

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

AUDIT REPORT
OF

METROPOLITAN SCHOOL DISTRICT
OF NEW DURHAM TOWNSHIP
LAPORTE COUNTY, INDIANA

July 1, 2008 to June 30, 2010



FILED

03/08/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Terri Stachowiak	07-01-08 to 06-30-11
Superintendent of Schools	Robert Harbart Dr. James Thorne	07-01-08 to 06-30-09 07-01-09 to 06-30-11
President of the School Board	Ronald Warnke Nancy Milcarek	01-01-08 to 12-30-10 01-01-11 to 06-30-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT
OF NEW DURHAM TOWNSHIP, LAPORTE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Metropolitan School District of New Durham Township (School Corporation), as of and for the years ended June 30, 2009 and 2010, 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, 2009 and 2010, 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 February 10, 2011, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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 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.

The School Corporation has not presented Management's Discussion and Analysis, Schedules of Funding Progress, Schedule of Contributions From the Employer and Other Contributing Entities, 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 Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. 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.

The School Corporation's response to the Audit Results and Comments identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

February 10, 2011



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT
OF NEW DURHAM TOWNSHIP, LAPORTE COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Metropolitan School District of New Durham Township (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated February 10, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under Government Auditing Standards.

The School Corporation's response to the findings identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Corporation's management, school board, 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

February 10, 2011

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 3,626,375	\$ -	\$ 130,702	\$ (3,495,673)
Support services	2,490,283	193,315	176,426	(2,120,542)
Noninstructional services	423,286	-	-	(423,286)
Facilities acquisition and construction	260,813	-	-	(260,813)
Debt service	2,741,291	-	-	(2,741,291)
Nonprogrammed charges	371,562	-	-	(371,562)
Total governmental activities	<u>\$ 9,913,610</u>	<u>\$ 193,315</u>	<u>\$ 307,128</u>	<u>(9,413,167)</u>
General receipts:				
Property taxes				2,687,612
Other local sources				220,487
State aid				4,075,304
Bonds and loans				2,240,000
Grants and contributions not restricted to specific programs				643,984
Sale of property				21,961
Investment earnings				25,758
Total general receipts				<u>9,915,106</u>
Change in net assets				501,939
Net assets - beginning				<u>1,960,359</u>
Net assets - ending				<u>\$ 2,462,298</u>
<u>Assets</u>				
Cash and investments				\$ 1,821,485
Restricted assets:				
Cash and investments				<u>640,813</u>
Total assets				<u>\$ 2,462,298</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 640,813
Unrestricted				<u>1,821,485</u>
Total net assets				<u>\$ 2,462,298</u>

The notes to the financial statements are an integral part of this statement.

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2010

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Totals
Governmental activities:				
Instruction	\$ 3,876,219	\$ -	\$ 119,587	\$ (3,756,632)
Support services	2,618,929	173,912	215,283	(2,229,734)
Noninstructional services	534,498	-	-	(534,498)
Facilities acquisition and construction	180,952	-	-	(180,952)
Debt service	3,612,437	-	-	(3,612,437)
Nonprogrammed charges	505,737	-	-	(505,737)
	<u>\$ 11,328,772</u>	<u>\$ 173,912</u>	<u>\$ 334,870</u>	<u>(10,819,990)</u>
General receipts:				
Property taxes				1,293,948
Other local sources				903,869
State aid				5,238,392
Bonds and loans				1,638,000
Grants and contributions not restricted to specific programs				547,844
Sale of property				24,354
Investment earnings				4,468
				<u>9,650,875</u>
				(1,169,115)
				<u>2,462,298</u>
				<u>\$ 1,293,183</u>
<u>Assets</u>				
Cash and investments				\$ 624,410
Restricted assets:				
Cash and investments				668,773
				<u>\$ 1,293,183</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 668,773
Unrestricted				624,410
				<u>\$ 1,293,183</u>

The notes to the financial statements are an integral part of this statement.

