

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

AUDIT REPORT

OF

LAPORTE COMMUNITY SCHOOL CORPORATION

LAPORTE COUNTY, INDIANA

July 1, 2004 to June 30, 2006



FILED

02/06/2007

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jerry Baker	07-01-04 to 09-25-05
	Laura Hubinger	09-26-05 to 06-19-06
	Jerry Baker	06-20-06 to 08-13-06
	Vincent Taylor	08-14-06 to 06-30-07
Superintendent of Schools	Dr. Kenneth Blad	07-01-04 to 12-31-04
	John Adams	01-01-05 to 02-10-05
	Dr. Judith A. DeMuth	02-11-05 to 06-30-07
President of the School Board	Thomas Dermody	01-01-04 to 12-31-04
	Ronald Gigliotti	01-01-05 to 12-31-05
	Carol Shinn	01-01-06 to 12-31-06



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 LAPORTE COMMUNITY SCHOOL
CORPORATION, LAPORTE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the LaPorte Community 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 19, 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 19, 2006



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

TO: THE OFFICIALS OF THE LAPORTE COMMUNITY SCHOOL
CORPORATION, LAPORTE COUNTY, INDIANA

We have audited the financial statements of the LaPorte Community School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated December 19, 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.

We noted certain immaterial instances of noncompliance that we have discussed with the management of the School Corporation on December 19, 2006. These immaterial instances of noncompliance were subsequently communicated to management in a separate letter.

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)

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 19, 2006

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

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 10,230,814
Restricted assets:	
Cash and investments	<u>155,786</u>
Total assets	<u>\$ 10,386,600</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 155,786
Unrestricted	<u>10,230,814</u>
Total net assets	<u>\$ 10,386,600</u>

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

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

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 20,756,289
Restricted assets:	
Cash and investments	<u>1,029,691</u>
Total assets	<u>\$ 21,785,980</u>
<u>Net Assets</u>	
Restricted for:	
Debt service	\$ 1,029,691
Unrestricted	<u>20,756,289</u>
Total net assets	<u>\$ 21,785,980</u>

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

LAPORTE COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 22,458,075	\$ 4,055,837	\$ 306,767	\$ (18,095,471)
Support services	26,432,780	1,723,263	1,219,966	(23,489,551)
Community services	607,623	-	-	(607,623)
Nonprogrammed charges	5,985,901	-	25,000	(5,960,901)
Debt service	13,901,958	-	-	(13,901,958)
Total governmental activities	\$ 69,386,337	\$ 5,779,100	\$ 1,551,733	(62,055,504)
General receipts:				
Property taxes				20,594,447
Other local sources				3,385,236
State aid				22,725,374
Grants and contributions not restricted				2,922,099
Bonds and loans				6,035,000
Sale of property, adjustments, and refunds				1,426,275
Investment earnings				305,449
Total general receipts				57,393,880
Change in cash and investments				(4,661,624)
Net assets - beginning				15,048,224
Net assets - ending				\$ 10,386,600

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

LAPORTE COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 23,928,534	\$ 4,531,363	\$ 535,602	\$ (18,861,569)
Support services	38,677,378	1,785,818	1,468,731	(35,422,829)
Community services	687,027	-	-	(687,027)
Nonprogrammed charges	7,357,467	-	25,000	(7,332,467)
Debt service	10,539,783	-	-	(10,539,783)
Total governmental activities	\$ 81,190,189	\$ 6,317,181	\$ 2,029,333	(72,843,675)
General receipts:				
Property taxes				28,629,184
Other local sources				5,177,290
State aid				23,861,917
Grants and contributions not restricted				4,031,548
Bonds and loans				7,695,446
Sale of property, adjustments, and refunds				14,113,216
Investment earnings				734,454
				84,243,055
				Change in cash and investments 11,399,380
				Net assets - beginning 10,386,600
				Net assets - ending \$ 21,785,980

