

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

AUDIT REPORT  
OF  
NEW PRAIRIE UNITED SCHOOL CORPORATION  
LAPORTE COUNTY, INDIANA  
July 1, 2004 to June 30, 2006



**FILED**  
02/28/2007



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials.....	2
Independent Auditor’s Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards .....	3-4
Independent Auditor’s Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Cash and Investments .....	6-7
Statement of Cash Activities .....	8-9
Fund Financial Statements:	
Governmental Funds:	
Statement of Receipts, Disbursements, and Cash and Investment Balances – Governmental Funds.....	10-11
Fiduciary Funds:	
Statement of Receipts, Disbursements, and Changes in Cash and Investments – Fiduciary Funds.....	12-13
Statement of Cash and Investments– Fiduciary Funds .....	14-15
Notes to Financial Statements .....	16-27
Required Supplementary Information:	
Schedule of Funding Progress .....	28
Supplementary Information:	
Schedule of Capital Assets.....	29
Schedule of Long-Term Debt.....	30
Audit Results and Comments:	
Transfer Tuition.....	31
Overdrawn Cash Balances .....	31
Bank Account Reconciliations .....	31
Payroll Withholding Fund .....	31
Supplemental Audit of Federal Awards:	
Independent Auditor’s Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 .....	34-35
Schedule of Expenditures of Federal Awards.....	36
Notes to Schedule of Expenditures of Federal Awards .....	37
Schedule of Findings and Questioned Costs.....	38
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings.....	39
Exit Conference.....	40

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sharon K. Heirbrandt	07-01-04 to 06-30-07
Superintendent of Schools	Duane Wrightson	07-01-04 to 12-31-07
President of the School Board	Bernie Baltes Richard A. Shail	01-01-04 to 12-31-04 01-01-05 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE NEW PRAIRIE UNITED 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 New Prairie United 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 January 10, 2007, 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

January 10, 2007



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE NEW PRAIRIE UNITED SCHOOL  
CORPORATION, LAPORTE COUNTY, INDIANA

We have audited the financial statements of the New Prairie United School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated January 10, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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

STATE BOARD OF ACCOUNTS

January 10, 2007

NEW PRAIRIE UNITED SCHOOL CORPORATION  
STATEMENT OF CASH AND INVESTMENTS  
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 2,068,221
Restricted assets:	
Cash and investments	<u>43,285</u>
Total assets	<u>\$ 2,111,506</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 43,285
Unrestricted	<u>2,068,221</u>
Total net assets	<u>\$ 2,111,506</u>

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

NEW PRAIRIE UNITED SCHOOL CORPORATION  
STATEMENT OF CASH AND INVESTMENTS  
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 4,943,440
Restricted assets:	
Cash and investments	<u>164,939</u>
Total assets	<u>\$ 5,108,379</u>
<u>Net Assets</u>	
Restricted for:	
Debt service	\$ 164,939
Unrestricted	<u>4,943,440</u>
Total net assets	<u>\$ 5,108,379</u>

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

NEW PRAIRIE UNITED 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	\$ 7,270,654	\$ -	\$ 99,699	\$ (7,170,955)
Support services	11,091,855	693,959	227,333	(10,170,563)
Community services	190,698	-	-	(190,698)
Nonprogrammed charges	1,471,272	-	-	(1,471,272)
Debt service	6,342,260	-	-	(6,342,260)
Total governmental activities	\$ 26,366,739	\$ 693,959	\$ 327,032	(25,345,748)
General receipts:				
Property taxes				11,453,260
Other local sources				1,226,380
State aid				7,682,060
Grants and contributions not restricted				397,085
Bonds and loans				1,723,250
Sale of property, adjustments, and refunds				903,788
Investment earnings				41,429
Total general receipts				23,427,252
Change in cash and investments				(1,918,496)
Net assets - beginning				4,030,002
Net assets - ending				\$ 2,111,506