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	General	School Lunch Fund	Debt Service	Capital Projects	Other	Totals
Receipts:						
Local sources	\$ 1,206,285	\$ 192,679	\$ 842,009	\$ 484,984	\$ 381,336	\$ 3,107,293
Intermediate sources	107	-	-	-	19,771	19,878
State sources	4,177,086	-	-	-	92,549	4,269,635
Federal sources	-	142,081	-	-	614,700	756,781
Temporary loans	<u>670,000</u>	<u>-</u>	<u>810,000</u>	<u>485,000</u>	<u>275,000</u>	<u>2,240,000</u>
Total receipts	<u>6,053,478</u>	<u>334,760</u>	<u>1,652,009</u>	<u>969,984</u>	<u>1,383,356</u>	<u>10,393,587</u>
Disbursements:						
Current:						
Instruction	3,234,892	-	-	-	391,482	3,626,374
Support services	1,657,494	426	-	324,405	507,958	2,490,283
Noninstructional services	106,056	316,746	-	-	484	423,286
Facilities acquisition and construction	-	-	-	260,471	342	260,813
Debt services	433,000	-	1,584,761	476,000	247,530	2,741,291
Nonprogrammed charges	<u>346,846</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,716</u>	<u>371,562</u>
Total disbursements	<u>5,778,288</u>	<u>317,172</u>	<u>1,584,761</u>	<u>1,060,876</u>	<u>1,172,512</u>	<u>9,913,609</u>
Excess (deficiency) of receipts over disbursements	<u>275,190</u>	<u>17,588</u>	<u>67,248</u>	<u>(90,892)</u>	<u>210,844</u>	<u>479,978</u>
Other financing sources (uses):						
Sale of capital assets	19,357	-	-	-	2,604	21,961
Transfers in	-	-	-	81,900	43,794	125,694
Transfers out	<u>-</u>	<u>-</u>	<u>(47,194)</u>	<u>-</u>	<u>(78,500)</u>	<u>(125,694)</u>
Total other financing sources (uses)	<u>19,357</u>	<u>-</u>	<u>(47,194)</u>	<u>81,900</u>	<u>(32,102)</u>	<u>21,961</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	294,547	17,588	20,054	(8,992)	178,742	501,939
Cash and investments - beginning	<u>969,697</u>	<u>165,800</u>	<u>572,250</u>	<u>265,069</u>	<u>(12,457)</u>	<u>1,960,359</u>
Cash and investments - ending	<u>\$ 1,264,244</u>	<u>\$ 183,388</u>	<u>\$ 592,304</u>	<u>\$ 256,077</u>	<u>\$ 166,285</u>	<u>\$ 2,462,298</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 1,264,244	\$ 183,388	\$ -	\$ 256,077	\$ 117,776	\$ 1,821,485
Restricted assets:						
Cash and investments	<u>-</u>	<u>-</u>	<u>592,304</u>	<u>-</u>	<u>48,509</u>	<u>640,813</u>
Total cash and investment assets - ending	<u>\$ 1,264,244</u>	<u>\$ 183,388</u>	<u>\$ 592,304</u>	<u>\$ 256,077</u>	<u>\$ 166,285</u>	<u>\$ 2,462,298</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ 592,304	\$ -	\$ 48,509	\$ 640,813
Unrestricted	<u>1,264,244</u>	<u>183,388</u>	<u>-</u>	<u>256,077</u>	<u>117,776</u>	<u>1,821,485</u>
Total cash and investment fund balance - ending	<u>\$ 1,264,244</u>	<u>\$ 183,388</u>	<u>\$ 592,304</u>	<u>\$ 256,077</u>	<u>\$ 166,285</u>	<u>\$ 2,462,298</u>

The notes to the financial statements are an integral part of this statement.

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

	General	School Lunch Fund	Debt Service	Capital Projects	Other	Totals
Receipts:						
Local sources	\$ 171,241	\$ 174,621	\$ 1,042,275	\$ 598,813	\$ 369,156	\$ 2,356,106
Intermediate sources	-	-	-	-	20,100	20,100
State sources	5,329,094	-	-	-	185,329	5,514,423
Federal sources	-	175,989	-	-	430,694	606,683
Temporary loans	-	-	776,000	541,000	321,000	1,638,000
Total receipts	5,500,335	350,610	1,818,275	1,139,813	1,326,279	10,135,312
Disbursements:						
Current:						
Instruction	3,122,775	-	-	-	753,444	3,876,219
Support services	1,692,688	700	-	337,426	588,123	2,618,937
Noninstructional services	131,464	402,445	-	-	589	534,498
Facilities acquisition and construction	-	-	-	180,727	225	180,952
Debt services	1,082,000	-	1,832,021	449,000	249,416	3,612,437
Nonprogrammed charges	489,487	-	-	-	16,250	505,737
Total disbursements	6,518,414	403,145	1,832,021	967,153	1,608,047	11,328,780
Excess (deficiency) of receipts over disbursements	(1,018,079)	(52,535)	(13,746)	172,660	(281,768)	(1,193,468)
Other financing sources (uses):						
Sale of capital assets	13,408	-	454	742	9,749	24,353
Transfers in	2,234	-	30,510	-	159,786	192,530
Transfers out	-	-	(632)	(120,227)	(71,671)	(192,530)
Total other financing sources (uses)	15,642	-	30,332	(119,485)	97,864	24,353
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,002,437)	(52,535)	16,586	53,175	(183,904)	(1,169,115)
Cash and investments - beginning	1,264,244	183,388	592,304	256,077	166,285	2,462,298
Cash and investments - ending	<u>\$ 261,807</u>	<u>\$ 130,853</u>	<u>\$ 608,890</u>	<u>\$ 309,252</u>	<u>\$ (17,619)</u>	<u>\$ 1,293,183</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 261,807	\$ 130,853	\$ -	\$ 309,252	\$ (77,502)	\$ 624,410
Restricted assets:						
Cash and investments	-	-	608,890	-	59,883	668,773
Total cash and investment assets - ending	<u>\$ 261,807</u>	<u>\$ 130,853</u>	<u>\$ 608,890</u>	<u>\$ 309,252</u>	<u>\$ (17,619)</u>	<u>\$ 1,293,183</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ 608,890	\$ -	\$ 59,883	\$ 668,773
Unrestricted	261,807	130,853	-	309,252	(77,502)	624,410
Total cash and investment fund balance - ending	<u>\$ 261,807</u>	<u>\$ 130,853</u>	<u>\$ 608,890</u>	<u>\$ 309,252</u>	<u>\$ (17,619)</u>	<u>\$ 1,293,183</u>

The notes to the financial statements are an integral part of this statement.