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

LAPORTE COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General	Transportation Operating	Kline Estate Kindergarten Support	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 11,903,772	\$ 1,888,721	\$ 27,739	\$ 5,419,280	\$ 3,946,324	\$ 310,817	\$ 6,364,166	\$ 29,860,819
Intermediate sources	173,415	-	-	-	-	-	30,000	203,415
State sources	23,031,041	-	-	-	-	-	438,872	23,469,913
Federal sources	-	-	-	-	-	-	3,729,293	3,729,293
Bonds and loans	2,935,000	725,000	-	1,800,000	-	-	575,000	6,035,000
Sale of property, adjustments and refunds	23,948,023	7,400	1,200,000	-	624,783	-	229,551	26,009,757
Intergovernmental transfers	35,000	-	-	-	-	-	-	35,000
Total receipts	62,026,251	2,621,121	1,227,739	7,219,280	4,571,107	310,817	11,366,882	89,343,197
Disbursements:								
Current:								
Instruction	17,088,386	-	25,097	-	-	-	5,344,592	22,458,075
Support services	14,494,695	2,220,913	-	-	3,857,550	144,380	5,715,242	26,432,780
Community services	368,087	-	-	-	-	-	239,536	607,623
Nonprogrammed charges	25,945,306	-	1,200,000	-	3,100,000	-	359,079	30,604,385
Debt services	5,552,936	603,099	-	7,191,631	-	-	554,292	13,901,958
Total disbursements	63,449,410	2,824,012	1,225,097	7,191,631	6,957,550	144,380	12,212,741	94,004,821
Excess (deficiency) of total receipts over (under) total disbursements	(1,423,159)	(202,891)	2,642	27,649	(2,386,443)	166,437	(845,859)	(4,661,624)
Cash and investments - beginning	2,829,329	203,197	1,216,019	107,429	7,420,528	285,464	2,986,258	15,048,224
Cash and investments - ending	\$ 1,406,170	\$ 306	\$ 1,218,661	\$ 135,078	\$ 5,034,085	\$ 451,901	\$ 2,140,399	\$ 10,386,600

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

LAPORTE COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2006

	General	Transportation Operating	Kline Estate Kindergarten Support	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 15,102,291	\$ 3,357,573	\$ -	\$ 8,525,733	\$ 4,716,570	\$ 207,457	\$ 8,770,420	\$ 40,680,044
Intermediate sources	173,067	-	-	-	-	-	5,000	178,067
State sources	24,396,138	-	-	-	-	-	412,731	24,808,869
Federal sources	-	-	-	-	-	-	5,113,930	5,113,930
Bonds and loans	3,566,310	1,029,136	-	-	3,100,000	-	-	7,695,446
Sale of property, adjustments and refunds	6,688,583	794	2,418,661	298,608	3,004,910	-	10,315,225	22,726,781
Intergovernmental transfers	40,000	-	-	-	-	-	28,227	68,227
Total receipts	49,966,389	4,387,503	2,418,661	8,824,341	10,821,480	207,457	24,645,533	101,271,364
Disbursements:								
Current:								
Instruction	18,457,695	-	18,661	-	-	-	5,452,178	23,928,534
Support services	15,326,774	2,354,342	-	-	5,359,882	254,676	15,381,704	38,677,378
Community services	464,424	-	-	-	-	-	222,603	687,027
Nonprogrammed charges	6,885,738	686,935	2,418,661	1,839,516	3,006,779	-	1,201,633	16,039,262
Debt services	2,935,000	249,047	-	6,241,587	-	-	1,114,149	10,539,783
Total disbursements	44,069,631	3,290,324	2,437,322	8,081,103	8,366,661	254,676	23,372,267	89,871,984
Excess (deficiency) of total receipts over (under) total disbursements	5,896,758	1,097,179	(18,661)	743,238	2,454,819	(47,219)	1,273,266	11,399,380
Cash and investments - beginning	1,406,170	306	1,218,661	135,078	5,034,085	451,901	2,140,399	10,386,600
Cash and investments - ending	<u>\$ 7,302,928</u>	<u>\$ 1,097,485</u>	<u>\$ 1,200,000</u>	<u>\$ 878,316</u>	<u>\$ 7,488,904</u>	<u>\$ 404,682</u>	<u>\$ 3,413,665</u>	<u>\$ 21,785,980</u>

