

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

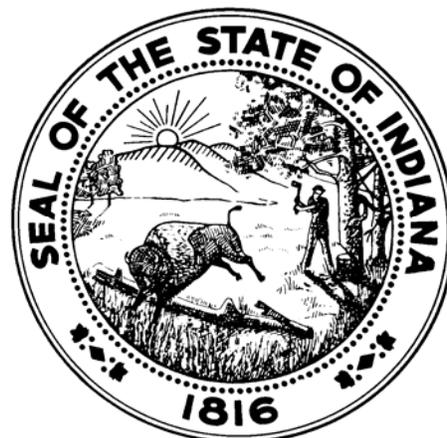
AUDIT REPORT

OF

WA-NEE COMMUNITY SCHOOLS

ELKHART COUNTY, INDIANA

July 1, 2004 to June 30, 2006



FILED
01/12/2007

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Janet M. Gruwell	07-01-04 to 06-30-07
Superintendent of Schools	Joseph M. Sabo	07-01-04 to 06-30-08
President of the School Board	Cletis A. Miller Chris Gillam	07-01-04 to 06-30-06 07-01-06 to 06-30-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE WA-NEE COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

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

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

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

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

In accordance with Government Auditing Standards, we have also issued a report dated December 7, 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's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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

STATE BOARD OF ACCOUNTS

December 7, 2006



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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 WA-NEE COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

We have audited the financial statements of the Wa-Nee Community Schools (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated December 7, 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

December 7, 2006

WA-NEE COMMUNITY SCHOOLS
STATEMENT OF CASH AND INVESTMENTS
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 5,441,265
Restricted assets:	
Cash and investments	<u>925,108</u>
Total assets	<u>\$ 6,366,373</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 925,108
Unrestricted	<u>5,441,265</u>
Total net assets	<u>\$ 6,366,373</u>

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

WA-NEE COMMUNITY SCHOOLS
STATEMENT OF CASH AND INVESTMENTS
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 4,412,580
Restricted assets:	
Cash and investments	<u>971,535</u>
Total assets	<u>\$ 5,384,115</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 971,535
Unrestricted	<u>4,412,580</u>
Total net assets	<u>\$ 5,384,115</u>

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

WA-NEE COMMUNITY SCHOOLS
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 10,190,766	\$ -	\$ 154,102	\$ (10,036,664)
Support services	14,136,557	881,963	357,543	(12,897,051)
Community services	268,531	-	-	(268,531)
Nonprogrammed charges	885,366	-	-	(885,366)
Debt service	<u>12,602,893</u>	<u>-</u>	<u>-</u>	<u>(12,602,893)</u>
Total governmental activities	<u>\$ 38,084,113</u>	<u>\$ 881,963</u>	<u>\$ 511,645</u>	<u>(36,690,505)</u>
General receipts:				
Property taxes				21,876,472
Other local sources				3,777,419
State aid				9,949,083
Grants and contributions not restricted				1,310,617
Bonds and loans				1,518,841
Sale of property, adjustments, and refunds				130,449
Investment earnings				82,211
Intergovernmental transfers				<u>300</u>
				Total general receipts and intergovernmental transfers
				<u>38,645,392</u>
				Change in cash and investments
				1,954,887
				Net assets - beginning
				<u>4,411,486</u>
				Net assets - ending
				<u>\$ 6,366,373</u>

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

WA-NEE COMMUNITY SCHOOLS
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 10,949,565	\$ -	\$ 101,205	\$ (10,848,360)
Support services	15,651,987	904,353	423,000	(14,324,634)
Community services	262,733	-	-	(262,733)
Nonprogrammed charges	990,515	-	-	(990,515)
Debt service	7,002,880	-	-	(7,002,880)
Total governmental activities	\$ 34,857,680	\$ 904,353	\$ 524,205	(33,429,122)
General receipts:				
Property taxes				15,115,028
Other local sources				3,871,821
State aid				10,869,280
Grants and contributions not restricted				1,167,163
Bonds and loans				1,037,887
Sale of property, adjustments, and refunds				150,778
Investment earnings				234,907
Total general receipts				32,446,864
Change in cash and investments				(982,258)
Net assets - beginning				6,366,373
Net assets - ending				\$ 5,384,115

