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

AUDIT REPORT

OF

NORTH NEWTON SCHOOL CORPORATION

NEWTON COUNTY, INDIANA

July 1, 2004 to June 30, 2006

FILED

05/30/2007

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OFFICIALS

Office	Official	Term
Treasurer	Karen Zackfia	07-01-04 to 06-30-07
Superintendent of Schools	Robert Neier	07-01-04 to 02-24-06
	Steven Sharpe	02-25-06 to 06-30-06
	Terry E. Barker	07-01-06 to 06-30-07
President of the School Board	David Hayes	07-01-04 to 06-30-07

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 NORTH NEWTON SCHOOL CORPORATION, NEWTON COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Newton School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, which collectively comprise the North Newton 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash 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 November 20, 2006, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the School Corporation taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

The Schedule of Funding Progress, Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are not required parts of the basic financial statements but are 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 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.

STATE BOARD OF ACCOUNTS

November 20, 2006

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

TO: THE OFFICIALS OF THE NORTH NEWTON SCHOOL CORPORATION, NEWTON COUNTY, INDIANA

We have audited the financial statements of the North Newton School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated November 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

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

November 20, 2006

NORTH NEWTON SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2005

Assets	Governmental Activities
Current assets:	
Cash and investments	$ 3,518,740
Restricted assets:	
Cash and investments	412,502
Total assets	$ 3,931,242
Net Assets	
Restricted for:	
Debt service	$ 412,502
Unrestricted	3,518,740
Total net assets	$ 3,931,242

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

NORTH NEWTON SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2006

Assets	Governmental Activities
Current assets:	
Cash and investments	$ 3,141,075
Restricted assets:	
Cash and investments	542,704
Total assets	$ 3,683,779
Net Assets	
Restricted for:	
Debt service	$ 542,704
Unrestricted	3,141,075
Total net assets	$ 3,683,779

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

NORTH NEWTON SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Disbursements	Program Receipts: Charges for Services	Program Receipts: Operating Grants and Contributions	Net (Disbursement) Receipts: Total
Governmental activities:				
Instruction	$ 5,302,081	$ -	$ 72,127	$ (5,229,954)
Support services	7,873,922	425,557	203,591	(7,244,774)
Community services	136,072	-	-	(136,072)
Nonprogrammed charges	260,115	-	-	(260,115)
Debt service	1,743,748	-	-	(1,743,748)
Total governmental activities	$ 15,315,938	$ 425,557	$ 275,718	(14,614,663)
General receipts:				
Property taxes				7,864,035
Other local sources				1,294,469
State aid				6,395,616
Grants and contributions not restricted				528,898
Bonds and loans				642,555
Sale of property, adjustments, and refunds				206,609
Investment earnings				54,172
Intergovernmental transfers				364,453
Total general receipts and intergovernmental transfers				17,350,807
Change in cash and investments				2,736,144
Net assets - beginning				1,195,098
Net assets - ending				$ 3,931,242

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

NORTH NEWTON SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts: Charges for Services	Program Receipts: Operating Grants and Contributions	Net (Disbursement) Receipts: Total
Governmental activities:				
Instruction	$ 5,337,358	$ -	$ 61,768	$ (5,275,590)
Support services	7,722,455	451,265	245,392	(7,025,798)
Community services	129,805	-	-	(129,805)
Nonprogrammed charges	171,635	-	-	(171,635)
Debt service	1,822,508	-	-	(1,822,508)
Total governmental activities	$ 15,183,761	$ 451,265	$ 307,160	(14,425,336)
General receipts:				
Property taxes				6,081,120
Other local sources				984,889
State aid				6,466,151
Grants and contributions not restricted				341,111
Bonds and loans				75,477
Sale of property, adjustments, and refunds				157,748
Investment earnings				71,377
Total general receipts				14,177,873
Change in cash and investments				(247,463)
Net assets - beginning				3,931,242
Net assets - ending				$ 3,683,779