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

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

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 3,974,304	\$ 349,136
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ 3,974,304	

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

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

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ <u>3,158,650</u>	\$ <u>757,788</u>
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ <u>3,158,650</u>	

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

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

	Pension Trust Funds
Receipts:	
Local sources	\$ 68,495
Bonds and loans	9,990,000
Total additions	10,058,495
Disbursements:	
Support services	6,084,191
Excess of total additions over total deductions	3,974,304
Cash and investments - beginning	-
Cash and investments - ending	\$ 3,974,304

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

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

	Pension Trust Funds
Receipts:	
Transfers	\$ 208,390
Disbursements:	
Support services	1,024,044
Deficiency of total additions under total deductions	(815,654)
Cash and investments - beginning	3,974,304
Cash and investments - ending	\$ 3,158,650

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

LAPORTE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

The School Corporation's financial reporting entity is composed of the primary government. There are no significant component units which require inclusion.

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

Joint Venture

The School Corporation is a participant with New Prairie United and South Central Community School Corporations; Dewey, Cass and Prairie Township Schools; and Metropolitan School District of New Durham Township in a joint venture to operate the South LaPorte County Special Education Cooperative (Cooperative) which was created to provide special education services. The School Corporation is obligated by contract to remit amounts billed annually by the cooperative to pay the costs of providing these services. The amounts billed are based upon enrollment for each participating school. Complete financial statements for the Cooperative can be obtained from the LaPorte Community School Corporation which includes the Cooperative's financial activity in their records.

Jointly Governed Organizations

The School Corporation is a participant in the Northwest Indiana Public School Study Council (Study Council), a joint school services program established December 10, 1969, for the improvement of education and the study of problems and issues involved in public education. A board composed of a member from each participating school corporation governs the Study Council. The School Corporation pays \$1,000 annually to belong to the Study Council. Complete financial statements of the Study Council can be obtained through the Merrillville Community School Corporation, 6701 Delaware Street, Merrillville, IN 46410.

Related Organizations

The School Corporation's officials are also responsible for appointing the members of the boards of other organizations, but the School Corporation's accountability for these organizations does not extend beyond making the appointments. The School Corporation appoints the board members of the LaPorte Multi School Building Corporation.

LAPORTE COMMUNITY SCHOOL CORPORATION
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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

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 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 kline estate kindergarten support fund accounts for the financial resources of a bequest to be used for kindergarten education.

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 pension trust fund accounts for the activities of the retirement/severance bond fund, which accumulates resources for pension benefit payments.

Agency funds account for assets held by the School Corporation as an agent for other governmental agencies.

LAPORTE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Measurement Focus and Basis of Accounting

The government-wide, governmental 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. 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.

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 December 31 of the year collected.

3. Compensated Absences

a. Sick Leave

Certified personnel and administrators are authorized twelve paid leave days in the first year of employment and ten days in each subsequent year. Unused paid leave rolls into sick days at year end. Accumulated sick leave is paid to employees upon retirement as part of a severance payment agreement.

LAPORTE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Noncertified employees earn sick leave at the rate of four to twelve days per year based upon job classification. Unused sick leave may be accumulated indefinitely. Accumulated sick leave is paid to employees upon retirement as part of a severance payment agreement.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from five days to twenty-five days per year based upon the number of years of service. Vacation leave may be accumulated to a maximum of ten days. Accumulated vacation leave is paid to employees through cash payments upon retirement.

c. Personal Leave

School Corporation employees earn personal leave at the rate of one to four days per year based upon job classification. Personal leave does not accumulate from year to year.

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental 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 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 are reported as disbursements.

6. Equity Classification

Government-Wide Statements

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

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

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

Fund Financial Statements

Governmental fund equity is classified as fund balance.

LAPORTE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. 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.