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

WA-NEE COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 10,211,148	\$ 1,840,659	\$ 7,872,447	\$ 3,482,498	\$ 334,538	\$ 1,417,285	\$ 25,158,575
Intermediate sources	631	-	-	-	-	844	1,475
State sources	10,088,197	-	-	-	-	245,230	10,333,427
Federal sources	-	-	-	-	-	1,437,918	1,437,918
Bonds and loans	1,225,437	293,404	-	-	-	-	1,518,841
Sale of property, adjustments and refunds	33,734	1,127	-	84,163	-	3,185	122,209
Intergovernmental transfers	300	-	-	-	-	-	300
Interfund transfers	790	-	-	-	-	-	790
Total receipts	21,560,237	2,135,190	7,872,447	3,566,661	334,538	3,104,462	38,573,535
Disbursements:							
Current:							
Instruction	9,247,800	-	-	-	-	942,966	10,190,766
Support services	7,247,559	1,409,126	-	2,175,991	-	1,505,683	12,338,359
Community services	255,561	-	-	-	-	12,970	268,531
Nonprogrammed charges	737,017	-	-	-	-	149,139	886,156
Debt services	4,087,704	620,745	7,266,094	-	161,506	466,844	12,602,893
Total disbursements	21,575,641	2,029,871	7,266,094	2,175,991	161,506	3,077,602	36,286,705
Excess (deficiency) of total receipts over (under) total disbursements	(15,404)	105,319	606,353	1,390,670	173,032	26,860	2,286,830
Cash and investments - beginning	1,239,267	349,189	321,977	906,270	(5,715)	279,798	3,090,786
Cash and investments - ending	<u>\$ 1,223,863</u>	<u>\$ 454,508</u>	<u>\$ 928,330</u>	<u>\$ 2,296,940</u>	<u>\$ 167,317</u>	<u>\$ 306,658</u>	<u>\$ 5,377,616</u>

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

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF CASH ACTIVITIES

Net change in fund balances - total governmental funds	\$ 2,286,830
Amounts reported for governmental activities in the statement of cash activities are different because:	
Internal service funds are not reported as a part of governmental funds.	<u>(331,943)</u>
Change in cash and investments of governmental activities	<u>\$ 1,954,887</u>

WA-NEE COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2006

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 7,331,421	\$ 1,402,850	\$ 5,223,750	\$ 2,858,936	\$ 237,070	\$ 1,249,732	\$ 18,303,759
Intermediate sources	441	-	-	-	-	844	1,285
State sources	10,950,755	-	-	-	-	231,009	11,181,764
Federal sources	-	-	-	-	-	1,378,884	1,378,884
Bonds and loans	549,560	410,746	-	-	77,581	-	1,037,887
Sale of property, adjustments and refunds	23,982	5,139	-	110,586	-	2,885	142,592
Interfund transfers	37,167	-	-	-	-	54,120	91,287
Total receipts	<u>18,893,326</u>	<u>1,818,735</u>	<u>5,223,750</u>	<u>2,969,522</u>	<u>314,651</u>	<u>2,917,474</u>	<u>32,137,458</u>
Disbursements:							
Current:							
Instruction	9,884,996	-	-	-	-	1,064,569	10,949,565
Support services	7,519,429	1,488,724	11,929	2,601,099	493,138	1,563,325	13,677,644
Community services	257,310	-	-	-	-	5,423	262,733
Nonprogrammed charges	859,469	-	-	-	-	222,333	1,081,802
Debt services	1,225,437	293,404	5,167,786	-	-	316,253	7,002,880
Total disbursements	<u>19,746,641</u>	<u>1,782,128</u>	<u>5,179,715</u>	<u>2,601,099</u>	<u>493,138</u>	<u>3,171,903</u>	<u>32,974,624</u>
Excess (deficiency) of total receipts over (under) total disbursements	(853,315)	36,607	44,035	368,423	(178,487)	(254,429)	(837,166)
Cash and investments - beginning	1,223,863	454,508	928,330	2,296,940	167,317	306,658	5,377,616
Cash and investments - ending	<u>\$ 370,548</u>	<u>\$ 491,115</u>	<u>\$ 972,365</u>	<u>\$ 2,665,363</u>	<u>\$ (11,170)</u>	<u>\$ 52,229</u>	<u>\$ 4,540,450</u>

