

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

AUDIT REPORT

OF

ELWOOD COMMUNITY SCHOOL CORPORATION

MADISON COUNTY, INDIANA

July 1, 2004 to June 30, 2006



**FILED**

01/09/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Joa L. Griffin	07-01-04 to 06-30-07
Superintendent of Schools	Thomas W. Austin	07-01-04 to 06-30-08
President of the School Board	Debra McDermit Howard Badger Gary Jones	07-01-04 to 06-30-05 07-01-05 to 06-30-06 07-01-06 to 06-30-07



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

TO: THE OFFICIALS OF THE ELWOOD COMMUNITY SCHOOL  
CORPORATION, MADISON COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Elwood Community School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, which collectively comprise the Elwood Community 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. 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 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 October 23, 2006, 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 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.

STATE BOARD OF ACCOUNTS

October 23, 2006



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE ELWOOD COMMUNITY SCHOOL  
CORPORATION, MADISON COUNTY, INDIANA

We have audited the financial statements of the Elwood Community School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated October 23, 2006. 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

October 23, 2006

ELWOOD COMMUNITY SCHOOL CORPORATION  
STATEMENT OF CASH AND INVESTMENTS  
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 3,222,394
Restricted assets:	
Cash and investments	<u>999,771</u>
Total assets	<u>\$ 4,222,165</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 999,771
Unrestricted	<u>3,222,394</u>
Total net assets	<u>\$ 4,222,165</u>

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

ELWOOD COMMUNITY SCHOOL CORPORATION  
 STATEMENT OF CASH AND INVESTMENTS  
 June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 3,715,040
Restricted assets:	
Cash and investments	<u>219,983</u>
Total assets	<u>\$ 3,935,023</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 219,983
Unrestricted	<u>3,715,040</u>
Total net assets	<u>\$ 3,935,023</u>

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

ELWOOD COMMUNITY 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	Capital Grants and Contributions	Total
Governmental activities:					
Instruction	\$ 7,105,355	\$ -	\$ 99,239	\$ -	\$ (7,006,116)
Support services	8,429,317	433,861	404,628	-	(7,590,828)
Community services	153,125	-	-	-	(153,125)
Nonprogrammed charges	358,573	-	-	-	(358,573)
Debt service	5,302,751	-	-	-	(5,302,751)
Total governmental activities	\$ 21,349,121	\$ 433,861	\$ 503,867	\$ -	(20,411,393)
General receipts:					
Property taxes					8,063,215
Other local sources					1,378,419
State aid					9,876,622
Grants and contributions not restricted					1,724,547
Bonds and loans					1,282,610
Sale of property, adjustments, and refunds					93,094
Investment earnings					50,438
Total general receipts					22,468,945
Change in cash and investments					2,057,552
Net assets - beginning					2,164,614
Net assets - ending					\$ 4,222,166

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

ELWOOD COMMUNITY 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	Capital Grants and Contributions	Total
Governmental activities:					
Instruction	\$ 7,023,896	\$ -	\$ 76,746	\$ -	\$ (6,947,150)
Support services	8,748,463	426,484	558,947	-	(7,763,032)
Community services	162,345	-	-	-	(162,345)
Nonprogrammed charges	413,030	-	-	-	(413,030)
Debt service	4,242,114	-	-	-	(4,242,114)
Total governmental activities	\$ 20,589,848	\$ 426,484	\$ 635,693	\$ -	(19,527,671)
General receipts:					
Property taxes					5,607,475
Other local sources					1,023,931
State aid					10,277,895
Grants and contributions not restricted					1,718,319
Bonds and loans					484,395
Sale of property, adjustments, and refunds					3,777
Investment earnings					124,736
Total general receipts					19,240,528
Change in cash and investments					(287,143)
Net assets - beginning					4,222,166
Net assets - ending					\$ 3,935,023