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 reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are reported as reimbursements.
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

A. Budgetary Information

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

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

LAPORTE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

B. Cash and Investment Balance Deficits

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

Fund	2005	2006
Textbook Rental	\$ 348,687	\$ 338,862
Beginning Blazers Preschool	1,584	-
Title I	67,370	-
Title V, A Counselors	1,087	-
Special Education	80,554	-
Preschool Park	-	8,190
Title I Delinquent	-	4,545

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 balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

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

Investment Type	Market Value
Repurchase Agreements	\$ 492,000

LAPORTE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The School Corporation does not have a formal investment policy for custodial credit risk for investments. At June 30, 2006, the School Corporation held investments in repurchase agreements in the amount of \$492,000. Of these investments \$492,000 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.

LAPORTE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment Type	Investment Maturities Less Than 1 Year
Repurchase Agreements	\$ 492,000

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	All others	\$ -	\$ 208,390
Debt Service Fund	Other governmental	-	28,227
Other governmental	General Fund	35,000	40,000
Totals		\$ 35,000	\$ 276,617

The School Corporation typically uses transfers for cash flow purposes in accordance with various statutes.

C. Restatements and Reclassifications

For the year ended June 30, 2006, certain changes have been made to the financial statements to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning balances by opinion unit. Fund reclassification included a proprietary fund which was reclassified to an agency fund, and would not appear in the government wide financial statements. New Funds represents the inclusion of existing funds which were not presented in the prior report.

Opinion Unit	Balance as Reported June 30, 2004	Fund Reclassification	New Funds	Balance as Restated July 1, 2004
Governmental Activities:				
Net assets	\$ 15,216,502	\$ (313,128)	\$ 144,850	\$ 15,048,224

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.

LAPORTE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

B. Holding Corporations

The School Corporation has entered into capital leases with the LaPorte Elementary School Building Corporation and the LaPorte Multi School Building Corporation (the lessors). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessors have been determined to be related parties of the School Corporation. Lease payments during the year ended June 30, 2006, totaled \$6,169,000.

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 with at least 15 years of service. Currently, 32 retirees meet these eligibility requirements. The School Corporation provides 100% 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 \$364,750 were recognized for post-employment 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:

LAPORTE COMMUNITY SCHOOL CORPORATION
 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	\$ 364,505
Interest on net pension obligation	(34,204)
Adjustment to annual required contribution	38,978
Annual pension cost	369,279
Contributions made	431,931
Decrease in net pension obligation	(62,652)
Net pension obligation, beginning of year	(471,774)
Net pension obligation, end of year	\$ (534,426)
Contribution rates:	
School Corporation	8%
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%

LAPORTE COMMUNITY SCHOOL CORPORATION
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	\$ 452,938	95%	\$ (486,770)
	06-30-04	346,369	96%	(471,774)
	06-30-05	369,279	125%	(534,426)

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.

Plan members are required to contribute 3% of their salary and the School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2006, 2005, and 2004, were \$1,167,870, \$1,246,526, and \$1,168,760, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

LAPORTE COMMUNITY SCHOOL CORPORATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 4,624,929	\$ 5,551,579	\$ (926,650)	83%	\$ 5,368,968	(17%)
07-01-04	4,768,879	5,740,710	(971,831)	83%	5,564,811	(17%)
07-01-05	5,116,351	6,597,796	(1,481,445)	78%	5,833,477	(25%)

LAPORTE COMMUNITY 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>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 300,455
Buildings	53,705,159
Improvements other than buildings	1,634,477
Machinery and equipment	<u>13,409,118</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 69,049,209</u>

LAPORTE COMMUNITY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

June 30, 2006

Description	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
High School	\$ 31,434,787	\$ 3,310,000
Crichfield/Kingsford Heights	<u>11,165,000</u>	<u>1,180,000</u>
Total capital leases	<u>42,599,787</u>	<u>4,490,000</u>
BONDS		
General obligation bonds currently outstanding at year end are as follows:		
General obligation bonds payable:		
Pension/Severance Bonds	<u>9,020,000</u>	<u>695,000</u>
Total governmental activities long-term debt	<u>\$ 51,619,787</u>	<u>\$ 5,185,000</u>

LAPORTE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The cash balances of the following funds were overdrawn at June 30, 2005 and/or 2006:

Fund	2005	2006
Textbook Rental	\$ 348,687	\$ 338,862
Beginning Blazers Preschool	1,584	-
Title I	67,370	-
Title V, A Counselors	1,087	-
Special Education	80,554	-
Preschool Park	-	8,190
Title I Delinquent	-	4,545

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

SERVICE AND TIME RECORDS

School Corporation Officials maintain computerized employee service records, not the prescribed form, Employee Service Record (Form 99A). The computerized record has not been approved by the State Board of Accounts for use by the School Corporation. A similar comment appeared in the prior report.