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

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF CASH ACTIVITIES

Net change in fund balances - total governmental funds	\$ (837,166)
Amounts reported for governmental activities in the statement of cash activities are different because:	
Internal service funds are not reported as a part of governmental funds.	<u>(145,092)</u>
Change in cash and investments of governmental activities	<u>\$ (982,258)</u>

WA-NEE COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
PROPRIETARY FUND
For The Year Ended June 30, 2005

	<u>Internal Service Fund</u>
Receipts:	
Local sources	\$ 1,458,014
Sale of property, adjustments and refunds	<u>8,241</u>
Total receipts	<u>1,466,255</u>
Disbursements:	
Support services	<u>1,798,198</u>
Changes in cash and investments	(331,943)
Cash and investments - beginning	<u>1,320,700</u>
Cash and investments - ending	<u><u>\$ 988,757</u></u>

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

WA-NEE COMMUNITY SCHOOLS
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH AND INVESTMENTS
 PROPRIETARY FUND
 For The Year Ended June 30, 2006

	<u>Internal Service Fund</u>
Receipts:	
Local sources	\$ 1,821,066
Sale of property, adjustments and refunds	<u>8,185</u>
Total receipts	<u>1,829,251</u>
Disbursements:	
Support services	<u>1,974,343</u>
Changes in cash and investments	(145,092)
Cash and investments - beginning	<u>988,757</u>
Cash and investments - ending	<u><u>\$ 843,665</u></u>

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

WA-NEE COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2005

	<u>Pension Trust Fund</u>	<u>Private-Purpose Trust Fund</u>
Additions:		
Local sources	\$ 2,154	\$ 5,000
Deductions:		
Instruction	-	4,247
Support services	12,093	1,742
Nonprogrammed charges	<u>-</u>	<u>300</u>
Total deductions	<u>12,093</u>	<u>6,289</u>
Deficiency of total additions under total deductions	(9,939)	(1,289)
Cash and investments - beginning	<u>172,575</u>	<u>3,467</u>
Cash and investments - ending	<u>\$ 162,636</u>	<u>\$ 2,178</u>

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

WA-NEE COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2006

	Pension Trust Fund	Private-Purpose Trust Fund
Additions:		
Local sources	\$ 6,090	\$ 5,000
Deductions:		
Instruction	-	4,479
Support services	30,504	767
Total deductions	30,504	5,246
Deficiency of total additions under total deductions	(24,414)	(246)
Cash and investments - beginning	162,636	2,178
Cash and investments - ending	\$ 138,222	\$ 1,932

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

WA-NEE COMMUNITY SCHOOLS
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2005

<u>Assets</u>	<u>Pension Trust Fund</u>	<u>Private-Purpose Trust Fund</u>	<u>Agency Funds</u>
Cash and investments	\$ 162,636	\$ 2,178	\$ 457,918
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	\$ 162,636	\$ 2,178	

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

WA-NEE COMMUNITY SCHOOLS
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2006

<u>Assets</u>	<u>Pension Trust Fund</u>	<u>Private-Purpose Trust Fund</u>	<u>Agency Funds</u>
Cash and investments	\$ 138,222	\$ 1,932	\$ 197,604
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	\$ 138,222	\$ 1,932	

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

WA-NEE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

Primary Government: Wa-Nee Community Schools

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 Baugo Community Schools, Concord Community Schools, Fairfield Community Schools, Goshen Community Schools, and Middlebury Community Schools in a joint venture to operate the Elkhart County Special Education Cooperative (ECSEC), which was created to provide services to handicapped students of the six school corporations in the most efficient manner possible. The ECSEC's continued existence depends on continued funding by the School Corporation. Complete financial statements for the ECSEC can be obtained from the Administrative Offices of the Goshen Community Schools at 613 East Purl Street, Goshen, Indiana, 46526-4044. During the 2005-2006 school year the School Corporation's share of ECSEC's program expenditures was \$1,025,593.