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

ELWOOD COMMUNITY 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	\$ 3,501,303	\$ 570,841	\$ 3,592,975	\$ 1,288,379	\$ 369,493	\$ 595,254	\$ 9,918,245
Intermediate sources	88	-	-	-	-	7,596	7,684
State sources	9,957,768	5,000	-	-	-	255,946	10,218,714
Federal sources	1,300	-	-	-	-	1,885,021	1,886,321
Bonds and loans	150,315	222,663	637,134	194,151	78,347	-	1,282,610
Sale of property, adjustments and refunds	6,256	917	-	70,989	-	14,932	93,094
Intergovernmental transfers	-	-	-	-	-	469	469
<b>Total receipts</b>	<b>13,617,030</b>	<b>799,421</b>	<b>4,230,109</b>	<b>1,553,519</b>	<b>447,840</b>	<b>2,759,218</b>	<b>23,407,137</b>
Disbursements:							
Current:							
Instruction	6,149,963	-	-	-	-	955,392	7,105,355
Support services	5,492,125	333,354	-	1,006,431	55,683	1,541,720	8,429,313
Community services	119,895	-	-	-	-	33,230	153,125
Nonprogrammed charges	175,732	-	-	-	-	183,309	359,041
Debt services	1,319,908	234,636	3,247,358	305,147	82,566	113,136	5,302,751
<b>Total disbursements</b>	<b>13,257,623</b>	<b>567,990</b>	<b>3,247,358</b>	<b>1,311,578</b>	<b>138,249</b>	<b>2,826,787</b>	<b>21,349,585</b>
Excess (deficiency) of total receipts over (under) total disbursements	359,407	231,431	982,751	241,941	309,591	(67,569)	2,057,552
Cash and investments - beginning	1,465,498	23,616	25,227	293,574	(110,746)	467,445	2,164,614
Cash and investments - ending	<u>\$ 1,824,905</u>	<u>\$ 255,047</u>	<u>\$ 1,007,978</u>	<u>\$ 535,515</u>	<u>\$ 198,845</u>	<u>\$ 399,876</u>	<u>\$ 4,222,166</u>

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

ELWOOD COMMUNITY 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	\$ 2,367,811	\$ 478,172	\$ 2,597,629	\$ 937,347	\$ 106,654	\$ 690,292	\$ 7,177,905
Intermediate sources	176	-	-	-	-	4,547	4,723
State sources	10,333,365	7,000	-	-	-	329,196	10,669,561
Federal sources	(1,300)	-	-	-	-	1,963,645	1,962,345
Bonds and loans	-	92,455	195,812	188,720	-	7,408	484,395
Sale of property, adjustments and refunds	977	458	-	157	-	2,185	3,777
Intergovernmental transfers	-	-	-	-	-	39,913	39,913
<b>Total receipts</b>	<b>12,701,029</b>	<b>578,085</b>	<b>2,793,441</b>	<b>1,126,224</b>	<b>106,654</b>	<b>3,037,186</b>	<b>20,342,619</b>
Disbursements:							
Current:							
Instruction	6,162,590	-	-	-	-	861,306	7,023,896
Support services	5,590,634	449,828	-	905,688	216,917	1,585,396	8,748,463
Community services	114,655	-	-	-	-	47,690	162,345
Nonprogrammed charges	161,095	-	216,394	-	-	75,455	452,944
Debt services	150,551	222,663	3,373,409	194,151	78,347	222,993	4,242,114
<b>Total disbursements</b>	<b>12,179,525</b>	<b>672,491</b>	<b>3,589,803</b>	<b>1,099,839</b>	<b>295,264</b>	<b>2,792,840</b>	<b>20,629,762</b>
Excess (deficiency) of total receipts over (under) total disbursements	521,504	(94,406)	(796,362)	26,385	(188,610)	244,346	(287,143)
Cash and investments - beginning	1,824,905	255,047	1,007,978	535,515	198,845	399,876	4,222,166
Cash and investments - ending	<u>\$ 2,346,409</u>	<u>\$ 160,641</u>	<u>\$ 211,616</u>	<u>\$ 561,900</u>	<u>\$ 10,235</u>	<u>\$ 644,222</u>	<u>\$ 3,935,023</u>

