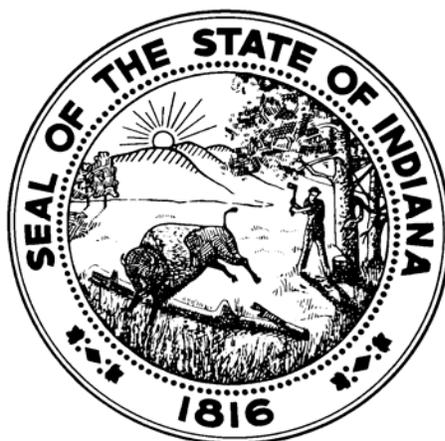


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF
EAST WASHINGTON SCHOOL CORPORATION
WASHINGTON COUNTY, INDIANA
July 1, 2004 to June 30, 2006



FILED
01/31/2007

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials.....	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards.....	5-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Cash and Investments	7-8
Statement of Cash Activities	9-10
Fund Financial Statements:	
Governmental Funds:	
Statement of Receipts, Disbursements, and Cash and Investment Balances – Governmental Funds.....	11-12
Proprietary Funds:	
Statement of Receipts, Disbursements, and Changes in Cash and Investments – Proprietary Funds.....	13-14
Fiduciary Funds:	
Statement of Receipts, Disbursements, and Changes in Cash and Investments – Fiduciary Funds.....	15-16
Statement of Cash and Investments – Fiduciary Funds.....	17-18
Notes to Financial Statements	19-28
Required Supplementary Information:	
Schedule of Funding Progress	29
Supplementary Information:	
Schedule of Capital Assets.....	30
Schedule of Long-Term Debt.....	31
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	34-35
Schedule of Expenditures of Federal Awards.....	36
Notes to Schedule of Expenditures of Federal Awards	37
Schedule of Findings and Questioned Costs.....	38
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings.....	39
Exit Conference.....	40

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Judith S. Lincks	07-01-04 to 06-30-07
Superintendent of Schools	Gerald E. Rose	07-01-04 to 06-30-11
President of the School Board	Phillip Marshall Dr. Kalen Carty-Kemker	07-01-04 to 06-30-05 07-01-05 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 EAST WASHINGTON SCHOOL
CORPORATION, WASHINGTON COUNTY, INDIANA

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

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

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

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

In accordance with Government Auditing Standards, we have also issued a report dated December 14, 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 a required part of the basic financial statements. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

December 14, 2006



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE EAST WASHINGTON SCHOOL
CORPORATION, WASHINGTON COUNTY, INDIANA

We have audited the financial statements of the East Washington School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated December 14, 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.

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
(Continued)

We noted other matters involving the internal control over financial reporting that we have discussed with the management of the School Corporation on January 4, 2007. These immaterial instances of noncompliance were subsequently communicated to management in a separate letter.

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 14, 2006

EAST WASHINGTON SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 5,754,961
Restricted assets:	
Cash and investments	<u>521,592</u>
Total assets	<u>\$ 6,276,553</u>
<u>Net Assets</u>	
Restricted for:	
Debt service	\$ 521,592
Unrestricted	<u>5,754,961</u>
Total net assets	<u>\$ 6,276,553</u>

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

EAST WASHINGTON SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 7,032,264
Restricted assets:	
Cash and investments	<u>674,619</u>
Total assets	<u>\$ 7,706,883</u>
<u>Net Assets</u>	
Restricted for:	
Debt service	\$ 674,619
Unrestricted	<u>7,032,264</u>
Total net assets	<u>\$ 7,706,883</u>

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

EAST WASHINGTON SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 5,166,028	\$ -	\$ 107,938	\$ (5,058,090)
Support services	9,511,074	405,993	246,488	(8,858,593)
Community services	12,489	-	-	(12,489)
Nonprogrammed charges	1,070,731	-	-	(1,070,731)
Debt service	2,249,122	-	-	(2,249,122)
Total governmental activities	\$ 18,009,444	\$ 405,993	\$ 354,426	(17,249,025)
General receipts:				
Property taxes				6,074,786
Other local sources				2,516,457
State aid				8,376,861
Grants and contributions not restricted				706,912
Sale of property, adjustments, and refunds				6,386
Investment earnings				124,011
Transfers:				
Intergovernmental				402,644
Total general receipts and transfers				18,208,057
Change in cash and investments				959,032
Net assets - beginning				5,317,521
Net assets - ending				\$ 6,276,553