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

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

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	$ 4,300,091	$ 1,256,030	$ 1,271,532	$ 1,700,344	$ 405,855	$ 690,596	$ 9,624,448
Intermediate sources	13,317	-	-	-	-	469	13,786
State sources	6,454,965	-	-	-	-	255,347	6,710,312
Federal sources	-	-	-	-	-	489,919	489,919
Bonds and loans	642,555	-	-	-	-	-	642,555
Sale of property, adjustments and refunds	163,311	7,356	11,000	70	-	24,872	206,609
Intergovernmental transfers	366,083	115,708	-	-	-	63,542	545,333
Total receipts	11,940,322	1,379,094	1,282,532	1,700,414	405,855	1,524,745	18,232,962
Disbursements:							
Current:							
Instruction	4,938,875	-	-	-	-	363,206	5,302,081
Support services	4,894,927	1,030,401	40,000	813,611	266,845	828,138	7,873,922
Community services	115,970	-	-	-	-	20,102	136,072
Nonprogrammed charges	228,784	-	115,708	-	-	96,503	440,995
Debt services	736,630	-	856,940	-	-	150,178	1,743,748
Total disbursements	10,915,186	1,030,401	1,012,648	813,611	266,845	1,458,127	15,496,818
Excess of total receipts over total disbursements	1,025,136	348,693	269,884	886,803	139,010	66,618	2,736,144
Cash and investments - beginning	6,673	304,268	77,236	277,907	196,961	332,053	1,195,098
Cash and investments - ending	$ 1,031,809	$ 652,961	$ 347,120	$ 1,164,710	$ 335,971	$ 398,671	$ 3,931,242

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

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

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	$ 3,380,659	$ 930,722	$ 1,028,416	$ 1,088,373	$ 230,803	$ 915,926	$ 7,574,899
Intermediate sources	13,317	-	-	-	-	431	13,748
State sources	6,512,102	-	-	-	-	101,450	6,613,552
Federal sources	-	-	-	-	-	500,869	500,869
Bonds and loans	75,477	-	-	-	-	-	75,477
Sale of property, adjustments and refunds	93,866	3,008	-	17	-	60,862	157,753
Intergovernmental transfers	11,066	57,854	-	-	-	192,653	261,573
Total receipts	10,086,487	991,584	1,028,416	1,088,390	230,803	1,772,191	15,197,871
Disbursements:							
Current:							
Instruction	4,931,662	-	-	-	-	405,696	5,337,358
Support services	4,610,287	1,024,838	-	1,101,504	195,369	790,457	7,722,455
Community services	114,845	-	-	-	-	14,960	129,805
Nonprogrammed charges	217,396	17,504	89,742	19,357	5,204	84,005	433,208
Debt services	642,555	-	884,198	-	-	295,755	1,822,508
Total disbursements	10,516,745	1,042,342	973,940	1,120,861	200,573	1,590,873	15,445,334
Excess (deficiency) of total receipts over (under) total disbursements	(430,258)	(50,758)	54,476	(32,471)	30,230	181,318	(247,463)
Cash and investments - beginning	1,031,809	652,961	347,120	1,164,710	335,971	398,671	3,931,242
Cash and investments - ending	$ 601,551	$ 602,203	$ 401,596	$ 1,132,239	$ 366,201	$ 579,989	$ 3,683,779

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

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

	Pension Trust Funds
Additions:	
Bonds and loans	$ 3,100,000
Deductions:	
Support services	26,800
Nonprogrammed charges	364,453
Total deductions	391,253
Excess of total additions over total deductions	2,708,747
Cash and investments - beginning	-
Cash and investments - ending	$ 2,708,747

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

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

	Pension Trust Funds
Additions:	
Local sources	$ -
Deductions:	
Support services	2,402,506
Deficiency of total additions under total deductions	(2,402,506)
Cash and investments - beginning	2,708,747
Cash and investments - ending	$ 306,241

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

NORTH NEWTON SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2005

Assets	Pension Trust Funds	Agency Funds
Cash and investments	$ 2,708,747	$ 33,017
Net Assets		
Held in trust for employee benefits and other purposes	$ 2,708,747	

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

NORTH NEWTON SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2006

Assets	Pension Trust Funds	Agency Funds
Cash and investments	$ 306,241	$ 33,835
Net Assets		
Held in trust for employee benefits and other purposes	$ 306,241	

The accompanying notes are an integral part of the 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.

Joint Venture

The School Corporation is a participant with several other schools in a joint venture to operate the Cooperative School Services for Special Education which was created to provide special education services to handicapped children. The School Corporation is obligated by contract to remit annually the actual direct cost necessary to operate this program. The Cooperative School Service for Special Education pays its surplus to the participants. The Cooperative School Service for Special Education continued existence depends on continued funding by the School Corporation. The School Corporations are obligated for the debts of the Cooperative School Service for Special Education. Complete financial statements for the Cooperative School Service for Special Education can be obtained from the local education agency (West Central School Corporation) at 117 East Montgomery Street, Box 578, Francesville, Indiana, 47946.

