

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

AUDIT REPORT

OF

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP

LAPORTE COUNTY, INDIANA

July 1, 2004 to June 30, 2006



**FILED**

02/16/2007



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Terri Stachowiak	07-01-04 to 06-30-07
Superintendent of Schools	Robert Harbart	07-01-04 to 06-30-07
Corporation Manager	Richard G. Cook	07-01-04 to 06-30-07
President of the School Board	Nancy Milcarek Ronald Warnke	07-01-04 to 12-31-06 01-01-07 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT OF  
NEW DURHAM TOWNSHIP, 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 Metropolitan School District of New Durham Township (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. 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.

The School Corporation has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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

STATE BOARD OF ACCOUNTS

January 8, 2007

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP  
STATEMENT OF CASH AND INVESTMENTS  
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 1,765,153
Restricted assets:	
Cash and investments	<u>283,772</u>
Total assets	<u>\$ 2,048,925</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 283,772
Unrestricted	<u>1,765,153</u>
Total net assets	<u>\$ 2,048,925</u>

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

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP  
STATEMENT OF CASH AND INVESTMENTS  
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 2,173,226
Restricted assets:	
Cash and investments	<u>712,987</u>
Total assets	<u>\$ 2,886,213</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 712,987
Unrestricted	<u>2,173,226</u>
Total net assets	<u>\$ 2,886,213</u>

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

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP  
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	\$ 2,464,468	\$ -	\$ 50,495	\$ (2,413,973)
Support services	3,351,476	172,071	111,146	(3,068,259)
Community services	93,709	-	-	(93,709)
Nonprogrammed charges	346,413	-	-	(346,413)
Debt service	2,592,920	-	-	(2,592,920)
Total governmental activities	\$ 8,848,986	\$ 172,071	\$ 161,641	(8,515,274)
General receipts:				
Property taxes				2,788,457
Other local sources				398,657
State aid				3,169,256
Grants and contributions not restricted				275,804
Bonds and loans				1,705,000
Sale of property, adjustments, and refunds				32,406
Investment earnings				50,204
Total general receipts				8,419,784
Change in cash and investments				(95,490)
Net assets - beginning				2,144,415
Net assets - ending				\$ 2,048,925

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

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP  
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	\$ 2,452,344	\$ -	\$ 86,517	\$ (2,365,827)
Support services	3,384,442	199,921	127,526	(3,056,995)
Community services	97,140	-	-	(97,140)
Nonprogrammed charges	453,949	-	-	(453,949)
Debt service	2,738,785	-	-	(2,738,785)
Total governmental activities	\$ 9,126,660	\$ 199,921	\$ 214,043	(8,712,696)
General receipts:				
Property taxes				3,596,764
Other local sources				661,826
State aid				3,353,681
Grants and contributions not restricted				155,866
Bonds and loans				1,497,000
Sale of property, adjustments, and refunds				193,963
Investment earnings				90,884
Total general receipts				9,549,984
Change in cash and investments				837,288
Net assets - beginning				2,048,925
Net assets - ending				\$ 2,886,213

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

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP  
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
<b>Receipts:</b>							
Local sources	\$ 1,920,873	\$ 90,103	\$ 749,515	\$ 383,165	\$ 43,707	\$ 221,788	\$ 3,409,151
Intermediate sources	107	-	-	-	-	131	238
State sources	3,208,248	-	-	-	-	184,482	3,392,730
Federal sources	-	-	-	-	-	213,971	213,971
Bonds and loans	1,200,000	36,000	285,000	184,000	-	-	1,705,000
Sale of property, adjustments and refunds	11,963	-	-	4,859	-	15,584	32,406
Interfund transfers	-	-	-	-	-	187,755	187,755
<b>Total receipts</b>	<u>6,341,191</u>	<u>126,103</u>	<u>1,034,515</u>	<u>572,024</u>	<u>43,707</u>	<u>823,711</u>	<u>8,941,251</u>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	2,344,255	-	-	-	-	120,213	2,464,468
Support services	2,145,216	68,663	-	540,257	-	597,340	3,351,476
Community services	92,224	-	-	-	-	1,485	93,709
Nonprogrammed charges	379,612	3,512	29,966	102,260	1,710	17,108	534,168
Debt services	833,883	75,000	1,554,037	130,000	-	-	2,592,920
<b>Total disbursements</b>	<u>5,795,190</u>	<u>147,175</u>	<u>1,584,003</u>	<u>772,517</u>	<u>1,710</u>	<u>736,146</u>	<u>9,036,741</u>
Excess (deficiency) of total receipts over (under) total disbursements	546,001	(21,072)	(549,488)	(200,493)	41,997	87,565	(95,490)
Cash and investments - beginning	872,729	29,497	833,260	353,297	(36,970)	92,602	2,144,415
Cash and investments - ending	<u>\$ 1,418,730</u>	<u>\$ 8,425</u>	<u>\$ 283,772</u>	<u>\$ 152,804</u>	<u>\$ 5,027</u>	<u>\$ 180,167</u>	<u>\$ 2,048,925</u>

