

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

AUDIT REPORT

OF

CONCORD COMMUNITY SCHOOLS

ELKHART COUNTY, INDIANA

July 1, 2004 to June 30, 2006



**FILED**

01/09/2007



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Constance J. Crum	07-01-04 to 06-30-07
Superintendent of Schools	George S. Dyer	01-01-04 to 12-31-08
President of the School Board	Randall Myers Larry Mast	07-01-04 to 06-30-06 07-01-06 to 06-30-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE CONCORD 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 Concord Community School (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 October 30, 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, as listed in the table of contents, 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

October 30, 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 CONCORD COMMUNITY SCHOOL, ELKHART COUNTY, INDIANA

We have audited the financial statements of the Concord Community School (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated October 30, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

STATE BOARD OF ACCOUNTS

October 30, 2006

CONCORD COMMUNITY SCHOOLS  
STATEMENT OF CASH AND INVESTMENTS  
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 10,389,501
Restricted assets:	
Cash and investments	<u>1,987,823</u>
Total assets	<u>\$ 12,377,324</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 1,987,823
Unrestricted	<u>10,389,501</u>
Total net assets	<u>\$ 12,377,324</u>

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

CONCORD COMMUNITY SCHOOLS  
STATEMENT OF CASH AND INVESTMENTS  
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 11,263,822
Restricted assets:	
Cash and investments	<u>975,470</u>
Total assets	<u>\$ 12,239,292</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 975,470
Unrestricted	<u>11,263,822</u>
Total net assets	<u>\$ 12,239,292</u>

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

CONCORD 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	\$ 13,990,692	\$ -	\$ 247,555	\$ (13,743,137)
Support services	22,028,726	1,252,367	644,118	(20,132,241)
Community services	334,079	-	-	(334,079)
Nonprogrammed charges	1,540,898	-	-	(1,540,898)
Debt service	21,370,472	-	-	(21,370,472)
<b>Total governmental activities</b>	<b>\$ 59,264,867</b>	<b>\$ 1,252,367</b>	<b>\$ 891,673</b>	<b>(57,120,827)</b>
General receipts:				
Property taxes				27,446,795
Other local sources				6,328,125
State aid				15,013,653
Grants and contributions not restricted				1,772,313
Bonds and loans				14,220,000
Sale of property, adjustments, and refunds				248,329
Investment earnings				168,824
Intergovernmental transfers				37,079
				65,235,118
				8,114,291
				4,263,033
				\$ 12,377,324

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

CONCORD 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	\$ 15,016,373	\$ -	\$ 180,774	\$ (14,835,599)
Support services	21,561,323	1,270,585	827,240	(19,463,498)
Community services	358,882	-	-	(358,882)
Nonprogrammed charges	1,504,966	-	-	(1,504,966)
Debt service	15,976,547	-	-	(15,976,547)
Total governmental activities	<u>\$ 54,418,091</u>	<u>\$ 1,270,585</u>	<u>\$ 1,008,014</u>	<u>(52,139,492)</u>
General receipts:				
Property taxes				19,711,714
Other local sources				6,035,261
State aid				16,243,892
Grants and contributions not restricted				1,696,943
Bonds and loans				7,412,466
Sale of property, adjustments, and refunds				481,281
Investment earnings				419,278
Intergovernmental transfers				625
Total general receipts and intergovernmental transfers				52,001,460
Change in cash and investments				(138,032)
Net assets - beginning				12,377,324
Net assets - ending				\$ 12,239,292