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

ELWOOD COMMUNITY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH AND INVESTMENTS  
FIDUCIARY FUNDS  
For The Year Ended June 30, 2005

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Local sources	\$ -	\$ 14,960
State sources	-	44,371
Bonds and loans	2,300,000	-
Total additions	2,300,000	59,331
Deductions:		
Instruction	-	54,278
Support services	2,300,000	9,375
Nonprogrammed charges	-	500
Total deductions	2,300,000	64,153
Deficiency of total additions under total deductions	-	(4,822)
Cash and investments - beginning	-	1,457
Cash and investments - ending	\$ -	\$ (3,365)

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

ELWOOD COMMUNITY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH AND INVESTMENTS  
FIDUCIARY FUNDS  
For The Year Ended June 30, 2006

	Private-Purpose Trust Funds
Additions:	
Local sources	\$ 15,250
State sources	45,414
Total additions	60,664
Deductions:	
Instruction	48,206
Support services	7,032
Nonprogrammed charges	1,500
Total deductions	56,738
Excess of total additions over total deductions	3,926
Cash and investments - beginning	(3,365)
Cash and investments - ending	\$ 561

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

ELWOOD COMMUNITY SCHOOL CORPORATION  
 STATEMENT OF CASH AND INVESTMENTS  
 FIDUCIARY FUNDS  
 June 30, 2005

<u>Assets</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	<u>\$ (3,365)</u>	<u>\$ 95,968</u>
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	<u>\$ (3,365)</u>	

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

ELWOOD COMMUNITY SCHOOL CORPORATION  
STATEMENT OF CASH AND INVESTMENTS  
FIDUCIARY FUNDS  
June 30, 2006

<u>Assets</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ <u>561</u>	\$ <u>80,801</u>
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ <u>561</u>	

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

ELWOOD COMMUNITY 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 accompanying financial statements present the activities of the School Corporation (primary government). There are no significant component units which require inclusion.

Joint Venture

The School Corporation is a participant with several other school corporations in a joint venture to operate the East Central Educational Service Center (Service Center) which was created to increase the school corporations' buying power when purchasing materials and supplies. The Service Center's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Service Center can be obtained from the East Central Educational Service Center, 1601 Indiana Avenue, Connersville, Indiana 47331.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements, (i.e., the Statement of Cash and Investments and the Statement of Cash Activities) report information on all of the nonfiduciary activities of the School Corporation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. However, there are no business-type activities to report at this time.

The Statement of Cash Activities demonstrates the degree to which direct disbursements of a given function or segment are offset by program receipts. Direct disbursements are clearly identifiable with a specific function or segment. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as general receipts.

Separate financial statements are provided for governmental 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.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide, governmental fund and fiduciary financial statements are reported using the basis of accounting that demonstrates compliance with the cash 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.

ELWOOD COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The cash 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.

The School Corporation reports the following major governmental funds:

The general fund is the School Corporation's primary operating fund and accounts for all financial resources of the School Corporation, except those required to be accounted for in another fund.

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

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

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

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

Additionally, the School Corporation reports the following fund types:

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the constituents of the School Corporation.

Pension trust funds account for 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.

Agency funds account for assets held by the School Corporation as an agent for employees, federal and state agencies, and other insurance companies and serve as control of accounts for certain cash transactions during the time they are a liability to the School Corporation.

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

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.

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.

ELWOOD COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

D. Assets and Cash Net Assets or Equity

1. Deposits and Investments

State statute (IC 5-13-9) authorizes the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Investments are stated at cost. Any changes in the 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 December 31 of the year collected.

3. Compensated Absences

a. Sick Leave

Certified employees earn sick leave at the rate of 9 to 12 days per year based on the years of employment. Classified employees earn sick leave at the rate of 3 to 9 days per year based on years of employment. Unused sick leave may be accumulated to a maximum of 170 days for certified employees and 150 days for classified employees. Accumulated sick leave is paid to employees through cash payments upon retirement.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 10 days to 20 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year, but any unused vacation leave will be added to the sick leave balance and accumulated with unused sick leave.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 2 to 3 days per year. Personal leave does not accumulate from year to year, but any unused personal leave will be added to sick leave balance and accumulated with unused sick leave.

