

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

AUDIT REPORT

OF

SCHOOL CITY OF HOBART

LAKE COUNTY, INDIANA

July 1, 2004 to June 30, 2006



**FILED**

04/13/2007



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Ted Zembala	07-01-04 to 06-30-07
Superintendent of Schools	John A. Leach, Ph.D.	07-01-04 to 06-30-07
President of the School Board	Michael Rogers Jason Back Terry Butler	01-01-04 to 12-31-04 01-01-05 to 12-31-05 01-01-06 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

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

TO: THE OFFICIALS OF THE SCHOOL CITY OF HOBART, LAKE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School City of Hobart (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 31, 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 31, 2007



**STATE OF INDIANA**  
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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 SCHOOL CITY OF HOBART, LAKE COUNTY, INDIANA

We have audited the financial statements of the School City of Hobart (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated January 31, 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 31, 2007

SCHOOL CITY OF HOBART  
STATEMENT OF CASH AND INVESTMENTS  
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 7,976,847
Restricted assets:	
Cash and investments	<u>1,910,456</u>
Total assets	<u>\$ 9,887,303</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 1,910,456
Unrestricted	<u>7,976,847</u>
Total net assets	<u>\$ 9,887,303</u>

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

SCHOOL CITY OF HOBART  
STATEMENT OF CASH AND INVESTMENTS  
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 3,063,708
Restricted assets:	
Cash and investments	<u>713,712</u>
Total assets	<u>\$ 3,777,420</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 713,712
Unrestricted	<u>3,063,708</u>
Total net assets	<u>\$ 3,777,420</u>

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

SCHOOL CITY OF HOBART  
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	\$ 9,309,903	\$ -	\$ 197,408	\$ (9,112,495)
Support services	15,253,777	1,136,399	407,186	(13,710,192)
Community services	75,675	-	-	(75,675)
Nonprogrammed charges	1,536,008	-	-	(1,536,008)
Debt service	11,131,234	-	-	(11,131,234)
Total governmental activities	\$ 37,306,597	\$ 1,136,399	\$ 604,594	(35,565,604)
General receipts:				
Property taxes				11,315,108
Other local sources				2,321,486
State aid				14,262,328
Grants and contributions not restricted				532,582
Bonds and loans				11,534,644
Sale of property, adjustments, and refunds				286,907
Investment earnings				75,526
Total general receipts				40,328,581
Change in cash and investments				4,762,977
Net assets - beginning				5,124,326
Net assets - ending				\$ 9,887,303

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

SCHOOL CITY OF HOBART  
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	\$ 9,416,442	\$ -	\$ 108,043	\$ (9,308,399)
Support services	17,745,394	1,017,301	603,123	(16,124,970)
Community services	84,358	-	-	(84,358)
Nonprogrammed charges	1,734,374	-	-	(1,734,374)
Debt service	21,919,175	-	-	(21,919,175)
Total governmental activities	\$ 50,899,743	\$ 1,017,301	\$ 711,166	(49,171,276)
General receipts:				
Property taxes				15,687,924
Other local sources				2,007,636
State aid				15,298,514
Grants and contributions not restricted				400,193
Bonds and loans				8,633,419
Sale of property, adjustments, and refunds				825,618
Investment earnings				208,089
Total general receipts				43,061,393
Change in cash and investments				(6,109,883)
Net assets - beginning				9,887,303
Net assets - ending				\$ 3,777,420

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

SCHOOL CITY OF HOBART  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended June 30, 2005