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

CONCORD 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	\$ 13,013,107	\$ 2,160,341	\$ 9,337,726	\$ 5,147,520	\$ 516,382	\$ 1,990,921	\$ 32,165,997
Intermediate sources	14,571	-	-	-	-	-	14,571
State sources	15,231,052	-	-	-	-	306,705	15,537,757
Federal sources	13,208	-	-	-	-	2,126,674	2,139,882
Bonds and loans	6,300,000	800,000	4,900,000	1,600,000	270,000	350,000	14,220,000
Sale of property, adjustments and refunds	73,117	8,848	-	19,552	-	69,661	171,178
Intergovernmental and interfund transfers	-	210,000	-	-	-	833,111	1,043,111
<b>Total receipts</b>	<u>34,645,055</u>	<u>3,179,189</u>	<u>14,237,726</u>	<u>6,767,072</u>	<u>786,382</u>	<u>5,677,072</u>	<u>65,292,496</u>
Disbursements:							
Current:							
Instruction	12,637,710	-	-	-	-	1,352,982	13,990,692
Support services	9,720,468	1,595,543	-	4,654,169	513,710	2,356,561	18,840,451
Community services	316,851	-	-	-	-	17,228	334,079
Nonprogrammed charges	1,757,435	37,400	509,693	145,313	15,475	81,614	2,546,930
Debt services	7,000,000	700,000	11,019,283	1,600,000	270,000	781,189	21,370,472
<b>Total disbursements</b>	<u>31,432,464</u>	<u>2,332,943</u>	<u>11,528,976</u>	<u>6,399,482</u>	<u>799,185</u>	<u>4,589,574</u>	<u>57,082,624</u>
Excess (deficiency) of total receipts over (under) total disbursements	3,212,591	846,246	2,708,750	367,590	(12,803)	1,087,498	8,209,872
Cash and investments - beginning	2,757,348	406,823	(728,684)	60,033	(187,828)	1,722,657	4,030,349
Cash and investments - ending	<u>\$ 5,969,939</u>	<u>\$ 1,253,069</u>	<u>\$ 1,980,066</u>	<u>\$ 427,623</u>	<u>\$ (200,631)</u>	<u>\$ 2,810,155</u>	<u>\$ 12,240,221</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	\$ 8,209,872
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>(95,581)</u>
Change in cash and investments of governmental activities	<u>\$ 8,114,291</u>

CONCORD 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	\$ 9,119,464	\$ 1,615,279	\$ 6,658,401	\$ 4,644,237	\$ 424,615	\$ 1,756,366	\$ 24,218,362
Intermediate sources	24,226	-	-	-	-	-	24,226
State sources	16,391,113	-	-	-	-	280,655	16,671,768
Federal sources	14,738	-	-	-	-	2,262,343	2,277,081
Bonds and loans	4,000,000	600,000	772,466	1,900,000	140,000	-	7,412,466
Sale of property, adjustments and refunds	31,067	40,500	-	-	-	75,213	146,780
Intergovernmental and interfund transfers	748,338	-	-	-	-	376,405	1,124,743
<b>Total receipts</b>	<b>30,328,946</b>	<b>2,255,779</b>	<b>7,430,867</b>	<b>6,544,237</b>	<b>564,615</b>	<b>4,750,982</b>	<b>51,875,426</b>
Disbursements:							
Current:							
Instruction	13,360,078	-	-	-	-	1,656,295	15,016,373
Support services	9,982,974	1,718,387	-	4,101,627	-	2,638,627	18,441,615
Community services	341,665	-	-	-	-	17,217	358,882
Nonprogrammed charges	1,506,677	200,000	-	100,000	-	822,407	2,629,084
Debt services	6,300,000	800,000	8,440,013	-	-	436,534	15,976,547
<b>Total disbursements</b>	<b>31,491,394</b>	<b>2,718,387</b>	<b>8,440,013</b>	<b>4,201,627</b>	<b>-</b>	<b>5,571,080</b>	<b>52,422,501</b>
Excess (deficiency) of total receipts over (under) total disbursements	(1,162,448)	(462,608)	(1,009,146)	2,342,610	564,615	(820,098)	(547,075)
Cash and investments - beginning	5,969,939	1,253,069	1,980,066	427,623	(200,631)	2,810,155	12,240,221
Cash and investments - ending	<u>\$ 4,807,491</u>	<u>\$ 790,461</u>	<u>\$ 970,920</u>	<u>\$ 2,770,233</u>	<u>\$ 363,984</u>	<u>\$ 1,990,057</u>	<u>\$ 11,693,146</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	\$ (547,075)
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>409,043</u>
Change in cash and investments of governmental activities	<u>\$ (138,032)</u>

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

	Internal Service Fund
Receipts:	
Local sources	\$ 3,015,543
Sale of property, adjustments and refunds	77,151
Total receipts	3,092,694
Disbursements:	
Support services	3,188,275
Changes in cash and investments	(95,581)
Cash and investments - beginning	232,684
Cash and investments - ending	\$ 137,103

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

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

	Internal Service Fund
Receipts:	
Local sources	\$ 3,194,250
Sale of property, adjustments and refunds	334,501
Total receipts	3,528,751
Disbursements:	
Support services	3,119,708
Changes in cash and investments	409,043
Cash and investments - beginning	137,103
Cash and investments - ending	\$ 546,146