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

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP  
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
<b>Receipts:</b>							
Local sources	\$1,810,053	\$ 158,018	\$ 1,446,278	\$ 797,115	\$ 99,363	\$ 238,357	\$ 4,549,184
Intermediate sources	80	-	-	-	-	131	211
State sources	3,428,695	-	-	-	-	52,286	3,480,981
Federal sources	-	-	-	-	-	242,609	242,609
Bonds and loans	1,000,000	42,000	270,000	185,000	-	-	1,497,000
Sale of property, adjustments and refunds	189,258	646	-	2,661	-	1,398	193,963
Interfund transfers	100,520	-	-	-	-	113,548	214,068
<b>Total receipts</b>	<u>6,528,606</u>	<u>200,664</u>	<u>1,716,278</u>	<u>984,776</u>	<u>99,363</u>	<u>648,329</u>	<u>10,178,016</u>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	2,352,503	-	-	-	-	99,841	2,452,344
Support services	2,147,446	195,033	-	515,393	64,717	461,853	3,384,442
Community services	96,519	-	-	-	-	621	97,140
Nonprogrammed charges	396,184	258	2,161	108,528	177	160,709	668,017
Debt services	1,233,883	36,000	1,284,902	184,000	-	-	2,738,785
<b>Total disbursements</b>	<u>6,226,535</u>	<u>231,291</u>	<u>1,287,063</u>	<u>807,921</u>	<u>64,894</u>	<u>723,024</u>	<u>9,340,728</u>
Excess (deficiency) of total receipts over (under) total disbursements	302,071	(30,627)	429,215	176,855	34,469	(74,695)	837,288
Cash and investments - beginning	1,418,730	8,425	283,772	152,804	5,027	180,167	2,048,925
Cash and investments - ending	<u>\$1,720,801</u>	<u>\$ (22,202)</u>	<u>\$ 712,987</u>	<u>\$ 329,659</u>	<u>\$ 39,496</u>	<u>\$ 105,472</u>	<u>\$ 2,886,213</u>

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

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP  
 STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CHANGES IN CASH AND INVESTMENTS  
 FIDUCIARY FUND  
 For The Year Ended June 30, 2006

	<u>Pension Trust Fund</u>
Additions:	
Bonds and loans	\$ <u>1,165,000</u>
Deductions:	
Support services/benefits	<u>1,009,009</u>
Excess of total additions over total deductions	155,991
Cash and investments - beginning	<u>-</u>
Cash and investments - ending	<u><u>\$ 155,991</u></u>

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

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP  
STATEMENT OF CASH AND INVESTMENTS  
FIDUCIARY FUND  
June 30, 2006

<u>Assets</u>	<u>Pension Trust Fund</u>
Cash and investments	<u>\$ 155,991</u>
<u>Net Assets</u>	
Held in trust for employee benefits and other purposes	<u>\$ 155,991</u>

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

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP  
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: Metropolitan School District of New Durham Township

Joint Venture

The School Corporation is a participant with seven other township schools and school corporations in a joint venture to operate the LaPorte County Special Education Cooperative (Co-op) which was created to provide special education services. The School Corporation is obligated by contract to a funding percentage based on its share of Average Daily Membership as compared to the total of all member school corporations for administration and supervision and an amount based on enrollment for program services, determined annually. Complete financial statements for the Co-op can be obtained from the LaPorte Community School Corporation at 1921 "A" Street, LaPorte, IN, 46350.