	General	Transportation Operating	Textbook	Debt Service	Capital Projects	School Bus Replacement	Construction	Other	Totals
<b>Receipts:</b>									
Local sources	\$ 5,355,918	\$ 944,210	\$ 490,415	\$ 5,284,002	\$ 1,245,355	\$ 224,846	\$ 3,075	\$ 694,889	\$ 14,242,710
Intermediate sources	609,660	-	-	-	-	-	-	-	609,660
State sources	14,437,253	-	68,029	-	-	-	-	157,929	14,663,211
Federal sources	-	-	-	-	-	-	-	718,524	718,524
Bonds and loans	3,835,950	641,638	-	2,486,700	970,178	117,678	3,482,500	-	11,534,644
Sale of property, adjustments and refunds	156,509	39,099	-	-	230	-	-	104,987	300,825
Interfund transfers	-	232,950	-	-	-	-	-	-	232,950
<b>Total receipts</b>	<b>24,395,290</b>	<b>1,857,897</b>	<b>558,444</b>	<b>7,770,702</b>	<b>2,215,763</b>	<b>342,524</b>	<b>3,485,575</b>	<b>1,676,329</b>	<b>42,302,524</b>
<b>Disbursements:</b>									
<b>Current:</b>									
Instruction	8,961,949	-	-	-	-	-	-	347,954	9,309,903
Support services	9,640,189	1,167,768	457,450	-	1,517,786	-	1,252,257	1,218,327	15,253,777
Community services	74,524	-	-	-	-	-	-	1,151	75,675
Nonprogrammed charges	1,432,930	-	-	232,950	-	-	-	103,078	1,768,958
Debt services	3,142,331	584,977	-	6,522,560	726,316	155,050	-	-	11,131,234
<b>Total disbursements</b>	<b>23,251,923</b>	<b>1,752,745</b>	<b>457,450</b>	<b>6,755,510</b>	<b>2,244,102</b>	<b>155,050</b>	<b>1,252,257</b>	<b>1,670,510</b>	<b>37,539,547</b>
Excess (deficiency) of total receipts over (under) total disbursements	1,143,367	105,152	100,994	1,015,192	(28,339)	187,474	2,233,318	5,819	4,762,977
Cash and investments - beginning	1,943,173	48,657	491,445	895,264	542,085	(66,643)	779,152	491,193	5,124,326
Cash and investments - ending	<u>\$ 3,086,540</u>	<u>\$ 153,809</u>	<u>\$ 592,439</u>	<u>\$ 1,910,456</u>	<u>\$ 513,746</u>	<u>\$ 120,831</u>	<u>\$ 3,012,470</u>	<u>\$ 497,012</u>	<u>\$ 9,887,303</u>

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

SCHOOL CITY OF HOBART  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended June 30, 2006

	General	Transportation Operating	Textbook	Debt Service	Capital Projects	School Bus Replacement	Construction	Other	Totals
<b>Receipts:</b>									
Local sources	\$ 6,787,816	\$ 1,158,077	\$ 364,035	\$ 7,378,989	\$ 1,539,710	\$ 259,929	\$ 6,638	\$ 1,050,044	\$ 18,545,238
Intermediate sources	406,536	-	-	-	-	-	-	-	406,536
State sources	15,387,629	-	122,665	-	-	-	-	136,919	15,647,213
Federal sources	-	-	-	-	-	-	-	731,661	731,661
Bonds and loans	2,075,688	571,831	-	1,482,341	881,060	-	3,622,499	-	8,633,419
Sale of property, adjustments and refunds	628,166	51,362	-	-	3,886	-	38,000	104,379	825,793
Interfund transfers	-	116,475	-	-	-	-	-	-	116,475
<b>Total receipts</b>	<b>25,285,835</b>	<b>1,897,745</b>	<b>486,700</b>	<b>8,861,330</b>	<b>2,424,656</b>	<b>259,929</b>	<b>3,667,137</b>	<b>2,023,003</b>	<b>44,906,335</b>
<b>Disbursements:</b>									
Current:									
Instruction	9,191,795	-	-	-	-	-	-	224,647	9,416,442
Support services	10,587,374	1,048,046	552,792	-	1,158,985	481,144	2,638,984	1,278,069	17,745,394
Community services	78,185	-	-	-	-	-	-	6,173	84,358
Nonprogrammed charges	1,626,672	-	-	116,475	-	-	-	107,702	1,850,849
Debt services	5,789,651	843,721	-	9,941,599	1,275,911	117,678	3,620,458	330,157	21,919,175
<b>Total disbursements</b>	<b>27,273,677</b>	<b>1,891,767</b>	<b>552,792</b>	<b>10,058,074</b>	<b>2,434,896</b>	<b>598,822</b>	<b>6,259,442</b>	<b>1,946,748</b>	<b>51,016,218</b>
Excess (deficiency) of total receipts over (under) total disbursements	(1,987,842)	5,978	(66,092)	(1,196,744)	(10,240)	(338,893)	(2,592,305)	76,255	(6,109,883)
Cash and investments - beginning	3,086,540	153,809	592,439	1,910,456	513,746	120,831	3,012,470	497,012	9,887,303
Cash and investments - ending	\$ 1,098,698	\$ 159,787	\$ 526,347	\$ 713,712	\$ 503,506	\$ (218,062)	\$ 420,165	\$ 573,267	\$ 3,777,420

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

SCHOOL CITY OF HOBART  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH AND INVESTMENTS  
FIDUCIARY FUND  
For The Year Ended June 30, 2005

	Pension Trust Fund
Additions:	
Local sources	\$ 4,307
Bonds and loans	2,680,000
Total additions	2,684,307
Deductions:	
Support services	2,098,866
Excess of total additions over total deductions	585,441
Cash and investments - beginning	-
Cash and investments - ending	\$ 585,441