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

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

	Pension Trust Fund	Private-Purpose Trust Fund
Additions:		
Local sources	\$ 32,233	\$ 1,695
Deductions:		
Instruction	-	728
Support services	113,712	1,821
Total deductions	113,712	2,549
Deficiency of total additions over total deductions	(81,479)	(854)
Cash and investments - beginning	2,381,759	5,397
Cash and investments - ending	\$ 2,300,280	\$ 4,543

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

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

	<u>Pension Trust Fund</u>	<u>Private-Purpose Trust Fund</u>
Additions:		
Local sources	\$ 79,703	\$ 2,500
Bonds and loans	<u>3,300,000</u>	<u>-</u>
Total additions	<u>3,379,703</u>	<u>2,500</u>
Deductions:		
Support services	4,086,718	-
Nonprogrammed charges	-	550
Debt services	<u>16,876</u>	<u>-</u>
Total deductions	<u>4,103,594</u>	<u>550</u>
Excess (deficiency) of total additions over (under) total deductions	(723,891)	1,950
Cash and investments - beginning	<u>2,300,280</u>	<u>4,543</u>
Cash and investments - ending	<u>\$ 1,576,389</u>	<u>\$ 6,493</u>

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

CONCORD COMMUNITY SCHOOLS  
STATEMENT OF CASH AND INVESTMENTS  
FIDUCIARY FUNDS  
June 30, 2005

<u>Assets</u>	<u>Pension Trust Fund</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 2,300,280	\$ 4,543	\$ 94,678
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	\$ 2,300,280	\$ 4,543	

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

CONCORD COMMUNITY SCHOOLS  
 STATEMENT OF CASH AND INVESTMENTS  
 FIDUCIARY FUNDS  
 June 30, 2006

<u>Assets</u>	<u>Pension Trust Fund</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 1,576,389	\$ 6,493	\$ 79,788
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	\$ 1,576,389	\$ 6,493	

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

CONCORD 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

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 eleven other school corporations of 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 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 corporation 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 South Bend Community School Corporation at 215 South St. Joseph Street, South Bend, Indiana, 46601.

Concord Community Schools is a member of the Elkhart County Special Education Cooperative (ECSEC), a joint venture with five other Elkhart County Public School Corporations. The Cooperative was formed for the purpose of providing services to handicapped students of the six school corporations in the most efficient manner possible (Special Education Program). Concord Community Schools also is a member of the Elkhart County Education Interlocal, a joint venture with four of the same five Elkhart County Public School Corporations as the ECSEC. The Interlocal provides programs for students who have difficulty learning in a traditional setting (Alternative School Program). The operations of the Interlocal are managed by the superintendents of each school (Board of Directors), a Treasurer and Assistant Treasurer. The Special Education Program and the Alternative School Program are administered by Goshen Community Schools. Funding for the operations of the Interlocal shall include grants and/or charges to the participating members. The joint ventures' continued existence depends on continued funding by the School Corporation. Complete financial statements for the programs can be obtained from the administrative offices of Goshen Community Schools at 613 East Purl Street, Goshen, Indiana, 46526-4044.

CONCORD 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. At this time, the School Corporation has not established any business-type activities.

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

The School Corporation reports the following major governmental funds:

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

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

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

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

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

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for payments of medical and dental claims provided to other departments on a cost-reimbursement basis.

The pension trust fund (retirement/severance bond fund) accounts for bonds and payments authorized by Indiana Code 20-5-4-1.7.

The private-purpose trust funds report a trust arrangement under which principal and income benefit various individuals.

CONCORD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Agency funds account for assets held by the School Corporation as an agent for amounts withheld from employees.

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 other departments or agencies primarily within the government (internal service funds).

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

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

CONCORD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rates of 5 to 7 days per year for noncertified personnel and 12 days per year for certified personnel. Unused sick leave may be accumulated indefinitely. A portion of accumulated sick leave is paid to employees through cash payments upon termination if certain conditions are met.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 5 days to 20 days per year based upon the number of years of service. These days are cumulative for 6 months beyond the end of the school year. Accumulated vacation leave is paid upon termination of employment.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 3 days per year. Personal leave does not accumulate from year to year.

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."

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.

CONCORD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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. 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. 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.

CONCORD COMMUNITY SCHOOLS  
 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.

B. Cash and Investment Balance Deficits

At June 30, 2005, the following fund reported a deficit in cash and investments, which is contrary to the Uniform Compliance Guidelines as referenced in state statutes:

Fund	2005
School Bus Replacement	\$ <u>200,631</u>

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

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. At June 30, 2006, the bank balance of \$14,332,502 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.