The School Corporation is a participant with most other LaPorte County schools in a joint venture to operate the Michigan City Area Career Technical School which was created to provide vocational education. The School Corporation's financial obligation is based on the number of its students participating in the program. Complete financial statements for the Michigan City Area Career Technical School can be obtained from the Michigan City Area School Corporation at 408 South Carroll Avenue, Michigan City, IN, 46360.

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. However, there are no business-type activities to report at this time.

Fund Financial Statements

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

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 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, and pension bonds.

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 type:

The pension trust fund accounts for the activities of the repayment of the retirement/severance bond.

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, 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.

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.

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 4 to 10 days per year based on position. Unused sick leave may be accumulated to a maximum of 185 days. Accumulated sick leave is paid to employees through cash payments upon retirement.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 5 days to 20 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 2 days per year. Unused personal leave is transferred to accumulated sick leave at year end for certified employees and not accumulated for other employees.

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 reported as disbursements.

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

E. Receipts and Disbursements

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. Interfund Balances and Activities

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

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements.
3. 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:

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain 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.

B. Cash and Investment Balance Deficits

The rainy day fund is to account for transfers of unused and unencumbered funds in accordance with Indiana Code 36-1-8-5 and a locally adopted resolution. The fund is subject to the same appropriation process as funds that receive tax money.

Fund	2005	2006
Transportation Operating	\$ -	\$ 22,202
Textbook Rental	182,581	235,654
Title I	7,318	-

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

III. Detailed Notes on All Funds

A. Deposits

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

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP  
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	Other governmental	\$ 49,670	\$ 2,416
Debt Service	Other governmental	29,967	2,161
Capital Projects	Other governmental	102,261	108,528
Transportation Operating	Other governmental	3,512	258
Transportation Bus Replacement	Other governmental	1,710	177
Other governmental	Other governmental	635	-
Other governmental	General	-	100,520
Other governmental	Other governmental	-	8
Totals		<u>\$ 187,755</u>	<u>\$ 214,068</u>

The School Corporation typically uses transfers for cash flow purposes in accordance with various statutes and to transfer the portion of state-shared revenues from the General Fund to the Debt Service Fund for current-year debt service requirements.

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 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.

B. Holding Corporation

The School Corporation has entered into a capital lease with the Metropolitan School District of New Durham Township School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. Lease payments totaling \$867,390 were made during the fiscal years ending June 30, 2005, and June 30, 2006.

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. Subsequent Events

On November 8, 2006, the School Corporation approved Resolution Number 6-11 for the issuance of tax anticipation warrants for funds totaling \$1,317,000. On December 13, 2006, the School Corporation awarded the tax anticipation warrants to First National Bank at 3.65% interest rate for \$875,000 General Fund, \$98,000 Debt Service Fund, \$287,000 Capital Projects Fund, and \$57,000 Transportation Operating Fund.

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. Currently, 5 retirees meet these eligibility requirements. The School Corporation provides between 24% and 67% of these postemployment benefits; the retirees provide between 76% and 33% 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 \$15,000 were recognized for postemployment benefits.

These funds are held in reserve to pay health insurance premiums of qualified retirees for a limited time, in accordance with various governmental regulations.

In addition, severance pay is paid until the age of 62 based on a formula involving sick days accumulated until retirement. Currently, 4 retirees meet the 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 \$20,456 were recognized for these postemployment benefits.

E. Pension Plan

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:

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 \$73,364, \$71,830, and \$56,468, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years, respectively.

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP  
 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	\$ 3,306,999
Buildings	12,787,182
Improvements other than buildings	1,509,330
Machinery and equipment	<u>1,543,395</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 19,146,906</u>

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 June 30, 2006

Description of Asset	Ending Balance	Due Within One Year
Governmental activities:		
Capital leases:		
School building improvements	\$ 12,264,984	\$ 982,190
Notes and loans payable	141,439	47,901
General obligation bonds:		
To fund retirement/severance obligation of the school	1,165,000	39,819
Total governmental activities long-term debt	\$ 13,571,423	\$ 1,069,910

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP  
AUDIT RESULTS AND COMMENTS

AVERAGE DAILY MEMBERSHIP (ADM) - INCORRECT REPORTING TO THE STATE

The information presented for audit indicates enrollment figures on Form Number 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for the school year ending June 30, 2005.