ELWOOD COMMUNITY SCHOOL CORPORATION  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

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. Annual appropriations lapse at calendar year end.

On or before September 10, the fiscal officer of the School Corporation submits to the School Board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the School Board to obtain taxpayer comments. No later than September 20th of each year, the School Board, through the passage of a resolution, adopts the budget for the next year. Copies of the budget resolution and the advertisement for funds for which property taxes are levied are sent to the Indiana Department of Local Government Finance. The budget becomes effective after the School Corporation receives notice from the Indiana Department of Local Government Finance.

B. Cash and Investment Balance Deficits

At June 30, 2005 and 2006, the following funds reported deficits in cash and investments.

Fund	2005	2006
Textbook Rental	\$ 1,706	\$ -
Safe Haven 05-06	-	2,682
Summer Migrant Proj 05/06/SM-3	586	-
Perkins Basic Grant FY 04-05	12,640	-
Workforce Development/Area Vocational	1,565	-
LSTA 06/30/06	8,097	-
Title II Part A (Class Size)	-	15,611
Retirement Severance Bond Fund	8,207	-
Adult Continuing Education	-	1,136
Adult and Continuing Education	<u>22,288</u>	<u>195</u>
Totals	<u>\$ 55,089</u>	<u>\$ 19,624</u>

Cash and investment deficits arose primarily from disbursements or expenses exceeding receipts or revenues due to the underestimate of current requirements. The deficits are to be repaid from future revenues.

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

ELWOOD COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

eligible to receive state funds; and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

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

Investment Type	Market Value	Investment Maturities in Years Less Than 1
Repurchase Agreements	\$ 4,289,430	\$ 4,289,430

Investment Policies

Indiana Code 5-13-9 authorizes the School Corporation to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the unit to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

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

Additionally, the School Corporation may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an

ELWOOD COMMUNITY SCHOOL CORPORATION  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The School Corporation does not have a formal investment policy for custodial credit risk for investments. At June 30, 2006, the School Corporation held investments in repurchase agreements in the amount of \$4,289,430. Of these investments \$4,289,430 were held by the counterparty's trust department or agent but not in the School Corporation's name.

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below.

<u>Standard and Poor's Rating</u>	<u>Moody's Rating</u>	<u>School Corporation's Investments</u>
		<u>Investment Pools</u>
Unrated	Unrated	<u>\$ 4,289,430</u>

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.

B. Interfund Transfers

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

ELWOOD COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

<u>Transfer From</u>	<u>Transfer To</u>	<u>2005</u>	<u>2006</u>
Debt Service	Nonmajor Governmental	\$ -	\$ 20,582
Nonmajor Governmental	Nonmajor Governmental	<u>469</u>	<u>19,331</u>
Totals		<u>\$ 469</u>	<u>\$ 39,913</u>

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

B. Holding Corporation

The School Corporation has entered into a capital lease with the Elwood Middle 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. Lease payments during the years ended June 30, 2005 and 2006, were \$1,305,500 and \$1,385,500, respectively.

C. Post Employment Benefits

In addition to the pension benefits described below, the School Corporation provides health insurance to 8 certified teachers who had attained the age of 55 with at least 15 years of service as of September 1, 2005. This benefit was provided as a retirement incentive. The School Corporation provides 100% of the cost of this benefit, for a period from September 2005 through September 2008. Disbursements for this benefit are recognized on a pay-as-you-go basis. During the school year ended June 30, 2006, disbursements of \$4,285 were recognized as the cost of this benefit.

ELWOOD COMMUNITY SCHOOL CORPORATION  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

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.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 90,394
Interest on net pension obligation	(4,495)
Adjustment to annual required contribution	5,123
Annual pension cost	91,022
Contributions made	91,488
Decrease in net pension obligation	(466)
Net pension obligation, beginning of year	(62,006)
Net pension obligation, end of year	\$ (62,472)

ELWOOD COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	PERF
Contribution rates:	
School Corporation	5.75%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	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%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 92,694	92%	\$ (38,440)
	06-30-04	68,477	134%	(62,006)
	06-30-05	91,022	134%	(62,472)

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.