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2009

	Pension Trust Fund	Agency Fund
	Retirement/ Severance Bond	
Deductions:		
Other	\$ 70,894	
Benefits	22,071	
Total additions	92,965	
Excess (deficiency) of total additions over total deductions	(92,965)	
Cash and investment fund balance - beginning	91,361	
Cash and investment fund balance - ending	\$ (1,604)	\$ -
Net assets:		
Cash and investments	\$ (1,604)	
Total net assets - cash and investment basis held in trust	\$ (1,604)	

The notes to the financial statements are an integral part of this statement.

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2010

	Pension Trust Fund	Agency Fund
	Retirement	
	Severance Bond	
Additions:		
Other	\$ 66,482	
Deductions:		
Other		
Benefits	17,704	
Excess (deficiency) of total additions over total deductions	48,778	
Cash and investment fund balance - beginning	(1,604)	
Cash and investment fund balance - ending	\$ 47,174	\$ -
Net assets:		
Cash and investments	\$ 47,174	
Total net assets - cash and investment basis held in trust	\$ 47,174	

The notes to the financial statements are an integral part of this statement.

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

Primary Government: Metropolitan School District of New Durham Township

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 in a joint venture to operate LaPorte County Special Education Cooperative which was created to provide special education services. The LaPorte County Special Education Cooperative's continued existence depends on continued funding by the School Corporation. Complete financial statements for the LaPorte County Special Education Cooperative can be obtained from LaPorte Community School Corporation at 1921 "A" Street, La Porte, IN 46350.

The School Corporation is a participant in a joint venture to operate Michigan City Area Career Technical School which was created to provide vocational education. The Michigan City Area Career Technical School's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Michigan City Area Career Technical School can be obtained from the Michigan City School Corporation at 408 South Carroll Avenue, Michigan City, IN 46360.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds,

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

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 school lunch fund accounts for receipts and disbursements related to 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 capital projects fund accounts for planned construction, repair, replacement or remodeling of buildings; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

Additionally, the School Corporation reports the following fund type:

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

The agency fund accounts for assets held by the School Corporation as an agent for employee payroll withholdings and serve as control of accounts for certain cash transactions during the time they are a liability to the School Corporation.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

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.

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

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 enterprise 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. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. 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.

3. Property Taxes

Normally, 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. 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 may 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.

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 a liability 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:

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

- 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."

Fund Financial Statements

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

E. Receipts and Disbursements

Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, and 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 Activities

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

Fund Financial Statements

- 1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
- 2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
- 3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.
- 4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

Government-Wide Financial Statements

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

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

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

G. Rounding Differences

The financial statements may contain immaterial differences due to rounding of amounts when the statements were compiled. These differences are considered trivial and do not affect the overall presentation of the financial statements.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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 Balance Deficits

At June 30, 2009 and 2010, the following funds reported deficits in cash, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

Fund	2009	2010
Textbook Rental Fund	\$ 248,599	\$ 278,752

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.

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

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. IC 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. At June 30, 2010, the School Corporation had deposit balances in the amount of \$1,304,952.

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.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2009 and 2010, were as follows:

Transfer From	Transfer To	2009	2010
Debt Service Fund	Other Governmental Funds	\$ 16,684	\$ -
Debt Service Fund	Capital Projects Fund	30,510	-
Debt Service Fund	General Fund	-	632
Capital Projects Fund	Other Governmental Funds	-	89,717
Capital Projects Fund	Debt Service Fund	-	30,510
Other Governmental Funds	General Fund	-	1,602
Other Governmental Funds	Other Governmental Funds	27,110	70,069
Other Governmental Funds	Capital Projects Fund	51,390	-
Totals		<u>\$ 125,694</u>	<u>\$ 192,530</u>

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

C. Tax Anticipation Warrants

The School Corporation issues tax anticipation warrants for cash flow purposes in advance of property tax collections and/or state tuition support distributions, depositing the proceeds in the appropriate fund. The outstanding balance as of June 30, 2010, is as follows:

Fund	Amount
Retirement/Service Bond Debt Service Fund	\$ 95,000
Debt Service Fund	994,000
Capital Projects Fund	688,000
Transportation Operating Fund	244,000
School Bus Replacement Fund	122,400
Total	<u>\$ 2,143,400</u>

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

IV. Other Information

A. Risk Management

The School Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees and natural disasters are covered by commercial insurance from independent third parties.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Holding Corporation

The School Corporation has entered into a capital lease with Metropolitan School District of New Durham Township School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2009 and 2010 totaled \$980,800 and \$980,800, respectively.