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

EAST WASHINGTON SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 5,241,035	\$ -	\$ 81,120	\$ (5,159,915)
Support services	8,212,524	397,765	302,399	(7,512,360)
Community services	13,148	-	-	(13,148)
Nonprogrammed charges	732,515	-	-	(732,515)
Debt service	1,489,926	-	-	(1,489,926)
Total governmental activities	\$ 15,689,148	\$ 397,765	\$ 383,519	(14,907,864)
General receipts:				
Property taxes				4,423,314
Other local sources				2,279,759
State aid				8,738,409
Grants and contributions not restricted				479,573
Sale of property, adjustments, and refunds				33,123
Investment earnings				179,234
Transfers:				
Intergovernmental				204,782
Total general receipts and transfers				16,338,194
Change in cash and investments				1,430,330
Net assets - beginning				6,276,553
Net assets - ending				\$ 7,706,883

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

EAST WASHINGTON 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	\$ 3,095,289	\$ 744,839	\$ 2,424,902	\$ 703,432	\$ 293,535	\$ 504,861	\$ 7,766,858
Intermediate sources	129	-	-	-	-	544	673
State sources	8,471,340	-	-	-	-	205,943	8,677,283
Federal sources	-	-	-	-	-	760,916	760,916
Sale of property, adjustments and refunds	178	-	-	2,494	-	3,714	6,386
Intergovernmental transfers	10,012	292,739	-	-	41,172	58,721	402,644
Total receipts	11,576,948	1,037,578	2,424,902	705,926	334,707	1,534,699	17,614,760
Disbursements:							
Current:							
Instruction	4,869,602	-	-	-	-	296,426	5,166,028
Support services	5,479,913	606,097	-	721,255	338,524	1,028,980	8,174,769
Community services	1,500	-	-	-	-	10,989	12,489
Nonprogrammed charges	687,259	-	292,739	-	-	90,733	1,070,731
Debt services	-	-	2,128,367	-	40,000	80,755	2,249,122
Total disbursements	11,038,274	606,097	2,421,106	721,255	378,524	1,507,883	16,673,139
Excess (deficiency) of total receipts over (under) total disbursements	538,674	431,481	3,796	(15,329)	(43,817)	26,816	941,621
Cash and investments - beginning	3,437,901	229,001	510,399	211,796	43,817	502,983	4,935,897
Cash and investments - ending	<u>\$ 3,976,575</u>	<u>\$ 660,482</u>	<u>\$ 514,195</u>	<u>\$ 196,467</u>	<u>\$ -</u>	<u>\$ 529,799</u>	<u>\$ 5,877,518</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	\$ 941,621
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>17,411</u>
Change in cash and investments of governmental activities.	<u>\$ 959,032</u>

EAST WASHINGTON 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	\$ 2,051,640	\$ 587,944	\$ 1,603,124	\$ 759,989	\$ 247,066	\$ 573,728	\$ 5,823,491
Intermediate sources	-	-	-	-	-	938	938
State sources	8,806,076	-	-	-	-	100,307	8,906,383
Federal sources	-	-	-	-	-	695,120	695,120
Sale of property, adjustments and refunds	1,344	-	-	26,768	-	5,011	33,123
Intergovernmental transfers	54,354	115,005	-	-	-	35,423	204,782
Total receipts	10,913,414	702,949	1,603,124	786,757	247,066	1,410,527	15,663,837
Disbursements:							
Current:							
Instruction	4,995,569	-	-	-	-	245,466	5,241,035
Support services	4,363,664	700,747	-	740,069	-	1,001,254	6,805,734
Community services	1,500	-	-	-	-	11,648	13,148
Nonprogrammed charges	475,381	-	127,297	-	41,172	88,665	732,515
Debt services	-	-	1,331,628	-	-	158,298	1,489,926
Total disbursements	9,836,114	700,747	1,458,925	740,069	41,172	1,505,331	14,282,358
Excess (deficiency) of total receipts over (under) total disbursements	1,077,300	2,202	144,199	46,688	205,894	(94,804)	1,381,479
Cash and investments - beginning	3,976,575	660,482	514,195	196,467	-	529,799	5,877,518
Cash and investments - ending	<u>\$ 5,053,875</u>	<u>\$ 662,684</u>	<u>\$ 658,394</u>	<u>\$ 243,155</u>	<u>\$ 205,894</u>	<u>\$ 434,995</u>	<u>\$ 7,258,997</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	\$ 1,381,479
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>48,851</u>
Change in cash and investments of governmental activities.	<u>\$ 1,430,330</u>