The School Corporation is a participant with approximately forty other schools in a joint venture to operate the Northern Indiana Educational Service Center (NIESC), which was created to allow participating schools to cooperate and share certain programs and services, which they collectively may implement. The School Corporation is obligated by contract to remit annually a membership fee to supplement the NIESC. Complete financial statements for the NIESC can be obtained from the Administrative Offices of the NIESC at 56535 Magnetic Drive, Mishawaka, Indiana, 46545.

The School Corporation is a participant with eleven other school corporations in Elkhart and St. Joseph Counties in a joint venture to operate a Head Start Consortium (Consortium), which was created to develop, operate, participate and supervise a Head Start Program to serve the preschool student populations of the participating school corporations. The Consortium's continued existence depends on continued funding through a federal grant program. Participating school corporations are required to provide "in-kind services (transportation and classroom, gymnasium and playground space) to meet the grant requirements. No fees are assessed the school corporations for the operation of this program. The School Corporation may be obligated for the debts of the Consortium should they not be covered by the grant. Complete financial statements for the Head Start Consortium can be obtained from the Administrative Offices of the South Bend Community School Corporation at 215 S. St. Joseph Street, South Bend, Indiana, 46601.

WA-NEE COMMUNITY SCHOOLS
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 non-exchange 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 cash balances, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary fund, 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 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.

The School Corporation reports the following major proprietary fund:

The internal service fund accounts for the financial resources for funding medical benefits to employees.

Additionally, the School Corporation reports the following fund types:

The pension trust fund accounts for the activities which accumulate resources for funding pension benefit payments.

The private-purpose trust funds report financial resources for funding child care expenses and for the benefit of individuals.

WA-NEE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

The agency funds account for assets held by the School Corporation as an agent for governmental agencies, insurance companies, and other third parties and serve as a control of accounts for certain cash transactions during the time they are a liability to the School Corporation.

C. Measurement Focus and Basis of Accounting

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

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

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

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

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any 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. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

WA-NEE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 10 days per year. Unused sick leave may be accumulated to a maximum of 180 days for certified employees, 65 days for clerical employees and 70 days for maintenance and custodial employees. Accumulated sick leave is paid to employees through cash payments upon termination of employment.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 5 days to 15 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

c. Personal Leave

Administrative and certified School Corporation employees earn personal leave at the rate of two days per year. Unused personal leave is paid to administrative and certified employees through cash payments each year. Noncertified employees earn one personal leave day per year that is added to sick leave if unused.

4. 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.

5. Long-Term Debt

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

6. Equity Classification

Government-Wide Statements

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

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

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

Fund Financial Statements

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

WA-NEE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, and (2) operating grants and contributions. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

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.

F. 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

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 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

WA-NEE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

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

B. Cash and Investment Balance Deficits

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

Fund	2005	2006
Textbook Rental	\$ 27,212	\$ 61,702
School Bus Replacement	-	11,170

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

III. Detailed Notes on All Funds

A. Deposits

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, 2006, the bank balance held at KeyBank in the amount of \$842,649 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-School Corporation's name. The remaining 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.

B. Interfund Transfers

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

Transfer From	Transfer To	2005	2006
Other governmental	General Fund	\$ 790	\$ 37,167
	Other governmental	-	54,120
Totals		<u>\$ 790</u>	<u>\$ 91,287</u>

WA-NEE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

IV. Other Information

A. Risk Management

The School Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees and dependents (excluding post-employment 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; 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 and Dependents (Excluding Postemployment Benefits)

The School Corporation has chosen to establish a risk financing fund for risks associated with medical benefits to employees 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 \$70,000 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 funds with payrolls 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 inter-fund transactions.