C. Subsequent Events

Construction Bonds

In September 2010, the School Corporation was approved for qualified construction bonds through the Indiana Department of Education. The total amount of the bonds was \$1,973,300 and was to be used for renovations to the corporation's heating and cooling system.

LaPorte County Property Taxes

On May 23, 2008, the Indiana Department of Local Government Finance (DLGF) issued an order for a complete reassessment of LaPorte County residential, commercial, and industrial property for 2006 taxes payable 2007. The order was issued based upon a review by the DLGF that determined that there was a manipulation of data that led to the inaccuracies.

LaPorte County has not completed and settled an approved property tax cycle since the 2005 payable 2006 property tax year. Each subsequent year the County has sent out various forms of provisional bills with the notice that a reconciliation bill will be provided to taxpayers once assessments are approved and certified and final tax rates are established. These provisional bills were based upon the originally approved 2006 payable 2007 assessed values and tax rates, which were nullified by the DLGF order for a complete reassessment. These delays and uncertainties have resulted in a lower than budgeted property tax collection rate for the School Corporation. It is undeterminable how much property tax collections the School Corporation will receive once all the reconciliation bills have been distributed and the collections received. Provisional bills for taxes payable in 2010, based upon the 2006 payable 2007 tax rates, were mailed in June 2010 and were due in two installments, July 9, 2010, and November 10, 2010. Final settlement of these provisional collections did occur in December 2010.

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

In January 2011, the County received approval from the DLGF for the revised assessed values of property for the 2006 payable 2007 property tax year. The County is currently in the process of preparing the reconciliation bills for that property tax year.

D. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55. Currently, two retirees meet these eligibility requirements. The School Corporation provides 53% of these postemployment benefits; the retirees provide 47% of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2010, disbursements of \$6,000 were recognized for postemployment benefits.

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

E. Pension Plan

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

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

Teachers' Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

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

Funding Policy

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's contributions to the plan for the years ended June 30, 2009, and June 30, 2010, were \$101,849 and \$111,841, respectively.

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009

	Transportation Operating	Special Education Preschool	Rainy Day Fund	Textbook Rental Fund	Levy Excess Fund	Education License Fund
Receipts:						
Local sources	\$ 104,480	\$ 2,749	\$ -	\$ 64,381	\$ -	\$ -
Intermediate sources	-	-	-	-	-	188
State sources	-	21,284	-	34,345	-	-
Federal sources	-	-	-	-	-	-
Temporary loans	122,000	-	-	-	-	-
Total receipts	226,480	24,033	-	98,726	-	188
Disbursements:						
Current:						
Instruction	-	-	-	-	-	-
Support services	157,135	-	68,476	149,298	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	98,000	-	-	-	-	-
Nonprogrammed charges	-	24,716	-	-	-	-
Total disbursements	255,135	24,716	68,476	149,298	-	-
Excess (deficiency) of receipts over disbursements	(28,655)	(683)	(68,476)	(50,572)	-	188
Other financing sources (uses):						
Sale of capital assets	2,122	-	-	482	-	-
Transfers in	27,110	-	-	16,684	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	29,232	-	-	17,166	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	577	(683)	(68,476)	(33,406)	-	188
Cash and investments - beginning	705	6,474	68,476	(215,193)	15,233	1,665
Cash and investments - ending	<u>\$ 1,282</u>	<u>\$ 5,791</u>	<u>\$ -</u>	<u>\$ (248,599)</u>	<u>\$ 15,233</u>	<u>\$ 1,853</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 1,282	\$ 5,791	\$ -	\$ (248,599)	\$ 15,233	\$ 1,853
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 1,282</u>	<u>\$ 5,791</u>	<u>\$ -</u>	<u>\$ (248,599)</u>	<u>\$ 15,233</u>	<u>\$ 1,853</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	1,282	5,791	-	(248,599)	15,233	1,853
Total cash and investment fund balance - ending	<u>\$ 1,282</u>	<u>\$ 5,791</u>	<u>\$ -</u>	<u>\$ (248,599)</u>	<u>\$ 15,233</u>	<u>\$ 1,853</u>