The School Corporation is a participant with several other schools in a joint venture to operate the Northwest Indiana Educational Service Center and was created to engage in joint programs for purchases. The School Corporation is obligated by contract to remit an amount (rate determined annually) per student to supplement the Northwest Indiana Educational Service Center. The Northwest Indiana Educational Service Center pays its surplus to the participants. The Northwest Indiana Educational Service Center's continued existence depends on continued funding by the School Corporation. The participating School Corporations are obligated for the debts of the Northwest Indiana Educational Service Center. Complete financial statements for the Northwest Indiana Educational Service Center can be obtained from the administrative office at 2939 41st Street, Highland, Indiana, 46322.

The School Corporation is a participant with several other school corporations in a joint venture to operate the Indian Trails Career Cooperative which was created to engage in the joint employment of personnel and joint purchases of supplies, equipment, and facilities to provide programs and services for vocational education. The Cooperative's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Cooperative can be obtained from the local educational agency (Twin Lakes School Corporation) at 565 South Main Street, Monticello, Indiana, 47960.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements, (i.e., the Statement of Cash and Investments and the Statement of Cash Activities) report information on all of the nonfiduciary activities of the School Corporation and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. However, there are no business-type activities to report at this time.

The Statement of Cash Activities demonstrates the degree to which direct disbursements of a given function or segment are offset by program receipts. Direct disbursements are clearly identifiable with a specific function or segment. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as general receipts.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide, governmental fund, and fiduciary financial statements are reported using the basis of accounting that demonstrates compliance with the cash 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 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 then when a liability is incurred. Investment transactions are not presented on the financial statements.

The School Corporation reports the following major governmental funds:

The general fund is the School Corporation's primary operating fund and accounts for all financial resources of the School Corporation, except those required to be accounted for in another fund.

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

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

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

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

Additionally, the School Corporation reports the following fund types:

Pension trust funds account for bonds and payments anticipated to be made to employees on or after the termination of employment or to pay postretirement or severance benefits held by the School Corporation in a trustee capacity.

Agency funds account for assets held by the School Corporation as an agent for state and federal taxing authorities, various employee benefit providers and serve as control of accounts for certain cash transactions during the time they are a liability to the school corporation.

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

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.

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 Net Assets or Equity

1. Deposits and Investments

State statute (IC 5-13-9) authorizes the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

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

2. Property Taxes

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

3. Compensated Absences

a. Sick Leave

Certified personnel are authorized 12 days per school year during the first year and 9 days per school year thereafter. Certified personnel's sick leave may be accumulated to a maximum of 108 days. Noncertified personnel earn sick leave at rates varying from 3 to 7 days per school year based on job classification. Sick leave for noncertified employees may accumulate from 20 to 90 days based on job classification. Accumulated sick leave is not paid to employees.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 5 days to 10 days per year based upon job classification. Vacation leave does not accumulate from year to year.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 2 to 4 days per year. Unused personal leave becomes sick leave at year end.

II. Stewardship, Compliance and Accountability

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. Annual appropriations lapse at calendar year end.

On or before September 10, the fiscal officer of the School Corporation submits to the School 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 School Board to obtain taxpayer comments. No later than September 20th of each year, the School Board, through the passage of a resolution, adopts the budget for the next year. Copies of the budget resolution and the advertisement for funds for which property taxes are levied are sent to the Indiana Department of Local Government Finance. The budget becomes effective after the School Corporation receives notice from 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 School Board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any 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.

III. Detailed Notes on All Funds

A. Deposits

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

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.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) are as follows:

	Capitalization Threshold
Improvements other than buildings	$ 5,000
Machinery and equipment	2,000
Transportation equipment	1,000

Capital asset activity for the years ended June 30, 2005 and 2006, follows:

Fiscal Year 2004-2005	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 62,750	$ -	$ -	$ 62,750
Buildings	18,161,436	-	-	18,161,436
Improvements other than buildings	736,017	77,501	-	813,518
Machinery and equipment	3,441,055	390,779	124,193	3,707,641
Total governmental activities, capital assets not being depreciated	$ 22,401,258	$ 468,280	$ 124,193	$ 22,745,345
Fiscal Year 2005-2006				
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 62,750	$ -	$ -	$ 62,750
Buildings	18,161,436	65,977	2,253	18,225,160
Improvements other than buildings	813,518	72,516	-	886,034
Machinery and equipment	3,707,641	326,585	530,059	3,504,167
Total governmental activities, capital assets not being depreciated	$ 22,745,345	$ 465,078	$ 532,312	$ 22,678,111

C. Interfund Transfers

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

Transfer From	Transfer To	2005	2006
General Fund	Other governmental	$ 33,795	$ 105,853
Debt Service	Transportation Operating	115,708	57,854
	Other governmental	-	83,333
Other governmental	General Fund	1,630	11,066
	Other governmental	29,747	3,467
All others	General Fund	364,453	-
Totals		$ 545,333	$ 261,573

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

D. Leases

Capital Leases

The School Corporation has entered into a capital lease for buildings. Future minimum lease payments and present values of the net minimum lease payments under this capital lease as of June 30, 2006, follows:

	Governmental Activities
2007	$ 555,000
2008	555,000
2009	555,000
2010	555,000
2011	555,000
2012-2016	2,220,000
Total minimum lease payments	4,995,000
Less amount representing interest	1,120,000
Present value of net minimum lease payments	$ 3,875,000

The assets acquired through capital leases still in effect are as follows:

	Governmental Activities
Buildings	$ 11,475,000
Machinery and equipment	1,003,516
Total	$ 12,478,516

E. Short-Term Liabilities

Tax Anticipation Warrants

The School Corporation issues tax anticipation warrants for cash flow purposes.

Fiscal Year 2004-2005	Beginning Balance	Issued/ Draws	Redeemed Repayments	Ending Balance
Tax anticipation warrants	$ 736,630	$ 642,555	$ 736,630	$ 642,555
Fiscal Year 2005-2006				
Tax anticipation warrants	$ 642,555	$ 75,477	$ 642,555	$ 75,477

F. Long-Term Liabilities

1. General Obligation Bonds

The School Corporation issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities or to finance retirement/severance liabilities.

General obligation bonds are direct obligations and pledge the full faith and credit of the School Corporation. General obligation bonds currently outstanding at year end are as follows:

Purpose	Rates	Amount
$1,340,000, 1997 School Building Bonds in installments of $135,000 to $185,000, plus interest through January 1, 2008	4.40% to 4.60%	$ 360,000
$3,100,000, 2004 Pension Bonds installments of $140,000 to $285,000, plus interest through January 5, 2020	2.90% to 5.66%	2,885,000
Total		$ 3,245,000

Annual debt service requirements to maturity for general obligation bonds, for the years ended June 30, are as follows:

	Governmental Activities	
	Principal	Interest
2007	$ 335,000	$ 153,085
2008	350,000	138,797
2009	170,000	127,760
2010	180,000	120,427
2011	190,000	112,353
2012-2016	1,080,000	416,477
2017-2021	940,000	107,302
Totals	$ 3,245,000	$ 1,176,201

2. Loans Payable

The School Corporation has entered into a loan. Annual debt service requirements to maturity for the loan are as follows:

	Governmental Activities	
	Principal	Interest
2007	$ 135,577	$ 28,310
2008	124,904	24,061
2009	99,687	20,077
2010	75,000	15,938
2011	75,000	12,188
2012-2016	187,500	14,063
Totals	$ 697,668	$ 114,637

3. Changes in Long-Term Debt

Long-term debt activity for the years ended June 30, 2005 and 2006 was as follows:

Fiscal Year 2004-2005	Balance July 1	Additions	Reductions	Balance June 30	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation	$ 680,000	$ 3,100,000	$ 220,000	$ 3,560,000	$ 315,000
Capital leases	4,756,762	20,000	450,012	4,326,750	451,750
Notes and loans payable	718,750	-	75,000	643,750	95,793
Total governmental activities long-term liabilities	$ 6,155,512	$ 3,120,000	$ 745,012	$ 8,530,500	$ 862,543

Fiscal Year 2005-2006	Balance July 1	Additions	Reductions	Balance June 30	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation	$ 3,560,000	$ -	$ 315,000	$ 3,245,000	$ 335,000
Capital leases	4,326,750	-	451,750	3,875,000	345,000
Notes and loans payable	643,750	149,711	95,793	697,668	135,577
Total governmental activities long-term liabilities	$ 8,530,500	$ 149,711	$ 862,543	$ 7,817,668	$ 815,577

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 Corporation

The School Corporation has entered into a capital lease with North Newton Jr./Sr. High 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 building facilities under the lease are included in the capital assets note of the School Corporation and the corresponding lease obligation has been included in the governmental activities column of the lease note. Lease payments during the year totaled $555,000.

C. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the School

Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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	$ 36,248
Interest on net pension obligation	(5,377)
Adjustment to annual required contribution	6,128
Annual pension cost	36,999
Contributions made	47,456
Decrease in net pension obligation	(10,457)
Net pension obligation, beginning of year	(74,171)
Net pension obligation, end of year	$ (84,628)

Contribution rates:	
School Corporation	4.62%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	33 years
Amortization period (from date)	07-01-97
Asset valuation method	4 year smoothed market

Actuarial Assumptions	PERF
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

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	$ 46,410	115%	$ (47,923)
	06-30-04	25,548	199%	(74,171)
	06-30-05	36,999	179%	(84,628)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Costs

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

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 7% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2006, 2005, and 2004, were $164,579, $159,021, and $138,828, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

NORTH NEWTON SCHOOL CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	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	$ 1,020,803	$ 842,913	$ 177,890	121%	$ 857,512	21%
07-01-04	1,036,338	950,594	85,744	109%	911,889	9%
07-01-05	1,073,792	836,878	209,914	124%	938,333	22%

NORTH NEWTON SCHOOL CORPORATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2006

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

Primary Government	Ending Balance
Governmental activities:	
Capital assets, not being depreciated:	
Land	$ 62,750
Buildings	18,225,160
Improvements other than buildings	886,034
Machinery and equipment	3,504,167
Total governmental activities, capital assets not being depreciated	$ 22,678,111

NORTH NEWTON SCHOOL CORPORATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
June 30, 2006

CAPITAL LEASES

The School Corporation has entered into the following capital lease:

Description of Asset	Present Value of Net Minimum Lease Payments
School Buildings	$ 3,875,000

TRANSPORTATION FUND – RECORD OF HOURS WORKED

The Assistant Superintendent/Director of Transportation salary was paid entirely from the Transportation Fund. Time cards, time logs or other auditable statistics to document the time devoted to transportation related activities were not presented for audit.

Indiana Code 5-11-9-4 requires in part ". . . records be maintained showing which hours were worked each day by officers and employees . . . employed . . . in more than one (1) position by the same public agency . . ." Some positions have been formally established by boards of school trustees, through job description, duties assigned, title, salary schedules, etc., as transportation related (for example, Assistant Superintendent-Transportation Director). We will not take audit exception, in these situations (other than positions excluded by statute), to direct transportation related employees having direct transportation related expenses being paid from the transportation fund if a cost allocation system based upon auditable statistics is established tracking costs attributable to the transportation program and therefore payable from the transportation fund. The use of time cards, time logs, or other means of accumulating auditable statistics upon which to base costs would have to be maintained. The time spent on such programs by persons serving in more than one program area must be specific if costs are to be separated. These costs cannot be accurately maintained on a percentage basis and requires the use of one of the methods mentioned above to provide auditable statistics and should cover all program areas in which a person serves or for which the service, materials, supplies, etc., are provided. (The School Administrator and Uniform Compliance Guidelines, March 2002, Volume 157)

CASH NECESSARY TO BALANCE (Applies to North Newton Jr./Sr. High School)

Karen Zackfia, North Newton School Corporation Treasurer, appeared at the Jr./Sr. High School on October 2, 2006, to deposit the extra-curricular receipts that had accumulated during an extended absence of the High School Extra-Curricular Treasurer. The Corporation Treasurer while accumulating the current undeposited receipts discovered a large number of other receipts totaling $10,157.03, dating as far back as 2003, which had never been deposited. Additionally, a review of documentation supporting these undeposited receipts frequently indicated various amounts of cash had been removed from the receipts.

The School Corporation Officials deposited $10,157.03 on October 6, 2006, representing the cash and checks discussed above. Tina Schroeder, North Newton Jr./Sr. High School Treasurer, met on October 12, 2006, with Jr./Sr. High School Principal, Mark Gianfermi, and Jr./Sr. High School Assistant Principal, Dale Osburn. Documentation related to this meeting indicated that Tina Schroeder admitted to diverting North Newton Jr./Sr. High School extra-curricular funds for personal use. At the end of this meeting Ms. Schroeder tendered her resignation effective October 14, 2006.