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

NEW PRAIRIE UNITED 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	\$ 7,375,239	\$ -	\$ 83,496	\$ (7,291,743)
Support services	11,005,570	735,998	258,168	(10,011,404)
Community services	174,601	-	-	(174,601)
Nonprogrammed charges	1,968,059	-	-	(1,968,059)
Debt service	4,059,005	-	-	(4,059,005)
<b>Total governmental activities</b>	<b><u>\$ 24,582,474</u></b>	<b><u>\$ 735,998</u></b>	<b><u>\$ 341,664</u></b>	<b><u>(23,504,812)</u></b>
General receipts:				
Property taxes				15,329,205
Other local sources				1,919,226
State aid				8,241,545
Grants and contributions not restricted				348,121
Sale of property, adjustments, and refunds				525,872
Investment earnings				<u>137,716</u>
<b>Total general receipts</b>				<b><u>26,501,685</u></b>
Change in cash and investments				2,996,873
Net assets - beginning				<u>2,111,506</u>
Net assets - ending				<b><u>\$ 5,108,379</u></b>

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

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

	General	Transportation Operating	School Lunch	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Bus Replacement	Special Education Preschool	Other	Totals
<b>Receipts:</b>										
Local sources	\$ 6,292,849	\$ 1,377,746	\$ 512,442	\$ 2,243,485	\$ -	\$ 2,438,040	\$ 258,495	\$ 18,819	\$ 272,013	\$ 13,413,889
Intermediate sources	220	-	-	-	-	-	-	-	919	1,139
State sources	7,766,050	-	12,563	-	-	-	-	63,165	73,670	7,915,448
Federal sources	-	-	191,959	-	-	-	-	-	298,770	490,729
Bonds and loans	600,000	-	-	1,045,000	78,250	-	-	-	-	1,723,250
Sale of property, adjustments and refunds	361,430	127	350,000	-	-	192,156	-	-	75	903,788
Interfund transfers	-	-	-	-	-	-	-	-	71,092	71,092
<b>Total receipts</b>	<b>15,020,549</b>	<b>1,377,873</b>	<b>1,066,964</b>	<b>3,288,485</b>	<b>78,250</b>	<b>2,630,196</b>	<b>258,495</b>	<b>81,984</b>	<b>716,539</b>	<b>24,519,335</b>
<b>Disbursements:</b>										
<b>Current:</b>										
Instruction	6,920,953	-	-	-	-	-	-	-	349,701	7,270,654
Support services	5,431,901	1,493,522	684,331	-	-	2,827,018	260,985	-	394,098	11,091,855
Community services	186,911	-	-	-	-	-	-	-	3,787	190,698
Nonprogrammed charges	1,067,161	-	350,000	-	-	-	-	52,575	72,628	1,542,364
Debt services	2,892,314	-	-	3,371,701	78,245	-	-	-	-	6,342,260
<b>Total disbursements</b>	<b>16,499,240</b>	<b>1,493,522</b>	<b>1,034,331</b>	<b>3,371,701</b>	<b>78,245</b>	<b>2,827,018</b>	<b>260,985</b>	<b>52,575</b>	<b>820,214</b>	<b>26,437,831</b>
Excess (deficiency) of total receipts over (under) total disbursements	(1,478,691)	(115,649)	32,633	(83,216)	5	(196,822)	(2,490)	29,409	(103,675)	(1,918,496)
Cash and investments - beginning	1,721,974	488,659	274,395	126,496	-	1,009,353	274,243	58,370	76,512	4,030,002
Cash and investments - ending	\$ 243,283	\$ 373,010	\$ 307,028	\$ 43,280	\$ 5	\$ 812,531	\$ 271,753	\$ 87,779	\$ (27,163)	\$ 2,111,506