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Templeton Fund	Courtyard 2004	Blue Chip Wagering Fund	Gifts Donations Bequests	Art Donations	High Ability Grant
Receipts:						
Local sources	\$ -	\$ 440	\$ -	\$ 1,000	\$ 1,000	\$ -
Intermediate sources	-	-	19,583	-	-	-
State sources	500	-	-	-	-	28,920
Federal sources	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-
Total receipts	500	440	19,583	1,000	1,000	28,920
Disbursements:						
Current:						
Instruction	-	-	18,583	2,134	784	36,752
Support services	500	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	342	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	500	342	18,583	2,134	784	36,752
Excess (deficiency) of receipts over disbursements	-	98	1,000	(1,134)	216	(7,832)
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	98	1,000	(1,134)	216	(7,832)
Cash and investments - beginning	-	1,246	48,822	1,838	-	7,832
Cash and investments - ending	<u>\$ -</u>	<u>\$ 1,344</u>	<u>\$ 49,822</u>	<u>\$ 704</u>	<u>\$ 216</u>	<u>\$ -</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 1,344	\$ 49,822	\$ 704	\$ 216	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 1,344</u>	<u>\$ 49,822</u>	<u>\$ 704</u>	<u>\$ 216</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	1,344	49,822	704	216	-
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 1,344</u>	<u>\$ 49,822</u>	<u>\$ 704</u>	<u>\$ 216</u>	<u>\$ -</u>

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Access Indiana	Intelnet	Title I FY 07/08	Title I FY 08/09	Innovative Education Grant	Drug Free Grant
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	2,500	-	-	-	-	-
Federal sources	-	-	4,570	131,264	525	2,627
Temporary loans	-	-	-	-	-	-
Total receipts	2,500	-	4,570	131,264	525	2,627
Disbursements:						
Current:						
Instruction	-	-	14,570	117,090	-	2,591
Support services	2,500	-	-	277	950	-
Noninstructional services	-	-	-	484	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	2,500	-	14,570	117,851	950	2,591
Excess (deficiency) of receipts over disbursements	-	-	(10,000)	13,413	(425)	36
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(10,000)	13,413	(425)	36
Cash and investments - beginning	-	3,795	10,000	-	950	4,230
Cash and investments - ending	\$ -	\$ 3,795	\$ -	\$ 13,413	\$ 525	\$ 4,266
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 3,795	\$ -	\$ 13,413	\$ 525	\$ 4,266
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 3,795	\$ -	\$ 13,413	\$ 525	\$ 4,266
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	3,795	-	13,413	525	4,266
Total cash and investment fund balance - ending	\$ -	\$ 3,795	\$ -	\$ 13,413	\$ 525	\$ 4,266

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Carl Perkins Grant	Improving Teacher Quality	ARRA Stimulus	Retirement/ Service Bond Debt Service	School Bus Replacement	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 147,339	\$ 59,947	\$ 381,336
Intermediate sources	-	-	-	-	-	19,771
State sources	5,000	-	-	-	-	92,549
Federal sources	-	22,522	453,192	-	-	614,700
Temporary loans	-	-	-	75,000	78,000	275,000
Total receipts	5,000	22,522	453,192	222,339	137,947	1,383,356
Disbursements:						
Current:						
Instruction	4,912	-	194,066	-	-	391,482
Support services	-	26,530	24,103	-	78,189	507,958
Noninstructional services	-	-	-	-	-	484
Facilities acquisition and construction	-	-	-	-	-	342
Debt services	-	-	-	99,530	50,000	247,530
Nonprogrammed charges	-	-	-	-	-	24,716
Total disbursements	4,912	26,530	218,169	99,530	128,189	1,172,512
Excess (deficiency) of receipts over disbursements	88	(4,008)	235,023	122,809	9,758	210,844
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	2,604
Transfers in	-	-	-	-	-	43,794
Transfers out	-	-	-	(74,300)	(4,200)	(78,500)
Total other financing sources (uses)	-	-	-	(74,300)	(4,200)	(32,102)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	88	(4,008)	235,023	48,509	5,558	178,742
Cash and investments - beginning	2	31,408	-	-	60	(12,457)
Cash and investments - ending	\$ 90	\$ 27,400	\$ 235,023	\$ 48,509	\$ 5,618	\$ 166,285
Cash and Investment Assets - Ending						
Cash and investments	\$ 90	\$ 27,400	\$ 235,023	\$ -	\$ 5,618	\$ 117,776
Restricted assets:						
Cash and investments	-	-	-	48,509	-	48,509
Total cash and investment assets - ending	\$ 90	\$ 27,400	\$ 235,023	\$ 48,509	\$ 5,618	\$ 166,285
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ 48,509	\$ -	\$ 48,509
Unrestricted	90	27,400	235,023	-	5,618	117,776
Total cash and investment fund balance - ending	\$ 90	\$ 27,400	\$ 235,023	\$ 48,509	\$ 5,618	\$ 166,285