CONCORD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Investments

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

Investment Type	Primary Government
Pension Trust Fund:	
U.S. Treasuries and Securities	\$ 128,256
U.S. Agencies	1,411,543
Total	\$ 1,539,799

Investment Policies

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

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

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

CONCORD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The School Corporation does not have a formal investment policy for custodial credit risk for investments. At June 30, 2006, the School Corporation held investments in Government Sponsored Enterprises in the amount of \$1,411,543. Of these investments all were held by the counterparty's trust department or agent but not in the School Corporation's name.

Interest Rate Risk

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

Investment Type	Investment Maturities (in Years)	
	Less Than 1	1-2
Pension Trust Fund:		
U.S. Treasuries and Securities	\$ 128,256	\$ -
U.S. Agencies	873,630	537,913
Totals	\$ 1,001,886	\$ 537,913

Credit Risk

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

Standard and Poor's Rating	Moody's Rating	Pension Trust Fund's Investments Government Sponsored Enterprise
AAA	Aaa	\$ 1,411,543

Concentration of Credit Risk

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

CONCORD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Interfund Transfers

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

Transfer From	Transfer To	2005	2006
General Fund	Other Governmental	\$ 256,537	\$ 31,247
Transportation Operating	Other Governmental	37,400	200,000
Debt Service	Transportation Operating	210,000	-
Debt Service	Other Governmental	299,693	-
Capital Projects	Other Governmental	145,313	100,000
School Bus Replacement	Other Governmental	15,475	-
Other Governmental	General Fund	-	748,338
Other Governmental	Other Governmental	41,614	44,533
Totals		<u>\$ 1,006,032</u>	<u>\$ 1,124,118</u>

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

IV. Other Information

A. Risk Management

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

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; 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.

Group Health Insurance

The School Corporation has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees and dependents. The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$100,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund.

CONCORD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Holding Corporation

The School Corporation has entered into several capital leases with Concord Community Schools 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 2005-2006 school year totaled \$5,497,488.

C. Subsequent Events

Concord Community Schools plans to issue \$1,900,000 in General Obligation Bonds in December 2006 to be used for facilities improvements.

D. 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 with at least 10 years of service. Currently, 32 retirees meet these eligibility requirements. For retired teachers and administrators, the School Corporation contributes a health care stipend equal to the value of the annual cost of single coverage to the retirees in the year of retirement. The retiree provides an amount equal to the difference between the monthly employee and employer contribution for a current employee and the value of the corporation contribution to maintain the post-employment health care benefits until the age of 65. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2006, disbursements of \$359,779 were recognized for postemployment benefits.

E. Pension Plans

1. Agent Multiple-Employer and Single-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:

CONCORD COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

Funding Policy and Annual Pension Cost

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

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 167,543
Interest on net pension obligation	(15,087)
Adjustment to annual required contribution	17,193
Annual pension cost	169,649
Contributions made	237,891
Decrease in net pension obligation	(68,242)
Net pension obligation, beginning of year	(208,097)
Net pension obligation, end of year	\$ (276,339)
Contribution rates:	
School	6.63%
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%

CONCORD 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	\$ 222,287	98%	\$ (141,996)
	06-30-04	160,129	141%	(208,097)
	06-30-05	169,649	149%	(276,339)

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 for the 2004-2005 fiscal year and 7% for the 2005-2006 fiscal year. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2006, 2005, and 2004, were \$469,181, \$413,618, and \$330,957, respectively. The School Corporation contributed 100% of the required contribution for each of the fiscal years.

CONCORD 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	\$ 3,468,094	\$ 3,464,472	\$ 3,622	100%	\$ 3,124,416	0%
07-01-04	3,559,478	3,565,489	(6,011)	100%	3,173,579	(0%)
07-01-05	3,747,621	4,064,682	(317,061)	92%	3,613,679	(9%)

CONCORD 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	\$ 465,000
Land improvements	1,385,645
Buildings	35,857,126
Machinery and equipment	<u>11,965,561</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 49,673,332</u>