ELWOOD COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

Plan members are required to contribute 3% of their salary and the School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2004, 2005, and 2006, were \$353,140, \$163,354, and \$186,215, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

ELWOOD COMMUNITY 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)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 1,508,487	\$ 1,518,314	\$ (9,827)	99%	\$ 1,389,213	(1%)
07-01-04	1,542,815	1,794,749	(251,934)	86%	1,458,550	(17%)
07-01-05	1,616,489	1,947,621	(331,132)	83%	1,461,752	(23%)

ELWOOD COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

Information presented for audit did not indicate an inventory or record of capital assets, using Form 369, was maintained.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OVERDRAWN CASH BALANCES

The cash balance of the Textbook Rental Fund, the Summer Migrant Proj 05/06/SM-3 Fund, Perkins Basic Grant FY 04-05 Fund, the Workforce Development / Area Vocational Fund, the LSTA 06/30/06 Fund, the Retirement Severance Bond Fund, and Adult Continuing Education Fund was overdrawn at June 30, 2005. The cash balance of the Safe Haven 05-06 Fund, the Title II Part A (Class Size) Fund, the Adult Continuing Education Fund, and the Adult and Continuing Education Fund were overdrawn at June 30, 2006.

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)

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

TO: THE OFFICIALS OF THE ELWOOD COMMUNITY SCHOOL  
CORPORATION, MADISON COUNTY, INDIANA

Compliance

We have audited the compliance of the Elwood Community 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 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, 2005 and 2006.

Internal Control Over Compliance

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

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

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

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

STATE BOARD OF ACCOUNTS

October 23, 2006

ELWOOD COMMUNITY 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>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	FY 04/05	\$ 86,873	\$ -
		FY 05/06	-	135,058
National School Lunch Program	10.555	FY 04/05	295,341	-
		FY 05/06	-	403,619
Summer Food Service Program for Children	10.559	2004	16,982	-
		2005	-	14,487
Total for federal grantor agency			<u>399,196</u>	<u>553,164</u>
<u>U.S. DEPARTMENT OF LABOR</u>				
Pass-Through Indiana Department of Education				
Employment and Training Administration Pilots, Demonstrations, and Research Projects Workforce Development				
	17.261	FY 2004-2005	<u>1,565</u>	<u>35</u>
<u>U.S. DEPARTMENT OF NATIONAL ENDOWMENT FOR THE ARTS</u>				
Pass-Through Indiana State Library				
State Library Program	45.310	04-1-1	<u>13,974</u>	<u>388</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Anderson Community Schools				
Special Education Cluster				
Special Education-Grants to States				
SPED	84.027	14205-002-PN01	454,309	39,095
SPED		14206-002-PN01	-	336,850
SLIVER		14205-002-SN01	-	6,259
Total for program			<u>454,309</u>	<u>382,204</u>
Special Education-Preschool Grants				
Preschool	84.173	45704-002-PY02	37,490	-
Preschool		45706-002-PN01	-	25,055
Total for program			<u>37,490</u>	<u>25,055</u>
Total for cluster			<u>491,799</u>	<u>407,259</u>
Pass-Through Indiana Department of Education				
Adult Education-State Grant Program				
	84.002	2004-8008	4,006	-
		2005-8008	44,176	3,123
		2006-8008	-	42,587
Total for program			<u>48,182</u>	<u>45,710</u>
Title I Grants to Local Education Agencies				
	84.010	04-5280	89,733	-
		05-5280	397,791	92,975
		06-5280	-	345,064
Total for program			<u>487,524</u>	<u>438,039</u>