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010

	Transportation Operating	Special Education Preschool	Rainy Day Fund	Textbook Rental Fund	Levy Excess Fund	Education License Fund	Templeton Fund
Receipts:							
Local sources	\$ 129,351	\$ 317	\$ -	\$ 68,556	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	113	-
State sources	-	12,375	-	39,294	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	152,000	-	-	-	-	-	-
Total receipts	281,351	12,692	-	107,850	-	113	-
Disbursements:							
Current:							
Instruction	-	-	-	-	-	1,897	-
Support services	154,489	-	110,227	139,829	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	42,000	-	-	-	-	-	-
Nonprogrammed charges	-	16,250	-	-	-	-	-
Total disbursements	196,489	16,250	110,227	139,829	-	1,897	-
Excess (deficiency) of receipts over disbursements	84,862	(3,558)	(110,227)	(31,979)	-	(1,784)	-
Other financing sources (uses):							
Sale of capital assets	2,905	-	-	1,194	-	-	-
Transfers in	27,110	-	120,227	632	-	-	-
Transfers out	(54,220)	(2,234)	-	-	-	-	-
Total other financing sources (uses)	(24,205)	(2,234)	120,227	1,826	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	60,657	(5,792)	10,000	(30,153)	-	(1,784)	-
Cash and investments - beginning	1,282	5,791	-	(248,599)	15,233	1,853	-
Cash and investments - ending	\$ 61,939	\$ (1)	\$ 10,000	\$ (278,752)	\$ 15,233	\$ 69	\$ -
Cash and Investment Assets - Ending							
Cash and investments	\$ 61,939	\$ (1)	\$ 10,000	\$ (278,752)	\$ 15,233	\$ 69	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 61,939	\$ (1)	\$ 10,000	\$ (278,752)	\$ 15,233	\$ 69	\$ -
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	61,939	(1)	10,000	(278,752)	15,233	69	-
Total cash and investment fund balance - ending	\$ 61,939	\$ (1)	\$ 10,000	\$ (278,752)	\$ 15,233	\$ 69	\$ -

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Courtyard 2004	Blue Chip Wagering Fund	Gifts Donations Bequests	Art Donations	Gifted and Talented	Computer Consortium
Receipts:						
Local sources	\$ 120	\$ 2,826	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	19,987	-	-	-	-
State sources	-	-	-	-	28,885	104,775
Federal sources	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-
Total receipts	120	22,813	-	-	28,885	104,775
Disbursements:						
Current:						
Instruction	-	57,706	-	46	23,381	99,685
Support services	-	-	-	-	-	5,090
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	225	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	225	57,706	-	46	23,381	104,775
Excess (deficiency) of receipts over disbursements	(105)	(34,893)	-	(46)	5,504	-
Other financing sources (uses):						
Sale of capital assets	-	5,650	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	5,650	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(105)	(29,243)	-	(46)	5,504	-
Cash and investments - beginning	1,344	49,822	704	216	-	-
Cash and investments - ending	<u>\$ 1,239</u>	<u>\$ 20,579</u>	<u>\$ 704</u>	<u>\$ 170</u>	<u>\$ 5,504</u>	<u>\$ -</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 1,239	\$ 20,579	\$ 704	\$ 170	\$ 5,504	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 1,239</u>	<u>\$ 20,579</u>	<u>\$ 704</u>	<u>\$ 170</u>	<u>\$ 5,504</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>1,239</u>	<u>20,579</u>	<u>704</u>	<u>170</u>	<u>5,504</u>	<u>-</u>
Total cash and investment fund balance - ending	<u>\$ 1,239</u>	<u>\$ 20,579</u>	<u>\$ 704</u>	<u>\$ 170</u>	<u>\$ 5,504</u>	<u>\$ -</u>

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Intelnet	Title I FY 08/09	Title I FY 09/10	Innovative Education Grant	Drug Free Grant	Vocational Ed High Schools That Work
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	12,022	137,665	-	3,134	-
Temporary loans	-	-	-	-	-	-
Total receipts	-	12,022	137,665	-	3,134	-
Disbursements:						
Current:						
Instruction	-	16,934	127,831	-	3,226	90
Support services	2,400	84	-	525	-	-
Noninstructional services	-	-	589	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	2,400	17,018	128,420	525	3,226	90
Excess (deficiency) of receipts over disbursements	(2,400)	(4,996)	9,245	(525)	(92)	(90)
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	8,417	-	-	-
Transfers out	-	(8,417)	-	-	-	-
Total other financing sources (uses)	-	(8,417)	8,417	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,400)	(13,413)	17,662	(525)	(92)	(90)
Cash and investments - beginning	3,795	13,413	-	525	4,266	90
Cash and investments - ending	\$ 1,395	\$ -	\$ 17,662	\$ -	\$ 4,174	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ 1,395	\$ -	\$ 17,662	\$ -	\$ 4,174	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 1,395	\$ -	\$ 17,662	\$ -	\$ 4,174	\$ -
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	1,395	-	17,662	-	4,174	-
Total cash and investment fund balance - ending	\$ 1,395	\$ -	\$ 17,662	\$ -	\$ 4,174	\$ -