CONCORD COMMUNITY SCHOOLS  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF LONG-TERM DEBT

June 30, 2006

Description of Debt	Principal Ending Balance	Principal Due Within One Year
Governmental Activities:		
Capital leases:		
1996 Phase 3 Project	\$ 40,000	\$ 30,000
1996 Phase 3 Project - Capital Appreciation	571,280	-
1998 Refunding	18,435,000	40,000
1999 A Series Building	630,000	240,000
2002 Refunding	2,690,000	1,315,000
2003 Administration Building	945,000	100,000
2005 Refunding	<u>18,400,000</u>	<u>1,935,000</u>
 Total Capital Leases	 <u>41,711,280</u>	 <u>3,660,000</u>
Bonds payable:		
General obligation bonds:		
2002 Pension Bonds	1,685,000	340,000
2006 Pension Bonds	<u>3,300,000</u>	<u>-</u>
 Total Bonds Payable	 <u>4,985,000</u>	 <u>340,000</u>
 Total governmental activities long-term debt	 <u>\$ 46,696,280</u>	 <u>\$ 4,000,000</u>

Debt service requirements to maturity:

Year ended June 30	<u>Capital Leases</u>		<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007-2011	\$ 18,200,000	\$ 8,084,492	\$ 2,045,000	\$ 1,249,307
2012-2016	21,256,280	4,646,019	1,175,000	749,337
2016-2021	2,255,000	296,250	1,580,000	341,450
2022-2025	<u>-</u>	<u>-</u>	<u>185,000</u>	<u>5,855</u>
 Totals	 <u>\$ 41,711,280</u>	 <u>\$ 13,026,761</u>	 <u>\$ 4,985,000</u>	 <u>\$ 2,345,949</u>

CONCORD COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

Review of the capital asset records disclosed the following deficiencies.

1. The control report (Net Changes Summary) did not agree to the detail list of all capital assets (Asset Number Report).
2. The ending balance on the Net Change Summary Report for June 30, 2005, did not agree to the beginning balance of the following year.
3. Additions and retirements, as listed in the Net Change Summary Reports, did not always agree to the Additions Reports (Asset Number Report) or the Asset Disposal Reports.
4. The only land values included in the capital asset records were for land purchases that were made during the audit period.
5. Not all improvements to the various buildings have been included in the capital assets records.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

SUPPORTING DOCUMENTATION (Applies to South Side Elementary School)

Several payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

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

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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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 CONCORD COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

Compliance

We have audited the compliance of the Concord Community School (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

October 30, 2006

CONCORD 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
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Pass-Through Indiana Department of Education Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 115,870	\$ 147,646
National School Lunch Program	10.555		461,034	571,341
			<u>576,904</u>	<u>718,987</u>
Total for federal grantor agency				
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Pass-Through Goshen Community Schools Special Education Cluster				
Special Education - Grants to States	84.027	FY 04	151,402	-
		FY 05	687,970	160,704
		FY 06	-	725,070
			<u>839,372</u>	<u>885,774</u>
Total for cluster				
Pass-Through Indiana Department of Education Title I Grants to Local Educational Agencies	84.010	FY 04	82,304	-
		FY 05	367,724	82,752
		FY 06	-	449,677
		FY 05	16,933	13,708
		FY 06	-	24,440
			<u>466,961</u>	<u>570,577</u>
Total for program				
Pass-Through Indiana Department of Education Vocational Education - Basic Grants to States	84.048		-	2,500
Pass-Through Elkhart Community Schools Vocational Education - Basic Grants to States	84.048		13,208	14,738
			<u>13,208</u>	<u>17,238</u>
Total for program				
Pass-Through Indiana Department of Education Safe and Drug Free Schools and Communities - State Grants	84.186	FY 04	754	-
		FY 05	16,470	1,144
		FY 06	-	11,979
			<u>17,224</u>	<u>13,123</u>
Total for program				
State Grants for Innovative Programs	84.298	Innovative Programs	1,480	-
		FY03	4,484	-
		FY 04	3,241	-
		FY 05	9,538	1,685
		FY 06	-	29,326
			<u>18,743</u>	<u>31,011</u>
Total for program				
Education Technology State Grants	84.318	FY 03	2,852	-
		FY 04	5,402	2,852
		FY 05	-	3,324
		FY 06	-	4,512
			<u>8,254</u>	<u>10,688</u>
Total for program				
English Language Acquisition Grants	84.365	FY 04	18,844	-
		FY 05	58,466	12,418
		FY 06	-	93,278
			<u>77,310</u>	<u>105,696</u>
Total for program				
Improving Teacher Quality State Grants	84.367	FY 04	16,613	-
		FY 05	95,934	16,766
		FY 06	-	102,891
			<u>112,547</u>	<u>119,657</u>
Total for program				
Total for federal grantor agency			<u>1,553,619</u>	<u>1,753,764</u>
Total federal awards expended			<u>\$ 2,130,523</u>	<u>\$ 2,472,751</u>