A detailed analysis of both the Extra-Curricular record and the related bank account information, determined that the diversion of funds described above led to a cash necessary to balance of $7,314.13.

Due to their age, many of the checks deposited by the School Corporation Officials on October 6 were not honored. As of November 1, 2006, checks totaling $1,482.09 have been returned unpaid to the School because of their age.

Indiana Code 5-13-14-3 states: "A public officer who knowingly fails to deposit public funds, or knowingly deposits or draws any check or negotiable order of withdrawal against the funds except in the manner prescribed in this article, commits a Class B felony. The public officer also is liable upon the officer's official bond for any loss or damage that may accrue. As added by P.L. 19-1987, SEC. 16."

We requested Tina Schroeder, North Newton Jr./Sr. High School Treasurer, reimburse the North Newton Jr./Sr. High School extracurricular account $7,314.13 for the undeposited funds described above. (See Summary, page 44)

We requested Tina Schroeder, North Newton Jr./Sr. High School Treasurer, reimburse the North Newton Jr./Sr. High School $1,482.09 for checks not honored because of stale dates. (See Summary, page 44)

AUDIT COST – CASH NECESSARY TO BALANCE (Applies to North Newton Jr./Sr. High School)

Additional audit costs in the amount of $2,200 were incurred to investigate and document the cash shortages discovered in the North Newton Jr./Sr. High School extra-curricular account.

Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

We requested Tina Schroeder to reimburse the State of Indiana $2,200 for the additional audit costs incurred. (See Summary, page 44)

OVERDRAWN CASH BALANCES (Applies to North Newton Jr./Sr. High School)

At the end of school years 2004-2005 and 2005-2006 and for the period ending September 30, 2006, there were several funds with negative balances. At September 20, 2006, the following funds were overdrawn: Class of 2006, ($168.86); Interest Earned Fund, ($67.40); Adult Concessions, ($939.40) and Spartan Dance Team, ($193.09).

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)

DISBURSEMENT DOCUMENTATION (Applies to North Newton Jr./Sr. High School)

Several payments were observed for which SA-1's or SA-7's were not found to provide adequate supporting documentation such as receipts, and invoices.

Due to the lack of supporting information, the validity and accountability for some monies disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employees. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

CONDITION OF RECORDS (Applies to North Newton Jr./Sr. High School)

While reviewing for documentation of disbursements, we noted that the SA-1's were not filed numerically either by purchase order number or by warrant number. Multiple years were filed together adding to the difficulty of locating the documentation supporting the expenditure.

SA-1's forms along with the vendor's paid invoices are to be filed in numerical order. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

Officials and employees are required to use ate Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular accounts, Chapter 7)

INTERNAL CONTROLS (Applies to North Newton Jr./Sr. High School)

Controls for receipts generated by the Extra-Curricular Treasurer are insufficient. Receipts were not issued when the Treasurer received the money. Receipts frequently were not deposited in a timely manner and could not be traced to deposits.

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

BANK ACCOUNT RECONCILIATIONS (Applies to North Newton Jr./Sr. High School)

Depository reconciliations of the fund balances to the bank account balances presented for audit were incorrect for the 2005-2006 school year. Depository reconciliations were not prepared for July through September 2006.

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

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SUPPLEMENTAL AUDIT OF

FEDERAL AWARDS

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE NORTH NEWTON SCHOOL CORPORATION, NEWTON COUNTY, INDIANA

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States 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, 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