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

SCHOOL CITY OF HOBART  
 STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CHANGES IN CASH AND INVESTMENTS  
 FIDUCIARY FUND  
 For The Year Ended June 30, 2006

	Pension Trust Fund
Additions:	
Local sources	\$ 1,181
Deductions:	
Support services	165,687
Deficiency of total additions under total deductions	(164,506)
Cash and investments - beginning	585,441
Cash and investments - ending	\$ 420,935

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

SCHOOL CITY OF HOBART  
STATEMENT OF CASH AND INVESTMENTS  
FIDUCIARY FUNDS  
June 30, 2005

<u>Assets</u>	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
Cash and investments	\$ 585,441	\$ 83,901
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ 585,441	

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

SCHOOL CITY OF HOBART  
STATEMENT OF CASH AND INVESTMENTS  
FIDUCIARY FUNDS  
June 30, 2006

<u>Assets</u>	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
Cash and investments	<u>\$ 420,935</u>	<u>\$ 101,340</u>
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	<u>\$ 420,935</u>	

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

SCHOOL CITY OF HOBART  
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 accompanying financial statements present the activities of the School Corporation (primary government). There are no significant component units which require inclusion.

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

Joint Venture

The School Corporation is a participant with nine other school corporations in a joint venture to operate the Northwest Indiana Special Education Cooperative (Cooperative) which was created to provide instruction for handicapped children. The School Corporation is obligated by contract to a funding percentage based on its share of assessed valuation at March 1 of the previous year and its share of Average Daily Membership as compared to the total of all member school corporations determined annually. The governing board of the Cooperative consists of a member selected by each participating school corporation. The board has full authority to manage the Cooperative including responsibility for fiscal matters. Complete financial statements for the Cooperative can be obtained from the Cooperative at 2150 West 97<sup>th</sup> Avenue, Crown Point, IN, 46307.

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

The School Corporation is a participant in the Northwest Indiana Educational Service Center (Service Center), a joint school services program established May 30, 1985, for the participating school corporations to cooperate and share programs such as curriculum development, instructional materials, needs assessments, computer utilization, and in-service education. The Service Center operates under the authority of the Northwest Indiana Public School Study Council. The school corporation provides funding based on Average Daily Membership, determined annually. Complete financial statements for the Service Center can be obtained from the Services Center Administrative Office, 2030 41<sup>st</sup> Avenue, Highland, IN, 46322.

SCHOOL CITY OF HOBART  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The School Corporation is a participant with 15 other school corporations in Lake County in a joint venture to operate the Lake County Safe Schools Commission (Commission). The Commission was authorized in 1999 by Indiana Code 5-2-10.1 to improve school safety issues. The Commission is governed by a board composed of a member from each school corporation in Lake County. Although the member schools may fund the Commission, the Commission has generated sufficient revenue without member payments. Complete financial statements for the Commission can be obtained through the Lake Station Community School Corporation, 2500 Pike Street, Lake Station, IN, 46405.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Cash and Investments and the Statement of Cash Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund Financial Statements

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

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

The capital projects fund accounts for planned construction, repair, replacement or remodeling; the purchase, lease, upgrade, maintenance, or repair of computer equipment, and the payment of utilities and insurance as allowed by statute.

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

The construction fund is used to account for receipts and disbursements concerning the school corporation's share of costs of construction of the new high school.

SCHOOL CITY OF HOBART  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Additionally, the School Corporation reports the following fund types:

The pension trust fund accounts for the activities of the pension bond which accumulate resources for pension benefit payments.

Agency funds account for assets held by the School Corporation as an agent for payroll taxes and withholdings.

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.

SCHOOL CITY OF HOBART  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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. See Note IV. C. for more information about property tax rates and levies.

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 8 to 12 days per year. Unused sick leave may be accumulated indefinitely for administrators, certified, and support staff. Other employees may accumulate sick leave to a maximum of 225 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. Unused vacation leave is converted to sick leave at year end.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 3 days per year. Unused personal leave is converted to sick leave at year end.

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.

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."

SCHOOL CITY OF HOBART  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

Fund Financial Statements

Governmental fund equity is classified as fund balance.

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 and Investments and the 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

Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Cash and Investments and 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 are

SCHOOL CITY OF HOBART  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and State statute:

Fund	June 30, 2005	June 30, 2006
Retirement Severance Bond	\$ -	\$ 219
School Bus Replacement	-	218,062
Safe Haven	-	7,464
Improving Teacher Quality State Grants	9,712	17,960

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. 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.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13.

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

SCHOOL CITY OF HOBART  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

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. The School Corporation does not have a formal investment policy in regards to interest rate risk for investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School Corporation does not have a formal investment policy in regards to credit risk for investments.

SCHOOL CITY OF HOBART  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

Foreign Currency Risk

The School Corporation does not have a formal policy in regards to foreign currency risk.