The enrollment count date for 2005 was September 17, 2004. The difference between the count reported on the ADM and the verified figures are shown below:

<u>School Year</u>	<u>Grade</u>	<u>Count as Reported on Form Number 30A</u>	<u>Actual Enrollment Figures</u>	<u>Difference</u>
2004-2005	Kindergarten	25.50	25.50	-
	1 Through 12	761	760	1

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

OVERDRAWN CASH BALANCES

The cash balances were overdrawn as follows:

<u>Fund</u>	<u>June 30, 2005</u>	<u>June 30, 2006</u>
Textbook Rental	\$ 182,581	\$ 235,654
Title I	7,318	-
Transportation Operating	-	22,202

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)

RECEIPTS - COMPOSITION (Applies to Westville Public Schools)

Receipts were not always deposited in the same form as they were collected. Composition of three receipt series did not match that of the deposit.

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."

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP  
AUDIT RESULTS AND COMMENTS  
(Continued)

EXTRA-CURRICULAR ACCOUNT DEPOSITS (Applies to Westville Public Schools)

Textbook rental receipts were not always deposited within a reasonable time. Some receipts were held up to 29 days before being deposited.

Indiana Code 20-5-7-4 states in part: ". . . receipts shall be deposited without unreasonable delay."

TICKET SALES - RECORD RETENTION (Applies to Westville Public Schools)

Ticket stubs from sports and other events were not retained for audit. Therefore, we were unable to verify ticket sales to Form SA-4, Ticket Sales.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Ticket sales conducted by any activity should be accounted for as follows:

The treasurer should be responsible for the proper accounting for all tickets and should keep a record of the number purchased, the number issued for sale, and the number returned. The treasurer should see that proper accounting is made for the cash received from those sold. All tickets shall be prenumbered, with a different ticket color and numerical series for each price group. When cash for ticket sales is deposited with the treasurer, the treasurer's receipt issued therefore should show the number of tickets issued to the seller, the number returned unsold and the balance remitted in cash. All tickets (including free or reduced) must be listed and accounted for on the SA-4 Ticket Sales Form.

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.

Tickets for each price group should be different colors and/or different in their series number.

(Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP  
EXIT CONFERENCE

The contents of this report were discussed on January 16, 2007, with Richard G. Cook, Corporation Manager; and Terri Stachowiak, Treasurer. The official response has been made a part of this report and may be found on pages 25 through 27.

# METROPOLITAN SCHOOL DISTRICT of NEW DURHAM TOWNSHIP

207 E. Valparaiso Street, Westville, Indiana 46391-9712

Phone (219) 785-2239 • Fax (219) 785-4584

## Administration

Richard G. Cook, Corporation Manager  
Robert J. Harbart, Superintendent  
Wm. Mark Yates, Secondary Principal  
Larry Cook, Elementary Principal  
William D. Berger, Athletic Director/Administrator

## Board of Trustees

Ronald Warnke, President  
John W. Coulter, Vice President  
Richard Wozniak, Secretary  
David R. Miller, Deputy Secretary  
Nancy Milcarek, Member

January 24, 2007

State Board of Accounts  
302 W. Washington St., Rm. E418  
Indianapolis, IN 46204-2765

Gentlemen:

Please let this letter serve as the official response from the Metropolitan School District of New Durham Township concerning the recent audit for school years 2004–2005 and 2005 – 2006.

First, I would like to thank Ms. Jane Wilson and Ms. Katie Holland for their professionalism in reviewing our books for the two (2) school years shown above. Everyone I have talked with has indicated they were very courteous in their discussions with staff members and showed a very professional atmosphere in the job they were doing.

Shown below is our response to the deficiencies the auditors found for MSD of New Durham Township:

### **AVERAGE DAILY MEMBERSHIP (ADM) – INCORRECT REPORTING TO THE STATE**

During the 2004-05 school year, it was discovered our school corporation made an error on our ADM report. We overstated our count by one (1) student – an eighth grader.

Upon receiving the audit report, I will be contacting the Division of School Finance to determine how they want to correct the overpayment we received for the one (1) additional student. The error the auditors found was correct, and our school corporation apologizes for any inconvenience this error may have caused.

### **OVERDRAWN CASH BALANCES**

The auditors cited the school corporation for negative cash balances in the Textbook Rental Fund, Title I, and the Transportation Operating Fund. The corporation agrees with the three (3) auditor's findings.