December 21, 2006

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

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-05	Total Federal Awards Expended 06-30-06
U.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		$ 20,904	$ 22,851
National School Lunch Program	10.555		160,166	177,551
Special Milk Program for Children	10.556		1,383	1,491
Summer Food Service Program for Children	10.559		388	244
Total for child nutrition cluster			182,841	202,137
Pass-Through Indiana Department of Education				
Team Nutrition Grants	10.574			
Team Nutrition Mini Grant		CNTN-05-IN-1	-	500
Total for federal grantor agency			182,841	202,637
U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES				
Pass-Through Indiana State Library				
Grants to States	45.310			
Project 5-1-1			-	3,990
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies	84.010			
		FY 2004	88,423	-
		FY 2005	169,990	51,051
		FY 2006	-	159,923
Total for program			258,413	210,974
Vocational Education - Basic Grants to State				
Special Education Grants to States	84.048			
		FY 2004	649	-
Safe and Drug Free Schools and Communities - State Grants	84.186			
		02-208	4,456	-
		03-215	602	8,151
		04-076	-	2,698
Total for program			5,058	10,849
State Grants for Innovative Programs	84.298			
		03-204	10,197	330
		04-179	-	7,938
Total for program			10,197	8,268
Education Technology State Grants	84.318			
		SY 03/04	5,148	-
		SY 04/05	-	4,884
		SY 05/06	-	353
Total for program			5,148	5,237
Pass-Through Northwest Indiana Service Center				
English Language Acquisition Grants	84.365			
		SY 04/05	-	1,485
Pass-Through Northwest Indiana Service Center				
Improving Teacher Quality State Grants	84.367			
		02-257	14,073	-
		03-081	66,777	8,700
		04-254	-	65,934
Total for program			80,850	74,634
Total for federal grantor agency			360,315	311,447
Total federal awards expended			$ 543,156	$ 518,074

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

NORTH NEWTON SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

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

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of $500,000 in any fiscal year unless by constitution or statue 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.

Program Title	Federal CFDA Number	2004-2005	2005-2006
School Breakfast Program	10.553	$ 2,983	$ 2,985
National School Lunch	10.555	21,527	21,678

NORTH NEWTON SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:	
Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no

Identification of Major Programs:

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

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

Auditee qualified as low-risk auditee?	yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

NORTH NEWTON SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

NORTH NEWTON SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on December 21, 2006, with Karen Zackfia, Treasurer; Terry E. Barker, Superintendent of Schools; and David Hayes, President of the School Board. The official response has been made a part of this report and may be found on page 43.

NORTH NEWTON SCHOOL CORPORATION
ADMINISTRATION OFFICE
108 East State Street – PO Box 8
Morocco, Indiana 47963
Telephone: 219-285-2228 Fax: 219-285-2708

Bruce A. Hartman, C.P.A.
State Board of Accounts
302 West Washington St., Room E418
Indianapolis, IN 46204

January 3, 2007

Dear Mr. Hartman:

On December 21, 2006, the assigned field examiner for North Newton School Corporation and officials of the district held our exit audit conference. In the conference the need for administrators responsible for attending to transportation issues to keep anecdotal logs of the time spent addressing those issues if they are being paid from the transportation fund was reviewed. North Newton officials agree that more thorough anecdotal records should be kept by those administrators and recommended procedures will be implemented for all administrators paid from the transportation fund.

The recommendation to implement further security measures to monitor for school treasurer operations and procedures was also discussed. Again, North Newton officials agree with the recommendations and several procedures have already been initiated so that a better system of checks and balances is in place. Our new Extra-Curricular Treasurer is detail oriented and will adhere to the required procedures to be followed in processing funds and maintaining records.

I would like to take this opportunity to commend Mr. Wagner for his thoroughness and professionalism while auditing our accounts. He was very helpful as we discovered and addressed the irregularities that surfaced with our former Junior/Senior High School Extra-Curricular Treasurer.

Sincerely,

Terry E. Barker

Terry E. Barker, Ed.D.
Superintendent of Schools

NORTH NEWTON SCHOOL CORPORATION
SUMMARY

	Charges	Credits	Balance Due
Tina Schroeder, North Newton Jr./Sr. High School Treasurer:			
Cash Necessary to Balance, pages 31 and 32:			
Cash shortage from undeposited receipts	$ 7,314.13	$	$
Stale checks not honored by depository	1,482.09		
Audit Cost - Cash Necessary to Balance, page 32	2,200.00		
Payment made by Tina Schroeder, April 27, 2007, Check No. 143107		4,000.00	6,996.22
Totals	$ 10,996.22	$ 4,000.00	$ 6,996.22

AFFIDAVIT

STATE OF INDIANA)
)
JASPER COUNTY)

We, Donald R. Wegner and Charles David Webb, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the North Newton School Corporation, Newton County, Indiana, for the period from July 1, 2004 to June 30, 2006, is true and correct to the best of our knowledge and belief.

Donald R. Wegner
Charles David Webb
Field Examiners

Subscribed and sworn to before me this 22nd day of February, 2007

Betty J. Lintner
Notary Public

My Commission Expires: 11-12-07

County of Residence: Jasper