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Improving Teacher Quality Grant	ARRA Stimulus	Title I Grant Stimulus	Retirement/ Service Bond Debt Service	School Bus Replacement	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 94,190	\$ 73,796	\$ 369,156
Intermediate sources	-	-	-	-	-	20,100
State sources	-	-	-	-	-	185,329
Federal sources	25,079	184,555	68,239	-	-	430,694
Temporary loans	-	-	-	85,000	84,000	321,000
Total receipts	25,079	184,555	68,239	179,190	157,796	1,326,279
Disbursements:						
Current:						
Instruction	-	369,499	53,149	-	-	753,444
Support services	27,119	50,079	12,713	-	85,568	588,123
Noninstructional services	-	-	-	-	-	589
Facilities acquisition and construction	-	-	-	-	-	225
Debt services	-	-	-	167,816	39,600	249,416
Nonprogrammed charges	-	-	-	-	-	16,250
Total disbursements	27,119	419,578	65,862	167,816	125,168	1,608,047
Excess (deficiency) of receipts over disbursements	(2,040)	(235,023)	2,377	11,374	32,628	(281,768)
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	9,749
Transfers in	-	-	-	-	3,400	159,786
Transfers out	-	-	-	-	(6,800)	(71,671)
Total other financing sources (uses)	-	-	-	-	(3,400)	97,864
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,040)	(235,023)	2,377	11,374	29,228	(183,904)
Cash and investments - beginning	27,400	235,023	-	48,509	5,618	166,285
Cash and investments - ending	\$ 25,360	\$ -	\$ 2,377	\$ 59,883	\$ 34,846	\$ (17,619)
Cash and Investment Assets - Ending						
Cash and investments	\$ 25,360	\$ -	\$ 2,377	\$ -	\$ 34,846	\$ (77,502)
Restricted assets:						
Cash and investments	-	-	-	59,883	-	59,883
Total cash and investment assets - ending	\$ 25,360	\$ -	\$ 2,377	\$ 59,883	\$ 34,846	\$ (17,619)
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ 59,883	\$ -	\$ 59,883
Unrestricted	25,360	-	2,377	-	34,846	(77,502)
Total cash and investment fund balance - ending	\$ 25,360	\$ -	\$ 2,377	\$ 59,883	\$ 34,846	\$ (17,619)

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2010

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 3,306,999
Buildings	12,930,393
Improvements other than buildings	1,509,330
Machinery and equipment	<u>1,729,395</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 19,476,117</u>

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2010

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
School building improvements	\$ 15,304,600	\$ 975,800
Bonds payable:		
General obligation bonds:		
Retirement/severance obligations	<u>1,070,000</u>	<u>105,668</u>
Total governmental activities debt	<u>\$ 16,374,600</u>	<u>\$ 1,081,468</u>

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The cash balance of the Textbook Rental Fund was over drawn as of June 30, 2009, and June 30, 2010, by \$248,599 and \$278,752, respectively.

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

RECEIPTS (Extra-Curricular Accounts)

A comparison of bank deposits to receipts disclosed that receipts were not issued at the time funds were received; rather, receipts were issued and posted on the day deposits were made.

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)

CAREER AND TECHNICAL EDUCATION PROGRAM - INCORRECT REPORTING TO THE STATE

Funding for the School Corporations Career and Technical Education Program is based on course eligibility and student count information provided to the Indiana Department of Education.

The information presented for audit indicates enrollment figures reported to the State for the Career and Technical Education program were inaccurate. For the fiscal year ending June 30, 2010, the School Corporation reported the count of career and technical students using the same guidelines used by the A.K. Smith Career Center during the previous school year rather than the guidelines provided by the Indiana Department of Education.

The variance between the count reported and verified figures are shown below:

School Year	Grade	Count as Reported to the Department of Education	Actual Enrollment Figures	Difference
2010	10-12	37	116	79

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

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
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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 METROPOLITAN SCHOOL DISTRICT
OF NEW DURHAM TOWNSHIP, LAPORTE COUNTY, INDIANA

Compliance

We have audited the compliance of the Metropolitan School District of New Durham Township (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, 2009 and 2010. 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 of America; 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, 2009 and 2010.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

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)

A control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the School Corporation's management, school board, 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

February 10, 2011

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2009 and 2010

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 06-30-09	Total Federal Awards Expended 06-30-10
U.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Indiana Department of Education Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 21,339	\$ 25,330
National School Lunch Program	10.555		<u>138,921</u>	<u>168,561</u>
Total for federal grantor agency			<u>160,260</u>	<u>193,891</u>
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education Title 1, Part A Cluster				
Title 1 Grants to Local Educational Agencies	84.010	08-4805 09-4805 10-4805	14,571 117,850 <u>-</u>	- 25,435 <u>128,419</u>
Total for program			<u>132,421</u>	<u>153,854</u>
ARRA - Title 1 Grants to Local Educational Agencies, Recovery Act	84.389		<u>-</u>	<u>65,861</u>
Total for cluster			<u>132,421</u>	<u>219,715</u>
Pass-Through Indiana Department of Education State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394		<u>218,168</u>	<u>419,580</u>
Pass-Through Indiana Department of Education Career and Technical Education - Basic Grants to States	84.048	FY08-09 FY09-10	4,912 <u>-</u>	- <u>91</u>
Total for program			<u>4,912</u>	<u>91</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 08-09 FY 09-10	2,591 <u>-</u>	- <u>3,226</u>
Total for program			<u>2,591</u>	<u>3,226</u>
English Language Acquisition Grants	84.365	FY 08-09 FY 09-10	950 <u>-</u>	- <u>525</u>
Total for program			<u>950</u>	<u>525</u>
Improving Teacher Quality State Grants	84.367	08-4805 09-4805	26,530 <u>-</u>	- <u>27,119</u>
Total for program			<u>26,530</u>	<u>27,119</u>
Total for federal grantor agency			<u>385,572</u>	<u>670,256</u>
Total federal awards expended			<u>\$ 545,832</u>	<u>\$ 864,147</u>