First, two (2) problems arise in trying to make the Textbook Rental Fund a positive figure rather than a negative figure. First, the State of Indiana is not compensating school corporations at one hundred percent (100%) for the textbook reimbursement from state funds. In the 2004-05 school year, the state reimbursed at a rate of 69.5 percent (69.5%), for the 2005-06 school year the state reimbursed at 62.5 percent (62.5%). A portion of this deficit

cited in the audit report is created by the State not funding textbook reimbursement at one hundred percent (100%). As you are well aware, we are not allowed to recoup any difference through the court system because of our present law, however, by statute we do tax our taxpayers through the Debt Service Fund.

Also, we have initiated a procedure to file unpaid textbook rental claims through the small claims court. The school corporation has recouped some funds, however, we find this is not one hundred percent (100%) reimbursable as well. Our school corporation will continue to endeavor to collect funds to offset this deficit.

Realistically, at no time will the textbook rental fund be a black figure. Each year, the school corporation has to pay the cost of new textbooks even though one-sixth (1/6) of the cost of these textbooks will be received in that school year; five-sixths (5/6) of that cost will be collected in the following five (5) school years. The same percentage will be addressed in the following school years for new adoptions for each curriculum area. The corporation will never be "in the black" at the end of any school year, however, we will endeavor to reduce this number into a more realistic figure.

Secondly, our Title I director retired at the end of the 2004-05 school year. According to the negotiated agreement between the Westville Teachers Association and MSD of New Durham Township, the employee can choose to take all his/her remaining 2004-05 compensation as a lump sum at the end of June or extend it over the summer months. Because Teacher Retirement works on a school year (July 1 – June 30), it is beneficial for the teacher to take all his/her compensation in June. The Title I director chose to take all her money in June thus creating a negative balance in the Title I fund as of June 30, 2005 (-\$7,318.00). The July, 2005 receipt of Title I funds from the State (\$7,554.00) erased this negative balance. Our school corporation will keep a closer watch on this situation in the future.

Finally, the auditors were correct in citing the Transportation Operating Fund was in the red \$22,202 as of June 30, 2006. We should have expended more from our Rainy Day Fund. It was an error on my part for not recognizing this prior to sending the information for Form 9, and I apologize for this oversight. Just for the record, the corporation did receive sufficient receipts in the last six (6) months of 2006 so this fund ended in the black for calendar year 2006.

### **COMPOSITION OF RECEIPTS**

Discussions have taken place with the school treasurer (K-12) concerning the cash receipts not being deposited in the same form as the collections. She has been instructed to make sure the deposits are marked with the same amount of cash and checks as shown for each individual receipt. This item was addressed at our last audit, and I have already instructed the employee this correction needs to be made immediately.

Further, I have instructed the school treasurer (K-12) to make a minimum of weekly deposits. At the beginning of each semester or trimester, the deposits should be made daily.

The citation shown in the audit is that money received in March and April was held for twenty-nine (29) days. I have addressed both of these items in letter form to the employee.

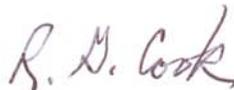
### RECORD RETENTION

It was brought to our attention the school treasurer did not keep ticket stubs from athletic events where admissions were charged; she did fill out Form SA-4, ticket sales, but the stubs were not kept to verify the sales.

I have met with the school treasurer and advised her of this citation. Westville currently uses a two (2) part pre-number ticket, one (1) color for students, and a different color for adults. The ticket sellers give one (1) part of the ticket to the purchaser and puts the other part in the cash box. The treasurer checks all stubs to make sure the cash box equals the sales. Once Form SA-4 is filled out, the stubs were discarded. The secretary has been advised the stubs should be retained in a zip lock container and marked with the date of the activity. Once the audit is performed, said stubs can be discarded. Please be advised the school treasurer has told me she has been saving all ticket sale stubs and has marked the activity and date on the outside of the container.

The exit interview held on Tuesday, January 16<sup>th</sup> was attended by your two (2) auditors, Terri Stachowiak (Corporation Treasurer), and myself. Board President, Ronald Warnke was unable to attend. The two (2) ladies did a thorough job in explaining the deficiencies, and please be advised the school corporation will make every effort to correct these deficiencies.

Sincerely,



Richard G. Cook  
Corporation Manager