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

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

	General	Transportation Operating	School Lunch	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Bus Replacement	Special Education Preschool	Other	Totals
<b>Receipts:</b>										
Local sources	\$ 7,542,530	\$ 2,171,499	\$ 553,090	\$ 3,421,772	\$ 213,760	\$ 3,647,295	\$ 296,278	\$ 28,457	\$ 246,529	\$ 18,121,210
Intermediate sources	165	-	-	-	-	-	-	-	769	934
State sources	8,308,417	-	12,168	-	-	-	-	73,765	102,191	8,496,541
Federal sources	-	-	220,417	-	-	-	-	-	214,373	434,790
Sale of property, adjustments and refunds	46,157	1,187	375,000	-	-	103,527	-	-	-	525,871
Interfund transfers	-	-	-	-	-	-	-	-	10,000	10,000
<b>Total receipts</b>	<b>15,897,269</b>	<b>2,172,686</b>	<b>1,160,675</b>	<b>3,421,772</b>	<b>213,760</b>	<b>3,750,822</b>	<b>296,278</b>	<b>102,222</b>	<b>573,862</b>	<b>27,589,346</b>
<b>Disbursements:</b>										
Current:										
Instruction	7,035,168	-	-	-	-	-	-	-	340,071	7,375,239
Support services	5,604,566	1,649,015	712,937	-	-	2,187,936	445,405	-	405,711	11,005,570
Community services	174,513	-	-	-	-	-	-	-	88	174,601
Nonprogrammed charges	1,358,493	33,863	375,000	51,382	3,491	56,535	4,912	75,201	19,181	1,978,058
Debt services	600,000	-	-	3,303,476	155,529	-	-	-	-	4,059,005
<b>Total disbursements</b>	<b>14,772,740</b>	<b>1,682,878</b>	<b>1,087,937</b>	<b>3,354,858</b>	<b>159,020</b>	<b>2,244,471</b>	<b>450,317</b>	<b>75,201</b>	<b>765,051</b>	<b>24,592,473</b>
Excess (deficiency) of total receipts over (under) total disbursements	1,124,529	489,808	72,738	66,914	54,740	1,506,351	(154,039)	27,021	(191,189)	2,996,873
Cash and investments - beginning	243,283	373,010	307,028	43,280	5	812,531	271,753	87,779	(27,163)	2,111,506
Cash and investments - ending	<u>\$ 1,367,812</u>	<u>\$ 862,818</u>	<u>\$ 379,766</u>	<u>\$ 110,194</u>	<u>\$ 54,745</u>	<u>\$ 2,318,882</u>	<u>\$ 117,714</u>	<u>\$ 114,800</u>	<u>\$ (218,352)</u>	<u>\$ 5,108,379</u>

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

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

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Local sources	\$ -	\$ 21,884
Bonds and loans	<u>1,575,000</u>	<u>-</u>
Total additions	<u>1,575,000</u>	<u>21,884</u>
Deductions:		
Instruction	-	5,734
Support services	1,250,070	-
Nonprogrammed charges	<u>324,930</u>	<u>-</u>
Total deductions	<u>1,575,000</u>	<u>5,734</u>
Excess of total additions over total deductions	-	16,150
Cash and investments - beginning	<u>-</u>	<u>5,547</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 21,697</u>

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

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

	Private-Purpose Trust Funds
Additions:	
Local sources	\$ 38,825
Sale of property, adjustments and refunds	4,050
Total additions	42,875
Deductions:	
Instruction	25,584
Support services	11,238
Nonprogrammed charges	4,050
Total deductions	40,872
Excess of total additions over total deductions	2,003
Cash and investments - beginning	21,697
Cash and investments - ending	\$ 23,700

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

NEW PRAIRIE UNITED SCHOOL CORPORATION  
 STATEMENT OF CASH AND INVESTMENTS  
 FIDUCIARY FUNDS  
 June 30, 2005

<u>Assets</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 21,697	\$ 173,226
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ 21,697	

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

NEW PRAIRIE UNITED SCHOOL CORPORATION  
STATEMENT OF CASH AND INVESTMENTS  
FIDUCIARY FUNDS  
June 30, 2006

<u>Assets</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 23,700	\$ 455,095
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ 23,700	