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

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP
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 Metropolitan School District of New Durham Township (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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, 2009 and 2010. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2009	2010
School Breakfast Program	10.553	\$ 2,421	\$ 2,319
National School Lunch Program	10.555	15,759	15,416

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP
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
Significant deficiencies 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
Significant deficiencies 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:

Name of Federal Program or Cluster
Child Nutrition Cluster
Title I, Part A Cluster
State Fiscal Stabilization Fund Cluster

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

Auditee qualified as low-risk auditee?	no
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Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

METROPOLITAN SCHOOL DISTRICT OF NEW DURHAM TOWNSHIP
EXIT CONFERENCE

The contents of this report were discussed on February 10, 2011, with Nancy Milcarek, President of the School Board; Dr. James Thorne, Superintendent of Schools; Terri Stachowiak, Treasurer. The official response has been made a part of this report and may be found on pages 41 and 42.

METROPOLITAN SCHOOL DISTRICT of NEW DURHAM TOWNSHIP

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

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

Administration

James L. Thorne, Ph.D., Superintendent

Wm. Mark Yates, Secondary Principal

Larry Cook, Elementary Principal

Kenneth Shilt, Athletic Director/Asst. Principal

Board of Trustees

Nancy R. Milcarek, President

Wayne R. Hodge, Vice President

Dr. Tim Willis, Secretary

Richard D. Oberle, Deputy Secretary

Lynn M. Wilson, Member

February 11, 2011

State Board of Accounts

302 W. Washington St., Rm. E418

Indianapolis, IN 46204-2765

Please let this letter serve as our official response from the Metropolitan School District of New Durham Township concerning the recent audit for school years 2008-2009 and 2009-2010.

First, I would like to thank Ms. Lisa Jackson for her professionalism in reviewing our books for the two (2) school years shown above. Lisa was very courteous in her requests made to the administration, and she was very courteous in discussing the deficiencies shown in the audit. Please pass this information on to Lisa so she is aware of same.

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

OVERDRAWN CASH BALANCE

The auditor cited our school corporation for negative balance in the Textbook Rental Fund. The corporation agrees with this finding.

First, two (2) problems arise in trying to make the Textbook Rental Fund a positive figure rather than a negative figure. The State of Indiana is not compensating school corporations at one hundred percent (100%) of textbook rental funds. The state law has allowed us to tax for any difference between the amount submitted and the amount the State of Indiana pays. As long as the corporation receives one hundred percent (100%) tax collection, this would cover the figures that are submitted for reimbursement.

Secondly, the way the law reads we are not able to collect the difference between the textbook amount and the actual dollar figure addressed to parents if the students are free/reduced lunch. Several supply items are also shown in the textbook rental fund. The statute needs to be changed so we are allowed to address parents of free/reduced lunch students to collect this difference rather than take a loss. The current statute does not allow us to do this.

Realistically, if the law was changed, the school corporation could recoup these funds through the small claims court which would help bring our negative figure to a positive one.

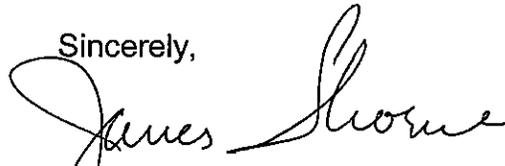
It is my belief that at no time would our textbook rental fund be in a black figure. Each year our school corporation has to pay the costs of new textbooks even though one-sixth (1/6) of the cost of these textbooks will only be received in that school year; five-sixth's (5/6) of that cost will be collected in the following five (5) school years. The same procedure will be addressed in the following school years for the new adoptions for each curricular area. Because of this collection procedure, the textbook rental fund would never be in the black.

ECA RECEIPTS

This is the first time this deficiency has been noted. Following the Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Treasurer 7-3, we will implement an audit trail for deposits made to the ECA treasurer. We will be investigating what other districts due in this regard.

The exit interview was held on Thursday, February 10, 2011, and was attended by your auditor, Lisa Jackson, and the following MSD of New Durham Township employees, Terri Stachowiak (Corporation Treasurer), Dr. James Thorne (Superintendent), and Nancy Milcarek (School Board President), and myself. Ms. Jackson did a thorough job in explaining the deficiencies I addressed above. Please be advised our school corporation will make every effort to correct the two (2) deficiencies shown.

Sincerely,

A handwritten signature in cursive script that reads "James L. Thorne". The signature is written in black ink and is positioned above the printed name and title.

James L. Thorne, Ph.D.
Superintendent of Schools