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

CONCORD 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 Concord Community School (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	2005	2006
Child Nutrition Cluster	10.555	\$ 31,472	\$ 31,440

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

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

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

Identification of Major Programs:

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

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

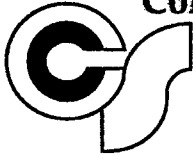
Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

# Concord

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## Community Schools



59040 Minuteman Way + Elkhart, IN 46517-3499  
574/875-5161 Fax: 574/875-8762  
Web: [www.concord.k12.in.us](http://www.concord.k12.in.us)

November 13, 2006

Martha Harper  
State Board of Accounts

Re: Summary Schedule of Prior Audit Finding Number 2004

Dear Martha:

In an exit interview with the State Board of Accounts on November 15, 2004, it was brought to our attention that we did not finalize our 2003-2004 Title I grant application and received approval on November 5, 2003. Our position at that time was that there was a July 1 due date, we had not received appropriate information in a timely manner for a quality application to be filed. In a memo to the State Board of Accounts on November 15, 2005, we provided a response indicating our intention of submitting the application after the deadline. A copy of that memo is attached.

At the time of this exit interview, we also recognize that our 2004-2005 application was not submitted until September 7, 2004. Consequently, it too was submitted late for the same rationale that we used in 2003-2004. For this reason, we do not believe we did have appropriate opportunity to take corrective action for the 2004-2005 application.

We did have the opportunity to take corrective action on the 2005-2006 application which was submitted on June 29, 2005.

We believe that from the time we are notified to the proper action to take at the exit interview on November 15. We have properly done so as evidenced by the 2005-2006 application being submitted prior to July 1 deadline. Thank you. Please contact me if you have questions or concerns.

Sincerely,

George S. Dyer  
Superintendent of Schools

kma

pc: Connie Crum, Corporation Treasurer  
Larry Jackowiak, Assistant superintendent for Business  
Wayne Stubbs, Assistant Superintendent for Curriculum  
Larry Mast, President, Board of School Trustees

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### **OUR MISSION**

*Concord Community Schools, in cooperation with home and community, teaches all students diverse skills to develop their unique potential as they become responsible participants in a global society.*

# Concord

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Community Schools

59040 Minuteman Way ❖ Elkhart, IN 46517-3499  
574/875-5161 Fax: 574/875-8762

Web: [www.concord.k12.in.us](http://www.concord.k12.in.us)



To: State Board of Accounts

From: George Dyer *GSD*  
Superintendent of Schools

Re: Corrective Action for Audit Finding Number 2004-1, Period of  
Availability

Date: Monday, November 15, 2004

It has been brought to our attention that we did not finalize our 2003-04 Title I grant until October 29, 2003 and then received approval on November 5, 2003. Although there is a July 1 due date, we did not receive appropriate information in a timely manner to meet this due date with a quality application.

It was our desire to submit a complete application and not continue to write amendments as information became available. We wanted to use as much of this grant as possible for salaries and fringe benefits and were strategically planning for the best use of the funds. It is our normal procedure to complete all applications and other paperwork in a timely manner, and meet all timelines as established.

We generally receive preliminary information and amounts on Title funds in June and then begin estimating expenditures for the use of grants toward salaries. On June 30, 2004 we received a communication from Dr. Alice Harpel, Director of the Division of Compensatory Education with the Indiana Department of Education providing Planning Allocation for the SY 2003-2004 Title I grant which is due on July 1, 2004. A copy of that letter is attached for reference.

## **OUR MISSION**

-42-

*Concord Community Schools, in cooperation with home and community, teaches all students diverse skills to develop their unique potential as they become responsible participants in a global society.*

State Board of Accounts  
November 15, 2004  
Page 2

Grant deadlines occur at different times. The Title I grant is due July 1. Title II, Part A and Part D is due December 31, Title IV is due September 30, and Title V is due December 31. Due to the transferability of these Title funds, we normally use as much of the grants as possible to cover salary expenses and were attempting to do so with these funds.

In reference to the above listed Title funds, we received on July 1, 2004 a letter from Phyllis Land Usher, Assistant Superintendent for Public Instruction, announcing three technical assistance workshops regarding the transferability of Title funds as permitted as part of the No Child Left Behind Act. Those workshop dates were July 23, August 5 and September 9. We felt we needed to attend the workshop offered by the Department of Public Instruction to gain the most flexibility out of the grants.