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

NEW PRAIRIE UNITED SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

Primary Government: New Prairie United School Corporation

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

Joint Venture

The School Corporation is a participant with six other school corporations in a joint venture to operate the South LaPorte County Special Education Cooperative (Cooperative) which was created to provide appropriate public education to students identified as handicapped and legal residents of the member school corporations. (The School Corporation is obligated by contract to remit a proportionate share of the Cooperatives costs based on enrollment figures. The Cooperative's continued existence depends on continued funding by the School Corporation. Complete financial statements for the South LaPorte County Special Education Cooperative can be obtained from LaPorte Community School Corporation, 1921 "A" Street, LaPorte, IN 46350.

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 two of the board members of the New Carlisle-Olive Township Public Library Board.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements. Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Cash Activities 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 Cash Activities.

NEW PRAIRIE UNITED SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Fund Financial Statements

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

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 retirement/severance bond debt service fund accounts for the receipt of property taxes and other sources used to retire the debt used to fund severance benefits.

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

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

The special education preschool fund accounts for financial resources for the operation of the preschool special education program.

Additionally, the School Corporation reports the following fund types:

The pension trust fund accounts for bonds and payments made to employees on or after the termination of employment or to pay postretirement or severance benefits held by the School Corporation in a trustee capacity.

The private-purpose trust funds report trust arrangements under which principal and income benefit certain individual students.

Agency funds account for assets held by the School Corporation as an agent for payroll deductions and property taxes collected for future budget periods.

NEW PRAIRIE UNITED 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, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

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

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any proprietary funds.

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

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

NEW PRAIRIE UNITED SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 10 to 12 days per year based on months of service. Unused sick leave may be accumulated to a maximum of 186 days. Accumulated sick leave is not paid to employees through cash payments upon termination of employment.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 5 days to 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 to 4 days per year. Personal leave does not accumulate from year to year.

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

5. Long-Term Debt

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

6. Equity Classification

Government-Wide Statements

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

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

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

Fund Financial Statements

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

NEW PRAIRIE UNITED SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Cash Activities, 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 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. Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Cash Activities 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 Cash Activities.

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

NEW PRAIRIE UNITED SCHOOL CORPORATION  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

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

B. Cash and Investment Balance Deficits

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

Fund	2005	2006
Textbook rental	<u>\$ 147,005</u>	<u>\$ 311,554</u>

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

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

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

2. Investments

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

Investment Type	Primary Government Market Value
Repurchase agreements	<u>\$ 1,158,423</u>

NEW PRAIRIE UNITED 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 \$1,158,423. Of these investments, all were held by the counterparty's trust department or agent but not in the School Corporation's name.

Interest Rate Risk

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

NEW PRAIRIE UNITED SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Investment Type	Investment Maturities (in Years)		
	Less Than 1	1-2	More Than 2
Repurchase agreements	\$ 1,158,423	\$ -	\$ -

Credit Risk

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

Standard and Poor's Rating	Moody's Rating	School Corporation's Investments			
		Mutual Funds	Corporate Bonds	Government Sponsored Enterprise	Investment Pools
Unrated	Unrated	\$ -	\$ -	\$ 1,158,423	\$ -

Concentration of Credit Risk

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

B. Interfund Transfers

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

Transfer From	Transfer To	2005	2006
Other governmental	Other governmental	\$ 71,092	\$ 10,000

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

IV. Other Information

A. Risk Management

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

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

NEW PRAIRIE UNITED SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Medical Benefits to Employees, Retirees, and Dependents (Excluding Postemployment Benefits)

During 1985, the School Corporation joined with other governmental entities to form the Midwest Area School Employees' Insurance Trust (Trust), a public entity risk pool currently operating as a common risk management and insurance program for 17 member governmental entities. The purpose of the risk pool is to provide a medium for the funding and administration of medical benefits to employees, retirees, and dependents. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$2,000,000 per insured individuals lifetime. The risk pool obtains independent coverage for insured events in excess of the \$2,000,000 lifetime limit.