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)

CREDIT CARDS

Receipts were not presented for all charges on the credit card statements. Additionally, an annual fee for the account was paid, but was not authorized in the School Corporation's credit card policy.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed: . . .

- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

LAPORTE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

UNTIMELY ECA DEPOSITS (Applies to Hailmann and Crichfield Elementary, and Boston Middle Schools)

Receipts were not always deposited within a reasonable time. Receipts were held up to 8 and 7 days, respectively, at Hailmann and Crichfield Elementary Schools, before the deposits were made. Textbook rental receipts were held up to 23 days and receipts for athletic events were held up to 15 days before the deposits were made at Boston Middle School.

Indiana Code 41-1-9 states in part: ". . . receipts shall be deposited without unreasonable delay."

RECEIPT ISSUANCE – (Applies to Hailmann Elementary School)

Receipts were not issued for each textbook rental transaction. When multiple textbook rental payments were received for the same student, a new receipt was not issued for each payment. The dates and amounts of subsequent payments were recorded on a photocopy of the original receipt. Additionally, daily fee payment reports that summarize daily collections were not printed or submitted with the duplicate receipts and deposit slips.

The original of Form TBR-2 is to be given the payer (student or parent). The duplicate is to be retained by the issuing officer and the triplicate is to remain intact in the book. The duplicate, together with rental fees collected, must be transmitted daily to the treasurer of the extra-curricular account. The treasurer may direct the issuing officer to deposit all fees collected each day and submit an acknowledged, duplicate deposit slip with the duplicate copies of Form TBR-2. The treasurer may also require the issuing officer to submit a summary or recap sheet of all fees collected by grade or other designated categories. If this is done, the total of the summary or recap sheet must agree with the amount on the duplicate deposit slip as well as the total of all TBR-2 forms submitted for the day. All duplicates of Form TBR-2 shall be filed alphabetically, by student last names, in the office of the treasurer for audit purposes. A separate TBR-2 should be issued for each payment. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 4)

DEPOSIT COMPOSITION – (Applies to Kesling and Boston Middle Schools)

Receipts were not always properly completed. Receipts that included both cash and checks did not always designate the amount of each. Additionally, refunds, cash change, and fund transfers were made with daily collections. Therefore, we were unable to determine if receipts were deposited intact.

The receipt, to be properly issued, shall show the date, the name of the person from whom the money was received, the payment type, the activity fund for which it was received, the amount and the source of the receipt. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

INTERNAL CONTROLS (Applies to Kesling Middle School)

The controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient. Register tapes, tally sheets, or other supporting documentation were not maintained at the Bookstore or the Student Council concession stand to provide accountability for the money collected and deposited.

LAPORTE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

USE OF FORM SA-5, FINANCIAL REPORT (Applies to Boston Middle School)

Financial Reports (Form SA-5) presented for audit were inaccurate and incomplete. The beginning fund balances at July 1, 2005, as presented in the reports did not agree with the ending fund balances in the June 30, 2005, report.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

BANK ACCOUNT RECONCILIATIONS (Applies to Boston Middle School)

Bank reconciliations are attempted monthly; however, depository balances are not compared to the accounting records.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

ECA CREDIT CARDS – (Applies to LaPorte High School)

Supporting documentation for credit card payments was insufficient. Receipts were not presented for all charges on the credit card statements.

LAPORTE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed: . . .

- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.

(Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

PRENUMBERED TICKETS NOT USED (Applies to LaPorte High School)

Prenumbered tickets were not properly used for all High School athletic events. Tickets used during sectional events were prenumbered only on the part given to the person paying. The part retained for audit was not prenumbered and therefore, we could not verify that all tickets were accounted for.