EAST WASHINGTON SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGE IN CASH AND INVESTMENTS
PROPRIETARY FUND
For The Year Ended June 30, 2005

	<u>Internal Service Fund</u>
Receipts:	
Local sources	\$ <u>1,353,716</u>
Disbursements:	
Support services	<u>1,336,305</u>
Change in cash and investments	17,411
Cash and investments - beginning	<u>381,624</u>
Cash and investments - ending	<u><u>\$ 399,035</u></u>

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

EAST WASHINGTON SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGE IN CASH AND INVESTMENTS
PROPRIETARY FUND
For The Year Ended June 30, 2006

	<u>Internal Service Fund</u>
Receipts:	
Local sources	\$ <u>1,455,641</u>
Disbursements:	
Support services	<u>1,406,790</u>
Change in cash and investments	48,851
Cash and investments - beginning	<u>399,035</u>
Cash and investments - ending	<u><u>\$ 447,886</u></u>

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

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

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Local sources	\$ 14,436	\$ 25,851
Bonds and loans	1,665,000	-
Sale of property, adjustments and refunds	<u>-</u>	<u>160</u>
Total additions	<u>1,679,436</u>	<u>26,011</u>
Deductions:		
Instruction	-	25,508
Support services	<u>19,621</u>	<u>26,774</u>
Total deductions	<u>19,621</u>	<u>52,282</u>
Excess (deficiency) of total additions over (under) total deductions	1,659,815	(26,271)
Cash and investments - beginning	<u>-</u>	<u>77,521</u>
Cash and investments - ending	<u>\$ 1,659,815</u>	<u>\$ 51,250</u>

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

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

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Local sources	\$ 57,791	\$ 29,750
Deductions:		
Instruction	-	5,311
Support services	51,490	29,289
Community services	-	549
Total deductions	<u>51,490</u>	<u>35,149</u>
Excess (deficiency) of total additions over (under) total deductions	6,301	(5,399)
Cash and investments - beginning	<u>1,659,815</u>	<u>51,250</u>
Cash and investments - ending	<u>\$ 1,666,116</u>	<u>\$ 45,851</u>

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

EAST WASHINGTON SCHOOL CORPORATION
 STATEMENT OF CASH AND INVESTMENTS
 FIDUCIARY FUNDS
 June 30, 2005

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Cash and investments	\$ 1,659,815	\$ 51,250
	<u> </u>	<u> </u>
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ 1,659,815	\$ 51,250
	<u> </u>	<u> </u>

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

EAST WASHINGTON SCHOOL CORPORATION
 STATEMENT OF CASH AND INVESTMENTS
 FIDUCIARY FUNDS
 June 30, 2006

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Cash and investments	\$ 1,666,116	\$ 45,851
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ 1,666,116	\$ 45,851

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

EAST WASHINGTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

Primary Government: East Washington School Corporation

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

Joint Ventures

The School Corporation is a participant with several other local school corporations in a joint venture to operate the South Central Area Special Education Cooperative (Co-op) which was created to provide instruction for handicapped children. The School Corporation is obligated by contract to remit its prorated share of actual costs each school year in monthly installments. The Co-op's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Co-op can be obtained from the joint venture's administrative office at 9455 Mt. Tabor Road, Campbellsburg, IN, 47108.

The School Corporation is a participant with several other local school corporations in a joint venture for vocational services provided by the Prosser School of Technology (PST). The Administrative Advisory Committee which provides recommendations for the operations of the PST consists of a representative from each participating school corporation. The Board that governs the financing and operations of the PST is the Board of School Trustees of the New Albany-Floyd County Consolidated School Corporation. The operating expenses of the PST are computed on a per student cost and each participating school is billed based on the number of students they have attending the PST. The financial activity of the PST is presented as part of the General Fund of the New Albany-Floyd County Consolidated School Corporation. Complete financial statements for the joint venture can be obtained from the joint venture's administrative office at 2813 Grant Line Road, New Albany, IN, 47151-1087.