B. Holding Corporation

The School Corporation has entered into a capital lease with the New Prairie United School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the year totaled \$2,055,000.

C. Subsequent Events

On July 17, 2006, the School Corporation entered into a capital lease with the New Prairie United School Building Corporation for the purpose of constructing a new middle school for lease to the School Corporation. The building corporation has subsequently issued \$24,165,000 in First Mortgage Bonds, Series 2006 for the purpose of constructing the middle school. Annual lease payments from the School Corporation to the Building Corporation will commence with the completion and occupancy of the building in the fall of 2008. Annual lease payments will escalate during the term of the lease from a beginning amount of \$1,558,000 in 2009, to a maximum amount of \$4,753,000 in 2023, the final year of payment.

On September 19, 2006, the School Corporation issued General Obligation Bonds of 2006 in the amount of \$1,920,000. These bonds were issued to pay the preliminary costs associated with the construction of the new middle school. These bonds will be paid in full by January 2009.

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.

NEW PRAIRIE UNITED SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

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

Funding Policy and Annual Pension Cost

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

Actuarial Information for the Above Plan

Annual required contribution	\$	116,927
Interest on net pension obligation		(6,072)
Adjustment to annual required contribution		6,919
Annual pension cost		117,774
Contributions made		144,393
Decrease in net pension obligation		(26,619)
Net pension obligation, beginning of year		(83,749)
Net pension obligation, end of year	\$	(110,368)
Contribution rates:		
School Corporation		6.75%
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

NEW PRAIRIE UNITED SCHOOL CORPORATION  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

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%

Three Year Trend Information

<u>Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension Cost</u> <u>(APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
06-30-03	\$ 130,917	91%	\$ (72,474)
06-30-04	116,454	110%	(83,749)
06-30-05	117,774	124%	(110,368)

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,

NEW PRAIRIE UNITED SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2006, 2005, and 2004, were \$211,646, \$194,778, and \$175,426, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

NEW PRAIRIE UNITED 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	\$ 1,546,961	\$ 1,788,867	\$ (241,906)	86%	\$ 1,945,434	(12%)
07-01-04	1,609,030	1,841,063	(232,033)	87%	1,914,654	(12%)
07-01-05	1,725,237	2,242,861	(517,624)	77%	2,174,306	(24%)

NEW PRAIRIE UNITED SCHOOL CORPORATION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 June 30, 2005

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	\$ 538,136
Buildings	39,050,032
Improvements other than buildings	1,724,632
Machinery and equipment	<u>6,811,349</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 48,124,149</u>

NEW PRAIRIE UNITED SCHOOL CORPORATION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 June 30, 2006

Description of Debt	Ending Balance	Due Within One Year
Governmental activities:		
Capital leases:		
School building construction and renovation	\$ 21,855,000	\$ 1,075,000
IBM Computers Lease	58,396	46,382
Bonds payable:		
General obligation bonds:		
Junior/Senior High School improvements	540,000	175,000
Severance Bonds of 2004	1,500,000	80,000
Total governmental activities long-term debt	<u>\$ 23,953,396</u>	<u>\$ 1,376,382</u>

NEW PRAIRIE UNITED SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

TRANSFER TUITION

The School Board has allowed two children of non Indiana residents to attend the School Corporation and be granted a reduction in transfer tuition equal to the amount of state tuition support. These students have not been included in the ADM count of the School Corporation and as such New Prairie United School Corporation has not received funding from the State for these students.

Indiana Code 20-26-11-6 states in part:

“(a) A school corporation may accept a transferring student without approval of the transferor corporation under section 5 of this chapter.”

“(b) A transfer may not be accepted unless the requesting parents or student pays transfer tuition in an amount determined under the formula established . . .”