Serially prenumbered tickets by the printing supplier should be used for all athletic and other extra-curricular activities and events for which admission is charged. Part of the prenumbered ticket should be given to the person paying for the ticket upon admission to the event. The other part of the ticket (which should also be prenumbered, referred to as the stub) should be retained. All tickets (unused tickets and stubs) should be retained for audit. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA

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302 WEST WASHINGTON STREET
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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 LAPORTE COMMUNITY SCHOOL
CORPORATION, LAPORTE COUNTY, INDIANA

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; 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. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2006-1.

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)

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the School Corporation's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item 2006-1.

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 the 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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

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 19, 2006

LAPORTE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2005 and 2006

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-05	Total Federal Awards Expended 06-30-06
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 204,423	\$ 227,230
National School Lunch Program	10.555		968,910	960,638
Total for federal grantor agency			<u>1,173,333</u>	<u>1,187,868</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Special Education Cluster (IDEA)				
Special Education - Grants to States	84.027			
		14204-057-PN01	152,409	-
		14205-057-PN01	1,713,499	345,538
		14206-057-PN01	-	1,643,096
		14205-057-SN01	24,002	1,625
		14206-057-SN01	-	6,704
		14204-066-PY02	247,134	-
		14205-066-PY02	-	96,949
		14204-047-DY01	-	85,000
		14206-003-DN01	-	65,022
Total for program			<u>2,137,044</u>	<u>2,243,934</u>
Special Education - Preschool Grants	84.173			
		45704-057-PN01	3,427	-
		45705-057-PN01	84,410	16,021
		45706-057-PN01	-	92,942
Total for program			<u>87,837</u>	<u>108,963</u>
Total for cluster			<u>2,224,881</u>	<u>2,352,897</u>
Title I Grants to Local Educational Agencies	84.010			
		05-4945	670,710	106,004
		06-4945	-	677,478
		04-4945, Part D	1,748	-
		05-4945, Part D	28,739	-
		06-4945, Part D	-	23,482
Total for program			<u>701,197</u>	<u>806,964</u>
Safe and Drug Free Schools and Communities - State Grants	84.186			
		02-261	8,940	-
		03-071	16,346	11,862
		04-129	-	26,535
Total for program			<u>25,286</u>	<u>38,397</u>
State Grants for Innovative Programs	84.298			
		03-143	50,461	-
		04-191	-	27,734
Total for program			<u>50,461</u>	<u>27,734</u>
Education Technology State Grants	84.318			
		SY 02-03	13,117	-
		SY 03-04	3,126	12,644
		SY 04-05	-	12,583
Total for program			<u>16,243</u>	<u>25,227</u>
English Language Acquisition Grants	84.365			
		2003-2004	3,268	-
		2004-2005	21,075	-
		2005-2006	-	29,745
Total for program			<u>24,343</u>	<u>29,745</u>
Improving Teacher Quality State Grants	84.367			
		03-140	161,076	10,966
		04-203	200,399	49,433
		05-225	-	189,883
Total for program			<u>361,475</u>	<u>250,282</u>
Total for federal grantor agency			<u>3,403,886</u>	<u>3,531,246</u>
Total federal awards expended			<u>\$ 4,577,219</u>	<u>\$ 4,719,114</u>

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

LAPORTE COMMUNITY SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

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

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

II. Noncash Assistance

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>2005</u>	<u>2006</u>
Child Nutrition Cluster	10.555	<u>\$ 121,524</u>	<u>\$ 95,077</u>

LAPORTE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	yes

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? yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Special Education Cluster
84.367	Title I Grants to Local Educational Agencies Improving Teacher Quality State Grants

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.