We did not realize we could not pay for salaries prior to grant approval. Nor did we realize that we could not reimburse ourselves for expenditures incurred prior to grant approval. Now that we better understand the limitations, we will take better care to make sure we meet the application deadline in the future, even if it means writing amendments.

Please note that our 2004-05 Title I application received approval on September 10, 2004.

pc: Connie Crum, Corporation Treasurer  
Larry Jackowiak, Business Manager  
Rita Brodnax, Assistant Superintendent for Instruction  
Randy Myers, President, Board of School Trustees

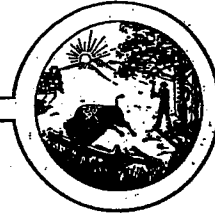
attachments

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JUN 30 2003

JAKE  
BITA  
CONNIE  
TIM  
DICK

# Indiana Department of Education

GRANT  
FILE

Center for Community Relations and Special Populations  
Room 229, State House - Indianapolis, IN 46204-2798

## Memorandum

To: Mr. George Dyer, Superintendent  
Concord Community Schools 2270

From: Dr. Alice Harpel, Director *A.H.*  
Division of Compensatory Education

Date: June 2003

Re: SY 2003-2004 Title I *Planning* Allocation

This memorandum contains information pertaining to your corporation's Title I, Part A *Planning* Allocation for school year 2003-2004. The 2000 census *planning* data was used in determining school year 2003-2004 Basic, Concentration, Targeted, and Education Finance Incentive Grant (EFIG) eligibility and *planning* allocations for your corporation. Your corporation's Title I *Planning* allocation for 2003-2004 is:

FY 2004 Basic	\$	241,886.88	FY 2004 Basic Neglected	\$	0.00
FY 2004 Concentration	\$	0.00	FY 2004 Concentration Neglected	\$	0.00
FY 2004 Targeted	\$	39,423.83	FY 2004 Targeted Neglected	\$	0.00
FY 2004-EFIG	\$	51,236.17	FY 2004 EFIG Neglected	\$	0.00
SUBTOTAL	\$	332,546.88	SUBTOTAL	\$	0.00
TOTAL 2003-2004 TITLE I <i>PLANNING</i> ALLOCATION				\$	332,546.88
CARRYOVER FUNDS					
FY 2003 Unrequested Funds				\$	0.00
TOTAL TITLE I <i>PLANNING</i> FUNDS AVAILABLE FOR 2003-2004				\$	332,546.88

Under Title I Law, a corporation must budget and expend 85% of their current Title I allocation each year. In addition, all carryover funds from the previous program (i.e., unspent, unrequested, and unexpended funds) must be expended by September 30<sup>th</sup>. When fiscal requirements for carryover monies and current year monies are not met, the corporation must release the excess Title I funds to the State. The State allocates any released Title I funds to our highest poverty corporations.

A common misunderstanding appears to surround the definition of the 85% requirement. The 85% requirement pertains to the current year allocation. It does not apply to the total monies available that include carryover and the new allocation.

If you have further questions regarding your Title I funds, please contact Hazel Beasley or Linda Ricketts at (317)232-0540.

cc: Title I Program Administrator  
Treasurer of School Corporation

**TITLE I ELIGIBILITY & CENSUS INFORMATION (FY 2004)**  
2270 Concord Community Schools

**BASIC GRANT:** Beginning in fiscal year 1996, in order to receive a Basic Grant, an LEA must have a census poverty rate that exceeds 2 percent of the LEA's total population and the number of children ages 5 through 17 for a formula count of 10 or more. (Formula children refers to the count of children ages 5 through 17 from low-income families; census in the data source).

In the chart below, we have provided national, state and district census data (1990 and updated 1997 and current 2000 by the National Academy of Sciences and distributed by the Bureau of Census, Washington, DC). Your school corporation's eligibility for the Title I Basic funds is noted below.

- Referring to the 2000 census for your district, does your corporation have a census poverty percent that exceeds 2 percent? \_\_\_\_\_ (A)
- AND
- Does your corporation have 10 or more formula count children? \_\_\_\_\_ (B)
- Therefore, is your corporation eligible to receive FY 2004 Title I BASIC funds \_\_\_\_\_

**CONCENTRATION GRANT:** To qualify for a Concentration Grant, the number of formula children in an LEA must exceed 6,500 or 15 percent of its total population ages 5 through 17. Your school corporation's eligibility for Title I Concentration funds is noted below.