B. Interfund Transfers

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

<u>Transfer From</u>	<u>Transfer To</u>	<u>2004-05</u>	<u>2005-06</u>
Debt service Fund	Transportation operating Fund	<u>\$ 232,950</u>	<u>\$ 116,475</u>

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; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Holding Corporations

The School Corporation has entered into capital leases with the Hobart Multi-School Building Corporation and the Hobart Building Corporation (the lessors). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessors have been determined to be related parties of the School Corporation. Lease payments during the years ended June 30, 2005 and June 30, 2006, totaled \$2,840,293.

SCHOOL CITY OF HOBART  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. Tax Levies and Rates

Property tax rates and levies for 2004 taxes payable in 2005 were not established by February 15, 2004, as required by state statute due to the delay in the completion of the reassessment of Lake County. The 2005 property tax rates and levies were not established until October 2004, thus, property taxes were not billed or collected timely. The final settlement of the 2004 taxes payable in 2005 was distributed to the various governmental entities in March 2006. This resulted in reduced tax revenues for the school corporation in 2005.

The 2005 pay 2006 rates and levies were not established by February 15, 2005, as required by state statute due to the delay in the reassessment of Lake County. The tax bills were mailed to Lake County taxpayers in August 2006. The taxes are due in two installments, August 29, 2006 and November 14, 2006. The final distribution of these taxes was made in January 2007.

D. Subsequent Events

The school corporation is constructing a new high school which is expected to cost approximately 65 million dollars. In April 2006, the school corporations' holding corporation issued \$73,460,000 in bonds. This debt is included in the unit provided Schedule of Long-Term Debt. The school is expected to be completed in the fall of 2008. Upon completion of the new high school, the old high school will be renovated as the middle school. The costs of the middle school renovation are included in the holding corporation's debt issue.

E. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55 with at least 30 years of service. Currently, 1 retiree meets these eligibility requirements. The School Corporation and retirees provide 95% and 5%, respectively, of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2006, disbursements of \$5,260 were recognized for postemployment benefits.

F. 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.

SCHOOL CITY OF HOBART  
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

	PERF
Annual required contribution	\$ 119,106
Interest on net pension obligation	(18,232)
Adjustment to annual required contribution	20,776
Annual pension cost	121,650
Contributions made	142,438
Decrease in net pension obligation	(20,788)
Net pension obligation, beginning of year	(251,470)
Net pension obligation, end of year	\$ (272,258)
Contribution rates:	
School Corporation	4.25%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

SCHOOL CITY OF HOBART  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

<u>Actuarial Assumptions</u>	<u>PERF</u>
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 Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF 06-30-03	\$ 129,712	116%	\$ (195,801)
06-30-04	93,495	160%	(251,470)
06-30-05	121,650	152%	(272,258)

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

SCHOOL CITY OF HOBART  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Funding Policy and Annual Pension Costs

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2006, 2005, and 2004, were \$309,377, \$278,504, and \$259,931, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years, respectively.

SCHOOL CITY OF HOBART  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 3,750,646	\$ 3,042,624	\$ 708,022	123%	\$ 2,884,417	25%
07-01-04	3,771,448	3,344,367	427,081	113%	3,001,988	14%
07-01-05	3,883,574	3,871,039	12,535	100%	3,127,846	0%

SCHOOL CITY OF HOBART  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 June 30, 2006

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 800,000
Buildings	26,664,739
Improvements other than buildings	2,116,753
Machinery and equipment	7,815,281
Construction in progress	<u>2,777,840</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 40,174,613</u>

SCHOOL CITY OF HOBART  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 June 30, 2006

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Hobart Bldg Refunding 2003	\$ 2,210,000	\$ 1,465,000
Hobart Muti School Bldg Corp 2003	2,820,000	2,275,000
Hobart Bldg Corp Series 2006	73,460,000	-
Notes and loans payable		
Common School Fund #A0933	128,570	64,285
Bonds payable:		
General obligation bonds:		
1998 GO Bonds - Building Renovations	340,000	225,000
2004 GO Pension Bonds	2,485,000	220,000
Total governmental activities long-term debt	<u>\$ 81,443,570</u>	<u>\$ 4,249,285</u>

SCHOOL CITY OF HOBART  
AUDIT RESULTS AND COMMENTS

PREPAYMENT OF BUS PARTS

The December 2005 school bus bids included a "Three-thousand (\$3,000.00) dollar allowance per bus for parts to be purchased at a later date."