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

ELWOOD COMMUNITY 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)				
Migrant Education-State Grant Program	84.011	FY 04-05/SM-6	98,373	-
		FY 04-05/RM-8	13,351	-
		FY 05-06/SM-3	586	88,902
		FY 05-06/RM-7	-	14,044
		FY 06-07/SM-1	-	320
Total for program			<u>112,310</u>	<u>103,266</u>
Vocational Education-Basic Grants to States	84.048			
Perkins		04-4700-5280	17,632	-
Perkins		05-4700-5280	76,552	8,667
Perkins		06-4700-5280	-	63,227
Total for program			<u>94,184</u>	<u>71,894</u>
Safe and Drug Free Schools and Communities-State Grant	84.186			
Title IV		03-180	7,757	4,201
Title IV		04-183	-	12,894
Title IV		05-148	-	1,046
Total for program			<u>7,757</u>	<u>18,141</u>
State Grants for Innovative Programs	84.298			
Title V		02-110	2,324	-
Title V		03-223	9,799	3,745
		04-164	-	4,425
Total for program			<u>12,123</u>	<u>8,170</u>
Education Technology - State Grants	84.318			
Title II, Part D		FY 02-04	2,181	-
		FY 03-05	7,930	1,991
		FY 04-06	-	9,149
Total for program			<u>10,111</u>	<u>11,140</u>
Improving Teacher Quality State Grants	84.367			
Title II, Part A		02-074	3,366	-
Title II, Part A		03-184	82,439	27,437
Title II, Part A		04-184	-	105,788
Total for program			<u>85,805</u>	<u>133,225</u>
Total for federal grantor agency			<u>1,349,795</u>	<u>1,236,844</u>
Total federal awards expended			<u>\$ 1,764,530</u>	<u>\$ 1,790,431</u>

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

ELWOOD COMMUNITY 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 Elwood Community 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 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
School Breakfast Program	10.553	\$ 3,830	\$ 8,025
National School Lunch Program	10.555	25,846	23,288

ELWOOD COMMUNITY 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:

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

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

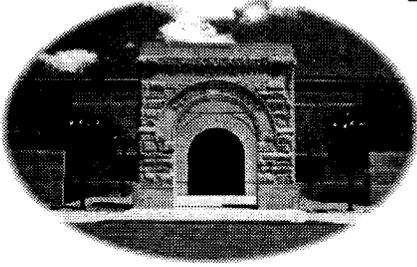
Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.



**ELWOOD COMMUNITY SCHOOL CORPORATION**

1306 North Anderson Street  
Elwood, Indiana 46036  
Phone: (765) 552-9861  
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**Thomas W. Austin**  
Superintendent

**David Stewart**  
Administrative Assistant

**Janice Kaye**  
Director of Special Services

**Joa Griffith**  
Business Manager/Treasurer

**Nina Huntsinger**  
Technology Coordinator

*The Hope of Our Country*

October 17, 2006

State Board of Accounts  
302 Washington St., Room E418  
Indianapolis, Indiana 46204-2765

Re: Finding No. 2004-1

This letter has been prepared in connection with a CORRECTIVE ACTION PLAN developed on February 14, 2005 in response to the above Finding No. 2004-1. This plan was developed in response to the report on the audit period beginning July 1, 2002 through June 30, 2004 that, in part, focused on Finding No. 2004-1 TITLE I EXPENDITURES OUTSIDE PERIOD OF AVAILABILITY – QUESTIONED COSTS.

This letter conveys how the CORRECTIVE ACTION PLAN was implemented. On June 29, 2005 Jan Kaye, Title I Program Administrator, met with Ms. Lee Ann Kwiatkowski, Director of the Division of Compensatory Education in the Center for Community Relations and Special Populations, for the Indiana Department of Education. At this meeting Jan Kaye presented a check to Ms. Kwiatkowski for the amount of monies that were identified as being expended outside the parameters of allowable expenses.

Sincerely,

Thomas W. Austin  
Superintendent

Joa L. Griffith  
Business Manager

Jan Kaye  
Title I Program  
Administrator

ELWOOD COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on October 31, 2006, with Thomas W. Austin, Superintendent of Schools; Joa L. Griffith, Business Manager/Treasurer; David F. Stewart, Administrative Assistant; and Janice A. Kaye, Director of Special Services. The officials concurred with our audit findings.