LAPORTE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III – Federal Award Findings and Questioned Costs

FINDING 2006-1, CASH MANAGEMENT

Federal Agency: U.S. Department of Education
Federal Program: Special Education - Grants to States
CFDA Number: 84.027
Federal Award Numbers: 14205-057 and 14206-057
Pass-Through Entity: Indiana Department of Education

The Special Education Grants had end of month cash balances in excess of 10% of their current monthly expenditures for 4 months of the fiscal year 2005 grant and for 8 months of the fiscal year 2006 grant. The ending cash balances for these 12 months, exceeded 10% of the current monthly expenditures by an average of \$147,737. The 2005 and 2006 end of grant cash balances at September 30 were \$163,842 and \$329,910, respectively.

The School Corporation has developed a system to monitor Special Education grant expenditures and cash balances. Cash requests were originally submitted with the grant applications and were modified once during each fiscal year. However, the cash balances continued to exceed the limit as noted above.

34 CFR 80.20(b)(7) states in part: "Cash management. Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. . . . Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

The Indiana Department of Education, in order to comply with these requirements, has set requirements for the subgrantees, including LaPorte Community School Corporation. The requirements state that the School Corporation may not have a surplus cash position greater than 10% of current monthly expenditures. Revised cash request forms should be submitted throughout the school year as necessary to comply with these requirements. Additionally, if the School Corporation intends to carry-over a portion of the grant to the subsequent grant period, an adjusted cash request should be filed in order to alleviate an excessive cash balance as of September 30.

Due to excessive month-end cash balances, the School Corporation was not in compliance with the Cash Management requirements of the Special Education program.

Failure to comply with these requirements could cause the School Corporation to be deemed ineligible to receive federal awards in the future.

We recommended that the School Corporation continue to improve their cash request monitoring and adjustment procedures to ensure that federal funds are requested as needed.

Board of Trustees

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Mr. Tom Dermody, Member
Mr. Mitch Feikes, Member
Mr. Ron Gigliotti, Member
Ms. Sue Szilagyi, Member

Dr. Judith A. DeMuth, Superintendent
Dr. Dennis Shawver, Associate Superintendent
Mr. Jim Dermody, Assistant Superintendent
Mr. Vincent Taylor, Business Manager
Ms. Patty Steele, Coordinator of Instructional Programs and Assessment

Memo To: State Board of Accounts

From: Vincent R. Taylor, Business Manager 

Date: November 16, 2006

Re: **Summary Schedule of Prior Audit Findings**

Finding No. 2004-2, Case Management

Federal Agency: Department of Education
Federal Programs: Special Education Grants to States
CFDA Numbers: 84.027A
Federal Award Numbers: 14201.057, 14202-057, 14203-057, 14204-057
45702-057, 45703-057, 45704-057

Pass-through Entity: Indiana Department of Education

As recommended, the school corporation developed a monitoring system in an attempt to monitor and control cash balances at the end of any given period. When adjustments were warranted, contact to the state to adjust the next distribution was attempted; however, the timing made a disbursement adjustment difficult to achieve.

VRT/rr

1921 "A" Street, LaPorte, IN 46350 Ph. (219) 362-7056 Fax (219) 324-9347
www.lpcsc.k12.in.us

The LaPorte Community Schools will be recognized among Indiana's highest achieving corporations by ensuring that all students reach their maximum academic potential, working in partnership with parents and the community to become productive and responsible citizens who are successful in a competitive global world.

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Mr. Jim Dermody, Assistant Superintendent
Mr. Vincent Taylor, Business Manager
Ms. Patty Steele, Coordinator of Instructional Programs and Assessment

Memo To: Indiana State Board of Accounts

From: Vincent R. Taylor, Business Manager 

Date: December 18, 2006

Re: **Response to Finding Number 2006-1, Cash Management**

The Special Education Grants had month-end cash balances in excess of ten percent (10%).

While it is true that the cash balances exceeded the ten percent (10%) guideline at month end in the 12 months mentioned, it is also worthy to note that the average balance for the entire period was within the guideline.

In any case, the school corporation will continue to monitor this grant in every effort to maintain the cash balance within the guideline of ten percent (10%).

VRT/tr

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LAPORTE COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on December 19, 2006, with Dr. Judith A. DeMuth, Superintendent of Schools; Vincent R. Taylor, Treasurer; and Ronald A. Gigliotti, Board member. The officials concurred with our audit findings.