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 16)

PROMOTION OF SCHOOL CORPORATION

The School Corporation expended amounts in excess of the statutory limits for the promotion of School Corporation through the General Fund. Although the appropriation for the promotion of business was \$3,000 for each calendar year, the School Corporation expended \$22,247.76 in 2005 and \$5,370.01 from January 1 through June 30, 2006. The allowable appropriation for 2005 and 2006, was \$3,564, and \$3,620, respectively.

Indiana Code 20-26-5-4(3) states: "To appropriate from the school corporation's general fund an amount, not to exceed the greater of three thousand dollars (\$3,000) per budget year or one dollar (\$1) per pupil, not to exceed twelve thousand five hundred dollars (\$12,500), based upon the school corporation's previous year's ADM to promote the best interests of the school corporation through:

- (A) the purchase of meals, decorations, memorabilia, or awards;
- (B) provision for expenses incurred in interviewing job applicants: or
- (C) developing relations with other governmental units."

OVERDRAWN CASH BALANCES

The School Corporation had overdrawn cash balances as shown below:

	<u>June 30, 2005</u>	<u>June 30, 2006</u>
Retirement severance bond	\$ -	\$ 219
School bus replacement	-	218,062
Safe haven	-	7,464
Improving teacher quality state grants	9,712	17,960

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)

SCHOOL CITY OF HOBART  
 AUDIT RESULTS AND COMMENTS  
 (Continued)

SCHOOL BUS FEE

The School Corporation charges a fee for transportation of students to and from school. The School Corporation receives tax funds for transportation related expenditures. A similar comment appeared in prior Reports B16003, B20126, and B24476.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

The State Board of Accounts is of the audit position the following types of fees should not be assessed, collected or receipted by a school or school corporation: Air Conditioning Fees; Parking Fees; Instructional Fees; Bus Rider Fees; Fees for Payroll Positions (Nurses, Principals, Counselors, etc.). (The School Administrator and Uniform Compliance Guidelines, June 2000)

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

The information presented for audit indicates enrollment figures on Form 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for the school year ending June 30, 2006.

The enrollment count dates for 2005-2006 (year) was September 16, 2005. 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 30A</u>	<u>Actual Enrollment Figures</u>	<u>Difference</u>
2005-2006	Kindergarten	138	138	0
2005-2006	1 Through 12	3,507	3,487	20

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

INTERNAL CONTROLS OVER TEXTBOOK RENTAL RECEIPTS (Applies to Hobart High and Middle Schools)

The schools use a software titled STI Office for textbook rental billing and collections. The following deficiencies were noted:

1. The reports attached to the extra-curricular receipt for the total deposit of textbook rental receipts are entitled "Fee Payment Report by Category" or "Fee Payment Report by Student". The reports show the collections by student with no receipt numbers noted.

SCHOOL CITY OF HOBART  
AUDIT RESULTS AND COMMENTS  
(Continued)

2. The Treasurer has to manually input the receipt number for each textbook rental receipt issued. The software allows the Treasurer to enter the same receipt number for two different students.

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

RECEIPTS (Applies to Hobart High and Middle Schools)

Receipts are written at the time the bank deposits are compiled. Some months for the Middle School have only one receipt date and one bank deposit date.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

FINANCE CHARGES AND FEES (Applies to Hobart Middle School)

The Middle School has credit cards with Sam's Club and Office Depot. \$64.27 in interest charges and \$97 in late fees were paid during the 2005-2006 school year. A similar comment appeared in prior Report B24476.

Officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

RECONCILEMENT (Applies to Hobart Middle School)

The bank reconciliation did not contain the detail of the outstanding checks. Also, the reconciliements at June 30, 2006 and June 30, 2005, contain \$2,856.10 and \$2,422.56, respectively, in Non Sufficient Fund (NSF) checks as reconciling items. We were unable to determine the accuracy of the reconciliements.

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

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

SCHOOL CITY OF HOBART  
AUDIT RESULTS AND COMMENTS  
(Continued)

FORMS (Applies to Hobart Middle School)

The following prescribed forms were not in use or provided for the audit:

1. SA-5-1 Financial Report.
2. SA-5-3 Detail of Receipts and Expenditures by Funds.
3. SA-5-4 Report Certificate.
4. SA-4 Ticket Sales Reports.

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 Extra-Curricular Accounts, Chapter 2)

OVERDRAWN FUNDS (Applies to Hobart Middle School)

The Extra-Curricular Account had the following funds with overdrawn balances at year end:

	<u>June 30, 2005</u>	<u>June 30, 2006</u>
All sports	\$ 1,166.95	\$ 182.76
Foreign exchange	724.53	-
Physical education	-	1,791.46
6 <sup>th</sup> Phillips	-	21.50

The 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 Extra-Curricular Accounts, Chapter 7)

INTERNAL REVENUE SERVICE (IRS) FORM 1099 (Applies to Hobart Middle School)

Individuals were paid in excess of \$1,000 without issuing an IRS Form 1099.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

SCHOOL CITY OF HOBART  
AUDIT RESULTS AND COMMENTS  
(Continued)

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

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

DEPOSITS (Applies to Hobart Middle School)

Deposits were not made timely. Many months with receipts in excess of \$20,000 had only one deposit.

