248	43,583	1,116,397
Disbursements:						
Current:						
Instruction	3,327	76,297	-	-	-	514,437
Support services	-	-	57,280	-	-	476,316
Community services	-	-	-	-	-	12,505
Nonprogrammed charges	-	-	-	-	-	8,250
Debt services	-	-	-	-	117,858	117,858
Total disbursements	3,327	76,297	57,280	-	117,858	1,129,366
Excess (deficiency) of receipts over disbursements	(3,327)	(898)	(6,265)	22,248	(74,275)	(12,969)
Other financing sources (uses):						
Transfers in	-	-	-	-	5,495	143,905
Transfers out	-	(12,819)	-	-	-	(78,410)
Total other financing sources (uses)	-	(12,819)	-	-	5,495	65,495
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,327)	(13,717)	(6,265)	22,248	(68,780)	52,526
Cash and investments - beginning	4,393	46,904	22,294	-	-	391,281
Cash and investments - ending	\$ 1,066	\$ 33,187	\$ 16,029	\$ 22,248	\$ (68,780)	\$ 443,807
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 1,066	\$ 33,187	\$ 16,029	\$ 22,248	\$ -	\$ 512,587
Restricted assets:						
Cash and investments	-	-	-	-	(68,780)	(68,780)
Total cash and investment assets - ending	\$ 1,066	\$ 33,187	\$ 16,029	\$ 22,248	\$ (68,780)	\$ 443,807
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ (68,780)	\$ (68,780)
Unrestricted	1,066	33,187	16,029	22,248	-	512,587
Total cash and investment fund balance - ending	\$ 1,066	\$ 33,187	\$ 16,029	\$ 22,248	\$ (68,780)	\$ 443,807

BARR-REEVE COMMUNITY SCHOOLS, INC.
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007

	Barr-Reeve Literacy	SINE Student Success 05-06	SINE Student Success 06-07	Totals
Additions:				
Contributions:				
Other	\$ -	\$ -	\$ 500	\$ 500
Deductions:				
Administrative and general	2,123	500	205	2,828
Excess (deficiency) of total additions over total deductions	(2,123)	(500)	295	(2,328)
Cash and investment fund balance - beginning	2,123	500	1,160	3,783
Cash and investments - June 30	\$ -	\$ -	\$ 1,455	\$ 1,455
Net assets:				
Cash and investments	\$ -	\$ -	\$ 1,455	\$ 1,455
Total net assets - cash and investment basis held in trust	\$ -	\$ -	\$ 1,455	\$ 1,455

BARR-REEVE COMMUNITY SCHOOLS, INC.
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2008

	Barr-Reeve Literacy	SINE Student Success 06-07	<u>Totals</u>
Additions:			
Contributions:			
Other	\$ 1,281	\$ -	\$ 1,281
	<u>257</u>	<u>1,455</u>	<u>1,712</u>
Deductions:			
Administrative and general			
	1,024	(1,455)	(431)
Excess (deficiency) of total additions over total deductions			
Cash and investment fund balance - beginning	<u>-</u>	<u>1,455</u>	<u>1,455</u>
Cash and investments - June 30	<u>\$ 1,024</u>	<u>\$ -</u>	<u>\$ 1,024</u>
Net assets:			
Cash and investments	\$ 1,024	\$ -	\$ 1,024
Total net assets - cash and investment basis held in trust	<u>\$ 1,024</u>	<u>\$ -</u>	<u>\$ 1,024</u>

**BOARD
MEMBERS**

Galen Graber
Scott Lottes
Joe Cummings

BARR-REEVE COMMUNITY SCHOOLS, INC.

Dr. Brian Harmon
Superintendent of Schools

Mary Lottes
Treasurer

Shirley Bridges
Secretary

**BARR-REEVE COMMUNITY SCHOOLS, INC.
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS**

For The Year Ended June 30, 2008

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.

General infrastructure assets are included if acquired (purchased, constructed, or donated) after July 1, 1980, or if they received major renovations, restorations, or improvements after that date. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 32,000
Buildings	9,819,258
Improvements other than buildings	653,870
Machinery and equipment	<u>919,854</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 11,424,982</u>

**BOARD
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Scott Lottes
Joe Cummings

BARR-REEVE COMMUNITY SCHOOLS, INC.