B. Cash Balances

1. The cash balance of the General Fund at June 30, 2005 and 2006, includes cash from tax anticipation warrants of \$1,225,437 and \$549,560, respectively.
2. The cash balance of the Transportation Operating Fund at June 30, 2005 and 2006, includes cash from tax anticipation warrants of \$293,404 and \$410,746, respectively.
3. The cash balance of the School Bus Replacement Fund at June 30, 2006, includes cash from tax anticipation warrants of \$77,581.

C. Holding Corporations

The School Corporation has entered into capital leases with the Wa-Nee Elementary School Building Corporation, the Wa-Nee Elementary/High School Building Corporation, and the Wa-Nee Middle School Building Corporation (the lessors). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessors have been determined to be related parties of the School Corporation. Lease payments during the years ended June 30, 2005 and 2006, totaled \$4,743,751 and \$4,795,264, respectively.

WA-NEE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Subsequent Events

In August 2006, the newly formed Wa-Nee Community School Building Corporation (a not for profit holding corporation) issued First Mortgage Bonds, Series 2006 totaling \$7,270,000 for the purpose of purchasing the Nappanee Elementary School facility from the School Corporation, to add classrooms, and to remodel the existing facility. The School Corporation will lease Nappanee Elementary School from the holding corporation with lease payments to begin in July 2007. Semiannual lease payments will be made to the holding corporation from the School Corporation Debt Service Fund. Nappanee Elementary School should be available for use and occupancy by July 2007.

On August 2, 2006, the School Corporation received \$2,753,000 from the sale of Nappanee Elementary School to the newly formed Wa-Nee Community School Building Corporation. This money was deposited in a trust account established in the School Corporation's name to be used to add to and remodel Wakarusa Elementary School and Woodview Elementary School. This trust account is not accounted for on the School Corporation's financial records.

E. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment 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 20 years of service. Currently, six retirees meet these eligibility requirements. The School Corporation pays to each retiree \$6,038 to \$7,246 each year, until age 65, based on the year the retiree was born. During the years ended June 30, 2005 and 2006, disbursements of \$64,113 were recognized in both years for postemployment benefits.

F. 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

WA-NEE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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	\$ 118,896
Interest on net pension obligation	(15,047)
Adjustment to annual required contribution	17,147
Annual pension cost	120,996
Contributions made	138,680
Decrease in net pension obligation	(17,684)
Net pension obligation, beginning of year	(207,544)
Net pension obligation, end of year	\$ (225,228)

Contribution rates:	
School Corporation	6.25%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

WA-NEE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 117,836	129%	\$ (169,693)
	06-30-04	106,632	135%	(207,544)
	06-30-05	120,996	130%	(225,228)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

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

Teachers' Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

Funding Policy and Annual Pension Costs

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2006, 2005, and 2004, were \$248,162, \$213,859, and \$230,233, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

WA-NEE COMMUNITY SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 2,141,545	\$ 2,120,793	\$ 20,752	101%	\$ 2,114,928	1%
07-01-04	2,202,452	2,321,879	(119,427)	95%	2,112,064	(6%)
07-01-05	2,312,388	2,743,086	(430,698)	84%	2,276,050	(19%)

WA-NEE COMMUNITY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2006

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 588,000
Buildings	47,751,765
Improvements other than buildings	2,271,716
Machinery and equipment	<u>5,664,929</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 56,276,410</u>

WA-NEE COMMUNITY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2006

The School Corporation has entered into the following debt:

Description of Debt	Ending Balance	Principal Due Within One Year
Governmental activities:		
Capital leases:		
Wa-Nee Elementary School Building Corp.	3,765,000	585,000
Wa-Nee Elementary/High School Building Corp.	7,909,175	675,000
Wa-Nee Middle School Building Corp.	17,405,000	460,000
Loans payable:		
Common school fund loans	93,121	23,281
Bonds payable:		
General obligation bonds:		
Northwood High School	310,000	150,000
Pension bonds	<u>2,700,000</u>	<u>90,000</u>
Total long-term debt	<u>\$ 32,182,296</u>	<u>\$ 1,983,281</u>