Textbook rental collections were also deposited up to 30 days after receipt. The textbook rental collections of August 16, 17, 18, 2005, totaling \$59,826.76 were not deposited until September 15, 2005.

Indiana Code 20-41-1-9 states in part: ". . . receipts shall be deposited without unreasonable delay."

TEXTBOOK RENTAL FUND NON-TEXTBOOK DISBURSEMENTS (Applies to George Earle, Joan Martin, Liberty, and Ridge Elementary, and Hobart Middle Schools)

Textbook rental fees, including activity fees, are receipted into the Extra-Curricular (ECA), Textbook Rental Fund. We noted disbursements from the ECA Textbook Rental Fund that were not for textbooks or consumable items on the School Board approved bookrental list. The disbursements included student agendas, paper, classroom thermometers, Weekly Readers, Scholastic News, National Geographic Explorers, medical equipment, office supplies, licensing fees, individual books not on the approved adoption list, and teacher grade books.

All educational functions are the specific responsibility of the governing body (board of school trustees, etc.) of the school corporation acting on its behalf (IC 20-26-5-4), including providing the facilities and equipment therefore. All monies received for educational purposes, including those related to educational programs or facilities must be receipted to school corporation funds. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

APPRECIATION STIPENDS (Applies to George Earle Elementary School)

\$150 Stipends were disbursed in July 2005 to 19 staff members (totaling \$2,850) for a reading workshop. The stipends were not processed through the payroll system. The disbursements were made from the Market Day Fund and funded from the profits of a fundraiser.

Official Attorney General Opinion 89-5, issued February 24, 1989, provides the following conclusion: "Indiana school corporation are not currently authorized by statute to pay certified and noncertified employees "appreciation stipends," "bonuses," or other compensation, regardless of the nomenclature used, in addition to compensation or benefits agreed to or fixed by contract or salary schedule, except additional salaries to be paid for continuing education pursuant to Indiana Code Chapter 20-6.1-1 and the annual stipend to be paid to mentors by the State pursuant to Indiana Code Chapter 20-6.1-8." However, please see "The School Administrator and Uniform Compliance Guidelines" Volume 144 and Indiana Code 20-5-1.5-1 et seq. concerning School Corporation Home Rule.

SCHOOL CITY OF HOBART  
AUDIT RESULTS AND COMMENTS  
(Continued)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 11)

NONPRESCRIBED RECEIPTS (Applies to George Earle Elementary School)

Nonapproved, nonprenumbered, receipts were used for second and fifth grade kits. The type of funds (cash, check, or money order) was also not noted on the receipts.

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 Extra-Curricular Accounts, Chapter 7)

TEXTBOOK RENTAL RECEIPTS (Applies to Ridge View Elementary School)

Textbook Rental Receipt (School Form TBR-2, Official Receipt - Individual Textbook Rental List) was not consistently written for all delinquent textbook rental collections in school year 2004-2005.

The "Fee Payment Report" used at the School is a computer generated report identifying students that paid textbook rental fees included in that day's deposit. There was \$820.63 more in current year textbook rental collections than was posted to the "Fee Payment Report" for the school year ended June 30, 2006.

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

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

TEXTBOOK RENTAL RECEIPTS NOT TIMELY DEPOSITED (Applies to Joan Martin and Ridge View Elementary, and Hobart Middle Schools)

The following schools did not deposit textbook rental (TBR) receipts in a timely fashion. The length of time from the day of receiving the funds to the deposit is as follows:

Joan Martin Elementary - 22 to 29 days  
Ridge View Elementary - 8 to 29 days  
Hobart Middle – 1 to 30 days

SCHOOL CITY OF HOBART  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 20-41-1-9 states in part: ". . . receipts shall be deposited without unreasonable delay."

TEXTBOOK RENTAL RECEIPTS DEPOSIT COMPOSITION (Applies to Joan Martin Elementary School)

The composition of textbook rental (TBR) deposits were not in the same manner as received. Total cash and checks indicated on TBR-2 (Official Receipt – Individual Textbook Rental List) did not agree to information listed on deposit tickets.

TBR-2, "Official Receipt - Individual Textbook Rental List" was not issued for all textbook rental collections. Delinquent textbook rental collections from the attorney and Early Childhood Development (ECD) fees could not be traced to TBR-2s and those listed on TBR-2s could not be traced to an official receipt SA-3.