The School Corporation is a participant with several other local school corporations in a joint venture for educational services provided by the Wilson Education Center Interlocal (Center). The Board that governs the Center consists of a member from each participating School Corporation. Each School Corporation pays an annual fee per student based on their current average daily membership. These fees are only a small portion of the funding used to operate the Center. Complete financial statements for the Center can be obtained from the joint venture's administrative office at 11440 Highway 62, Charlestown, IN, 47111.

EAST WASHINGTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Cash and Investments and the Statement of Cash Activities 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. However, there are no business-type activities to report at this time.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary 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 funds:

The internal service fund accounts for assets set aside for medical claim settlements.

Additionally, the School Corporation reports the following fund types:

The pension trust funds account for the activities of the retirement severance bond, which accumulate resources for pension benefit payments.

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

EAST WASHINGTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

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.

EAST WASHINGTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Compensated Absences

a. Sick Leave

School Corporation certified employees earn sick leave at the rate of 10 days during the first year of employment and 9 days in each succeeding year. Unused sick leave may be accumulated indefinitely. Accumulated sick leave is paid to employees through cash payments upon retirement.

School Corporation noncertified employees earn sick leave at the rates of 7 to 9 days per year. Unused sick leave may be accumulated to a maximum of 160 days. 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 job classification and the number of years of service. Vacation leave does not accumulate from year to year.

c. Personal Leave

School Corporation certified employees earn personal leave at the rate of 3 days per year. Unused personal leave may be accumulated to a maximum of 5 days and thereafter converted to sick leave and be accumulated under the sick leave conditions previously noted.

School Corporation noncertified employees earn personal leave at the rates from 1 day to 2 days per year. Unused personal leave may be converted to sick leave and be accumulated under the sick leave conditions previously noted.

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 liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

6. Equity Classification

Government-Wide Statements

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

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

EAST WASHINGTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Fund Financial Statements

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

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, 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. Internal and Interfund Balances and Activities

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

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.

2. Interfund 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.

II. Stewardship, Compliance and Accountability

Budgetary Information

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

EAST WASHINGTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

III. Detailed Notes on All Funds

A. Deposits

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

B. Interfund Transfers

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

<u>Transfer From</u>	<u>Transfer To</u>	<u>2005</u>	<u>2006</u>
General fund	School bus replacement	\$ 41,172	\$ -
	Other governmental	-	-
Debt service	General fund	-	12,292
	Transportation operating	292,739	115,005
School bus replacement	General fund		41,172
Other governmental	General fund	10,012	890
	Other governmental	<u>58,721</u>	<u>35,423</u>
Totals		<u>\$ 402,644</u>	<u>\$ 204,782</u>

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

EAST WASHINGTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

IV. Other Information

A. Risk Management

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

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

The School Corporation has chosen to establish a risk financing fund for risks associated with medical benefits to employees. 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 \$60,000 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 insured 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 fund's gross wages and are reported as quasi-external interfund transactions.

B. Holding Corporations

The School Corporation has entered into a capital lease with the East Washington Elementary School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the fiscal years ended June 30, 2005 and 2006, totaled \$320,000 and \$320,000, respectively.

The School Corporation has entered into a capital lease with the East Washington Multi-School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the fiscal years ended June 30, 2005 and 2006 totaled \$745,000 and \$765,000, respectively.

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55. Currently, 14 retirees meet these eligibility requirements. The School Corporation and retirees provide 81% and 19%, respectively, of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2006, disbursements of \$68,120 were recognized for postemployment benefits.

EAST WASHINGTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

In addition to the postemployment benefits described above, the School Corporation currently provides postemployment wages to two retirees. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2006, disbursements of \$8,970 were recognized for these postemployment benefits.

D. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

EAST WASHINGTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 36,950
Interest on net pension obligation	(6,077)
Adjustment to annual required contribution	6,925
Annual pension cost	37,798
Contributions made	52,147
Decrease in net pension obligation	(14,349)
Net pension obligation, beginning of year	(83,820)
Net pension obligation, end of year	\$ (98,169)
Contribution rates:	
School Corporation	5.25%
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%

EAST WASHINGTON SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-03	\$ 57,205	97%	\$ (58,924)
	06-30-04	32,700	176%	(83,820)
	06-30-05	37,798	159%	(98,169)

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 \$154,649, \$140,724, and \$141,006, respectively. The School Corporation actually contributed 100% of the required contributions for each of the fiscal years.

EAST WASHINGTON SCHOOL CORPORATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 998,641	\$ 861,436	\$ 137,205	116%	\$ 870,029	16%
07-01-04	1,018,484	946,285	72,199	108%	855,329	8%
07-01-05	1,060,136	1,020,220	39,916	104%	865,471	5%

EAST WASHINGTON SCHOOL CORPORATION
 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	\$ 946,000
Buildings	31,919,980
Improvements other than buildings	2,282,686
Machinery and equipment	<u>1,545,746</u>
 Total governmental activities, capital assets not being depreciated	 <u><u>\$ 36,694,412</u></u>

EAST WASHINGTON SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2006

Description of Debt	Ending Balance	Due Within One Year
Capital leases:		
Elementary school building lease	\$ 951,741	\$ 310,000
2002 school lease	15,005,000	120,000
Notes and loans payable:		
1992 Common school loan	562,500	75,000
1998 Common school loan	1,292,000	76,000
Bonds payable:		
General obligation bonds:		
Pension bonds of 2004	<u>1,550,000</u>	<u>85,000</u>
Total long-term debt	<u>\$ 19,361,241</u>	<u>\$ 666,000</u>

(This page intentionally left blank.)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE EAST WASHINGTON SCHOOL
CORPORATION, WASHINGTON COUNTY, INDIANA

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

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

STATE BOARD OF ACCOUNTS

December 14, 2006

EAST WASHINGTON 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 2004-2005		05-8215	\$ 35,853	\$ -
FY 2005-2006		06-8215	-	44,484
Total for program			<u>35,853</u>	<u>44,484</u>
National School Lunch Program	10.555			
FY 2004-2005		05-8215	203,348	-
FY 2005-2006		06-8215	-	245,644
Total for program			<u>203,348</u>	<u>245,644</u>
Total for cluster			<u>239,201</u>	<u>290,128</u>
Team Nutrition Grants	10.574			
		CNTN-04-IN-1	-	1,109
Total for federal grantor agency			<u>239,201</u>	<u>291,237</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title 1 Grants to Local Educational Agencies				
	84.010			
FY 2003-2004		04-8215	21,480	-
FY 2004-2005		05-8215	272,906	19,122
FY 2005-2006		06-8215	-	247,008
Total for program			<u>294,386</u>	<u>266,130</u>
Safe and Drug Free Schools and Communities - State Grants	84.186			
FY 2003-2004		03-217	10,334	-
FY 2004-2005		04-057	-	10,043
Total for program			<u>10,334</u>	<u>10,043</u>
State Grants for Innovative Programs	84.298			
FY 2003-2004		03-120	-	36,146
Education Technology State Grants	84.318			
FY 2003-2004			26,821	10,164
FY 2004-2005			78,594	28,736
FY 2005-2006			-	35,328
Total for program			<u>105,415</u>	<u>74,228</u>
Reading Excellence	84.338			
FY 2002-2003			46,056	-
Improving Teacher Quality State Grants	84.367			
FY 2003-2004		03-274	45,047	17,953
FY 2004-2005		04-113	-	42,058
Total for program			<u>45,047</u>	<u>60,011</u>
Total for federal grantor agency			<u>501,238</u>	<u>446,558</u>
Total federal awards expended			<u>\$ 740,439</u>	<u>\$ 737,795</u>

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

EAST WASHINGTON 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 East Washington 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	2005-2006
Child Nutrition Cluster			
Food Commodities			
School Breakfast Program	10.553	\$ 4,017	\$ 4,095
National School Lunch Program	10.555	22,936	23,466

EAST WASHINGTON 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	Title 1 Grants to Local Educational Agencies
--------	--

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

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

EAST WASHINGTON SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

EAST WASHINGTON SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on January 4, 2007, with Gerald E. Rose, Superintendent of Schools; and Judith S. Lincks, Treasurer. Our audit disclosed no material items that warrant comment at this time.