Dr. Brian Harmon
Superintendent of Schools

Mary Lottes
Treasurer

Shirley Bridges
Secretary

**BARR-REEVE COMMUNITY SCHOOLS, INC.
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
June 30, 2008**

The School Corporation has entered into the following debt:

<u>Description of Debt</u>	<u>Ending Principal Balance</u>	<u>Principal and Interest Due Within One Year</u>
Governmental Activities:		
Capital leases:		
School Buildings	\$ 1,580,000	\$ 178,008
Notes and loans payable	419,046	88,088
Bonds payable:		
Revenue bonds:	<u>2,120,000</u>	<u>116,652</u>
Total governmental activities debt	<u>\$ 4,119,046</u>	<u>\$ 382,748</u>

BARR-REEVE COMMUNITY SCHOOLS, INC.
AUDIT RESULT AND COMMENT

CAPITAL PROJECT FUND USES

Funds were disbursed from the Capital Project Fund for items such as monthly trash disposal and monthly pest control.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

A similar comment appeared in the prior report.

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 BARR-REEVE COMMUNITY
SCHOOLS, INC., DAVIESS COUNTY, INDIANA

Compliance

We have audited the compliance of the Barr-Reeve Community Schools, Inc., (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, 2007 and 2008. 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 of America; 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, 2007 and 2008.

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

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)

expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

A control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the School Corporation's management, the School Board, 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 23, 2009

BARR-REEVE COMMUNITY SCHOOLS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2006 and 2007

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 06-30-06	Total Federal Awards Expended 06-30-07
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 5,063	\$ 8,113
National School Lunch Program	10.555		<u>62,416</u>	<u>73,455</u>
Total for cluster			<u>67,479</u>	<u>81,568</u>
Total for federal grantor agency			<u>67,479</u>	<u>81,568</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies				
	84.010	06-1315	115,629	-
		07-1315	266,889	154,678
		08-1315	<u>-</u>	<u>275,019</u>
Total for program			<u>382,518</u>	<u>429,697</u>
Safe and Drug-Free Schools and Communities - State Grants				
	84.186	05-103	5,099	-
		1315-06	<u>190</u>	<u>3,327</u>
Total for program			<u>5,289</u>	<u>3,327</u>
State Grants for Innovative Programs				
	84.298	05-096	876	-
		06-1315	-	955
		07-1315	<u>-</u>	<u>18,313</u>
Total for program			<u>876</u>	<u>19,268</u>
Education Technology State Grants				
	84.318	FY 04-05	9,260	-
		FY 05	2,911	-
		FY 05-06	15,906	-
		FY 06-07	33,046	22,294
		FY 07-08	<u>-</u>	<u>34,986</u>
Total for program			<u>61,123</u>	<u>57,280</u>
Rural Education				
	84.358	FY 05-06	23,800	-
		FY 06-07	<u>22,429</u>	<u>-</u>
Total for program			<u>46,229</u>	<u>-</u>
Improving Teacher Quality State Grants				
	84.367	FY 05-06	30,463	-
		FY 06-07	32,029	46,904
		FY 07-08	<u>-</u>	<u>29,393</u>
Total for program			<u>62,492</u>	<u>76,297</u>
Total for federal grantor agency			<u>558,527</u>	<u>585,869</u>
Total federal awards expended			<u>\$ 626,006</u>	<u>\$ 667,437</u>

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

BARR-REEVE COMMUNITY SCHOOLS, INC.
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 Barr-Reeve Community Schools Inc., (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, 2007 and 2008. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2007	2008
School Breakfast Program	10.553	\$ -	\$ 1,248
National School Lunch Program	10.555	14,114	11,165

BARR-REEVE COMMUNITY SCHOOLS, INC.
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
Significant deficiencies 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
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

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

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

Identification of Major Programs:

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

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

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

BARR-REEVE COMMUNITY SCHOOLS, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

BARR-REEVE COMMUNITY SCHOOLS, INC.
EXIT CONFERENCE

The contents of this report were discussed on April 23, 2009, with Dr. Brian Harmon, Superintendent of Schools; Mary Lottes, Treasurer; and Galen Graber, President of the School Board.