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."

RECEIPT COMPOSITION (Applies to Joan Martin Elementary School)

The Treasurer does not always mark the composition of the funds received on the receipt issued. (Cash, check or money order) Composition is noted on the "Deposit Form".

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 Extra-Curricular Accounts, Chapter 7)

DISBURSEMENT DOCUMENTATION (Applies to Liberty Elementary School)

Twenty-three percent of disbursements examined did not have adequate supporting documentation. Field trips to a local orchard and movie theatre did not have attached receipts to document attendance to the event. A copy of a credit card statement was used in place of an original receipt for the item purchased. Consequently, we could not determine from the documentation presented what was purchased. A \$1,324.75 reimbursement did not have any documentation attached to the SA-1, Accounts Payable Voucher. The remittance of activity fees to the School Corporation that was collected with textbook rental fees, did not have a corresponding printout attached.

All claims, invoices, receipts, and accounts payable vouchers, including those presented to the governing body for approval in accordance with Indiana Code 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for which amounts are claimed, including the nature, name, and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

SCHOOL CITY OF HOBART  
AUDIT RESULTS AND COMMENTS  
(Continued)

COMINGLED FUNDS (Applies to Liberty Elementary School)

Receipts other than earnings on investments were posted to the Earnings on Investment Fund. Rebates from "ASD.com" and contributions from the "PTO" were receipted into the Earnings on Investment Fund. The other receipts totaled \$1,274.75 and \$957.74 for the years 2004-2005 and 2005-2006, respectively. Additionally, collections for student trips were receipted into the Picture Account Fund, rather than the Student Activity Fund. These receipts totaled \$1,196.50 and \$1,010.50 for the years 2004-2005 and 2005-2006, respectively.

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

RETENTION OF RECORDS (Applies to Liberty Elementary School)

Six receipts (Form SA-3) were not presented for audit. The original and duplicate forms had been removed from the receipt book.

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."

TEXTBOOK RENTAL RECEIPTS (Applies to Joan Martin Elementary School)

A comparison of the textbook rental receipts, TBR-2s, written to the posting in the Textbook Rental Fund yielded a difference of \$132.25 for the school year ended June 30, 2006. The difference could not be explained by Officials.

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

DELINQUENT TEXTBOOK RENTAL RECEIPTS (Applies to Joan Martin Elementary School)

The School Corporation attorney collects and remits delinquent textbook rental fees to the school. The ECA Treasurer did not always write a receipt for all delinquent fees collected by the attorney that accompanied the attorney's remittance letter. \$1,599.00 and \$1,148.40, in delinquent fees respectively, could not be traced to a specific receipt in 2004-2005 and 2005-2006. Neither the TBR-2, (Official Receipt – Individual Textbook Rental List) or SA-3 (Receipt, School Extra-Curricular Account) was used.

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

SCHOOL CITY OF HOBART  
AUDIT RESULTS AND COMMENTS  
(Continued)

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 Extra-Curricular Accounts, Chapter 7)

DISBURSEMENTS WITHOUT CHECK (Applies to Joan Martin Elementary School)

Several duplicate copies of TBR-2 receipts had memo entries stating that refunds had been made to students. The refunds could not be traced to checks. The date of these refunds was also unknown. The ECA Treasurer refunded book rental fees in excess of the \$10 supply fee, when a student was later determined to qualify for free and reduced book rental.

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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](http://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 SCHOOL CITY OF HOBART, LAKE COUNTY, INDIANA

Compliance

We have audited the compliance of the School City of Hobart (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 31, 2007

SCHOOL CITY OF HOBART  
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		\$ 51,902	\$ 58,948
National School Lunch Program	10.555		356,150	389,563
			<u>408,052</u>	<u>448,511</u>
Total for federal grantor agency				
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Direct Grant				
Fund for the Improvement of Education Carol M. White Physical Education Program	84.215		133,741	-
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies	84.010			
		FY 03-4730	31,651	-
		FY 04-4730	118,592	28,511
		FY 05-4730	-	105,281
		School Improvement	1,744	1,185
			<u>151,987</u>	<u>134,977</u>
Total for program				
Safe and Drug Free Schools and Communities - State Grant	84.186			
		03-042	2,342	219
		04-140	12,272	209
		05-211	-	10,155
			<u>14,614</u>	<u>10,583</u>
Total for program				
State Grants for Innovative Programs	84.298			
		03-054	17,380	-
		04-067	370	12,948
		05-110	-	150
			<u>17,750</u>	<u>13,098</u>
Total for program				
Education Technology State Grants Enhancing Education Through Technology	84.318			
		FY 02-4730	2,222	-
		FY 03-4730	3,937	944
		FY 04-4730	309	1,557
			<u>6,468</u>	<u>2,501</u>
Total for program				
English Language Acquisition Grants Language Instruction for Limited English Proficient and Immigrant Students	84.365		-	20,235
Improving Teacher Quality State Grants	84.367			
		02-091	5,501	-
		03-135	49,491	2,110
		04-201	31,830	66,289
		05-074	-	17,960
			<u>86,822</u>	<u>86,359</u>
Total for program				
Total for federal grantor agency			<u>411,382</u>	<u>267,753</u>
Total federal awards expended			<u>\$ 819,434</u>	<u>\$ 716,264</u>