WA-NEE COMMUNITY SCHOOLS
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCES

The cash balance of the Textbook Rental Fund was overdrawn at June 30, 2005, and at June 30, 2006, in the amount of \$27,212 and \$61,702, respectively. The cash balance of the School Bus Replacement Fund was overdrawn at June 30, 2006, in the amount of \$11,170.

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
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 WA-NEE COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

Compliance

We have audited the compliance of the Wa-Nee Community Schools (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the years ended June 30, 2005 and 2006. The School Corporation's major federal program is 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 its major federal program is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

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

Internal Control Over Compliance

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

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

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

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

STATE BOARD OF ACCOUNTS

December 7, 2006

WA-NEE COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2005 and 2006

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-05	Total Federal Awards Expended 06-30-06
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 33,919	\$ 46,188
National School Lunch Program	10.555		<u>250,682</u>	<u>318,873</u>
Total for federal grantor agency			<u>284,601</u>	<u>365,061</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Goshen Community Schools				
Special Education Cluster				
Special Education - Grants to States	84.027	FY 03-04	2,213	-
		FY 04-05	534,425	1,331
		FY 05-06	<u>-</u>	<u>573,478</u>
Total for cluster			<u>536,638</u>	<u>574,809</u>
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies	84.010	04-2285	9,367	-
		05-2285	399,129	65,056
		06-2285	<u>-</u>	<u>407,680</u>
Total for program			<u>408,496</u>	<u>472,736</u>
Pass-Through Elkhart Community Schools				
Vocational Education - Basic Grants to States	84.048	FY 03-04	300	-
		FY 04-05	14,215	-
		FY 05-06	<u>-</u>	<u>14,215</u>
Total for program			<u>14,515</u>	<u>14,215</u>
Pass-Through Indiana Department of Education				
Safe and Drug Free Schools and Communities - State Grants	84.186	FY 04-05	14,556	1,209
		FY 05-06	<u>500</u>	<u>13,441</u>
Total for program			<u>15,056</u>	<u>14,650</u>
State Grants for Innovative Programs	84.298	FY 04-05	11,197	3,821
		FY 05-06	-	5,064
		FY 06-07	<u>-</u>	<u>16,948</u>
Total for program			<u>11,197</u>	<u>25,833</u>
Education Technology State Grants	84.318	FY 03-04	2,063	2,460
		FY 04-05	<u>-</u>	<u>6,644</u>
Total for program			<u>2,063</u>	<u>9,104</u>
English Language Acquisition Grants	84.365	FY 05-06	<u>-</u>	<u>38,412</u>
Improving Teacher Quality State Grants	84.367	03-021	52,233	-
		04-103	<u>33,459</u>	<u>98,959</u>
Total for program			<u>85,692</u>	<u>98,959</u>
Total for federal grantor agency			<u>1,073,657</u>	<u>1,248,718</u>
Total federal awards expended			<u>\$ 1,358,258</u>	<u>\$ 1,613,779</u>

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

WA-NEE COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

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

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

II. Noncash Assistance

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>2004-2005</u>	<u>2005-2006</u>
Child Nutrition Cluster:			
Food Commodities:			
National School Lunch Program	10.555	<u>\$ 44,457</u>	<u>\$ 29,580</u>

WA-NEE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major program:

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 program: Unqualified

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

Name of Federal Program or Cluster

Special Education Cluster

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

Auditee qualified as a low-risk auditee?	yes
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Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

WA-NEE COMMUNITY SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

WA-NEE COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on December 14, 2006, with Joseph M. Sabo, Superintendent of Schools; Chris Gillam, President of the School Board; and Janet M. Gruwell, Treasurer. The officials concurred with our audit findings.