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

OVERDRAWN CASH BALANCES

The cash balance of the Textbook Rental Fund was overdrawn during the entire two year audit period, and at June 30, 2006, had a negative balance of \$311,554.

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)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances indicate that the bank account balances exceed the fund balances by \$14,839 at June 30, 2006.

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 Indiana Public School Corporations, Chapter 9)

PAYROLL WITHHOLDING FUND

The Payroll Withholding Fund had approximately \$45,432 more in cash at June 30, 2006, than is necessary to cover the related withholding liabilities of the School Corporation.

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 Indiana Public School Corporations, Chapter 9)

(This page intentionally left blank.)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE NEW PRAIRIE UNITED SCHOOL  
CORPORATION, LAPORTE COUNTY, INDIANA

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

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

STATE BOARD OF ACCOUNTS

January 10, 2007

NEW PRAIRIE UNITED 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
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 19,027	\$ 27,338
National School Lunch Program	10.555		<u>223,115</u>	<u>244,428</u>
Total for federal grantor agency			<u>242,142</u>	<u>271,766</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies	84.010			
		04-4805	50,225	-
		05-4805	187,415	25,817
		06-4805	<u>-</u>	<u>92,285</u>
Total for program			<u>237,640</u>	<u>118,102</u>
Vocational Education - Basic Grants to States	84.048			
		04-1303-4805	2,500	-
		HSTW 46-4805	-	2,000
		05-1303-4805	<u>-</u>	<u>2,500</u>
Total for program			<u>2,500</u>	<u>4,500</u>
Safe and Drug Free Schools and Communities - State Grants	84.186			
		04-05	11,030	-
		05-06	<u>-</u>	<u>3,780</u>
Total for program			<u>11,030</u>	<u>3,780</u>
Pass-Through Indiana Department of Workforce Development				
Tech-Prep Education	84.243			
		TP4-207	22,218	5,633
		TP5-207	<u>-</u>	<u>46,656</u>
Total for program			<u>22,218</u>	<u>52,289</u>
Pass-Through Indiana Department of Education				
State Grants for Innovative Programs	84.298			
		02-204	8,500	-
		03-04	12,891	-
		04-05	2,472	4,664
		05-06	<u>-</u>	<u>8,002</u>
Total for program			<u>23,863</u>	<u>12,666</u>
Education Technology State Grants	84.318			
		S318X030014	3,901	475
		05-06	<u>-</u>	<u>3,292</u>
Total for program			<u>3,901</u>	<u>3,767</u>
English Language Acquisition Grants	84.365			
		05-06	<u>-</u>	<u>4,851</u>
Improving Teacher Quality State Grants	84.367			
		02-128	17,374	-
		03-028	31,132	5,777
		04-030	-	37,444
		05-148	<u>-</u>	<u>38,359</u>
Total for program			<u>48,506</u>	<u>81,580</u>
Total for federal grantor agency			<u>349,658</u>	<u>281,535</u>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>				
Pass-Through Indiana Department of Education				
Learn and Serve America-School and Community Based Programs	94.004			
		46-4805	<u>1,022</u>	<u>4,808</u>
Total federal awards expended			<u>\$ 592,822</u>	<u>\$ 558,109</u>

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

NEW PRAIRIE UNITED 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 New Prairie United 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 Unittypes shall be conducted biennially. Such audits shall include both years within the biennial period.

II. Noncash Assistance

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

Program Title	Federal CFDA Number	2005	2006
Child Nutrition Cluster	10.555	\$ 29,499	\$ 44,640

NEW PRAIRIE UNITED SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no

Identification of Major Programs:

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

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

Auditee qualified as low-risk auditee?	no
--	----

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

NEW PRAIRIE UNITED SCHOOL CORPORATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

NEW PRAIRIE UNITED SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on January 23, 2007, with Sharon Heirbrandt, Treasurer; Kathy Smith, Deputy Treasurer; and Richard A. Shail, President of the School Board.