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

SCHOOL CITY OF HOBART  
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 School City of Hobart (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

II. Noncash Assistance

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>2005</u>	<u>2006</u>
National School Lunch Program	10.555	<u>\$ 40,098</u>	<u>\$ 30,977</u>

SCHOOL CITY OF HOBART  
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
	Child Nutrition Cluster

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.

SCHOOL CITY OF HOBART  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

SCHOOL CITY OF HOBART  
EXIT CONFERENCE

The contents of this report were discussed on January 31, 2007, with John A. Leach, Ph.D, Superintendent of Schools; Ted Zembala, Treasurer; and Terry Butler, President of the School Board. The official response has been made a part of this report and may be found on page 49.

# SCHOOL CITY OF HOBART - "Success For All Students"

Ted J. Zembala, Business Manager/Treasurer  
32 East 7th Street  
Hobart, IN 46342

Phone: (219) 945-0250  
Fax: (219) 942-0081  
e-mail: tzembala@hobart.k12.in.us

## OFFICIAL RESPONSE

For Audit Period July 1 2004 to June 30, 2006  
Date of Exit Conference: January 31, 2007

February 6, 2007

State Board of Accounts  
302 West Washington Street  
4<sup>th</sup> Floor, Room E418  
Indianapolis, IN 46204-2738

### PREPAYMENT OF BUS PARTS

#### RESPONSE:

In future, the corporation shall address this audit finding appropriately.

### PROMOTION OF BUSINESS

#### RESPONSE:

Expenditures made in error to this account contributed significantly to the overage. Future spending out of this line item shall stay within statutory limits.

### OVERDRAWN CASH BALANCES

#### RESPONSE:

The Retirement Severance Bond Fund and the School Bus Replacement Fund cash balances depend on timely receipt of property tax revenue from the county auditor's office. Reassessment problems, delays in sending out tax bills and an 80% tax anticipation warrant borrowing limit were contributing factors in the overdrawn cash balances. As of the date of this letter, both funds have positive cash balances.

Safe Haven and Improving Teacher Quality grants: Future cash requests will be monitored to match spending patterns.

### SCHOOL BUS FEE

#### RESPONSE:

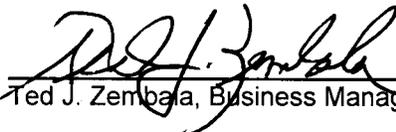
Both regular and special legal counsel have previously given opinions that the charging of said transportation fees is within the discretion of the Board and consistent with the General School Powers Act, IC 20-5-2-2. In view of the adoption of the Home Rule Act, IC 20-5-1.5 by the Indiana General Assembly during its 1989 Session, the school attorney prepared a resolution for the consideration of the Board of School Trustees of the School City of Hobart at its March 8, 1991 regular meeting adopting the transportation fees in accordance with the newly adopted authority of the School Corporation Home Rule Act. The resolution was adopted on the aforementioned date.

### AVERAGE DAILY MEMBERSHIP

#### RESPONSE:

Future discrepancies in ADM count will be documented.

**The School Corporation shall review all remaining audit findings, meet with appropriate personnel and take corrective action.**

  
\_\_\_\_\_  
Ted J. Zembala, Business Manager/Treasurer

# SCHOOL CITY OF HOBART - "Success For All Students"

Ted J. Zembala, Business Manager/Treasurer  
32 East 7th Street  
Hobart, IN 46342

Phone: (219) 945-0250  
Fax: (219) 942-0081  
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For Audit Period July 1 2004 to June 30, 2006  
Date of Exit Conference: January 31, 2007

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State Board of Accounts  
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In future, the corporation shall address this audit finding appropriately.

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Expenditures made in error to this account contributed significantly to the overage. Future spending out of this line item shall stay within statutory limits.

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### SCHOOL BUS FEE

#### RESPONSE:

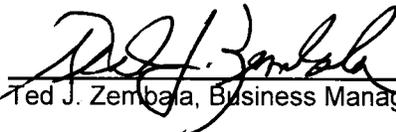
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Future discrepancies in ADM count will be documented.

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Ted J. Zembala, Business Manager/Treasurer