- Referring to the 2000 census for your district, does your corporation have a census poverty percent of 15 or higher? \_\_\_\_\_ (A)
- OR
- Does your corporation have 6,500 or more census poverty count? \_\_\_\_\_ (B)
- Therefore, is your corporation eligible to receive FY 2004 Title I CONCENTRATION funds? \_\_\_\_\_

**TARGETED GRANT:** To qualify for a Targeted Grant, the percent of formula children in an LEA must be at least 5 percent of its total population ages 5 through 17. Your school corporation's eligibility for Title I Targeted funds is noted below.

- Referring to the 2000 census for your district, does your corporation have a census poverty percent of 5 or higher? \_\_\_\_\_ (A)
- Therefore, is your corporation eligible to receive FY 2004 Title I TARGETED funds: \_\_\_\_\_

**EDUCATION FINANCE INCENTIVE GRANT:** To qualify for EFIG, the percent of formula children in an LEA must be at least 5 percent of its total population ages 5 through 17. Your school corporation's eligibility for Title I EFIG funds is noted below.

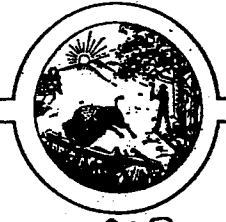
- Referring to the 2000 census for your district, does your corporation have a census poverty percent of 5 or higher? \_\_\_\_\_ (A)
- Therefore, is your corporation eligible to receive FY 2004 Title I EFIG funds? \_\_\_\_\_

National	FY 1990 Census: 17.58%	FY 1997 Census: 18.95%	FY 2000 Census: 19.00%
	FY 1990 CPN: 8,103,303	FY 1997 CPN: 9,805,642	FY 2000 CPN: 8,334,833
Indiana	FY 1990 Census: 12.52%	FY 1997 Census: 14.17%	FY 2000 Census: 9.69%
	FY 1990 CPN: 132,403	FY 1997 CPN: 151,970	FY 2000 CPN: 111,524
Corp:	FY 1990 Census: 3.66	FY 1997 Census: 6.08	FY 2000 Census: 7.86
	FY 1990 CPN: 136	FY 1997 CPN: 239	FY 2000 CPN: 337

(CPN indicates census poverty number)

JUL 1 2003

# Indiana Department of Education



Center for School Improvement and Performance  
Room 229, State House - Indianapolis, IN 46204-2798  
Telephone: 317/232-9100

## MEMORANDUM

COPIES TO:  
JAKE  
RITA  
CONNIE  
TIM  
DICK  
GRANT FILE

To: Superintendents

From: Phyllis Land Usher  
Assistant Superintendent

Re: ESEA Applications  
No Child Left Behind Act

Date: June 24, 2003

Attached are allocations for School Year 2003-04 and information on applying for the following Elementary and Secondary Education Act programs:

Title II, Part A—Preparing, Training and Recruiting High-Quality Teachers and Principals;

Title II, Part D—Enhancing Education Through Technology;

Title IV, Part A—Safe and Drug-Free Schools and Communities;

Title V, Part A—Innovative Programs.

A list of eligible private schools located within the boundaries of your corporation, as was reported to our agency, is attached. Please note that the funds awarded to local education agencies are subject to the uniform provisions of Section 9501 (Private School Participation) and, in the case of Title V, Section 5142 of the No Child Left Behind Act. In both instances the statute is explicit in the manner in which an LEA must consult with private school officials in the design and development of the proposed program.

The "Transferability" provision of the Act applies to each of the programs enclosed. Your corporation may transfer up to 50 percent of the funds allocated to it in any or all of the above programs to any of the other three programs or to Part A of Title I. The corporation may not transfer funds allocated under Part A of Title I to any other program. Guidance on the transferability authority, issued by the U. S. Department of Education, further states "before an LEA may transfer any funds, it must engage in timely and meaningful consultation with private school officials."

The Department of Education will offer three technical assistance workshops regarding these programs on the following dates: July 23, August 5 and September 9. The meetings will take place at the Department of Education in the Riley Room from 9 a.m. - 12 Noon. Also, staff at the Department and I will welcome calls that may assist you in the implementation of the amended Elementary and Secondary Education Act.

Enclosures

-46-

Office Location - 151 West Ohio Street

CONCORD COMMUNITY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on November 22, 2006, with George S. Dyer, Superintendent of Schools; Constance J. Crum, Treasurer; Lawrence J. Jackowiak, Business Manager; Larry Mast, President of the School Board; and John Speicher, Vice-President of the School Board. The officials concurred with our audit findings.