

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

AUDIT REPORT
OF
NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
JOHNSON COUNTY, INDIANA
July 1, 2003 to June 30, 2005



FILED
7/19/06

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sandra J. West	07-01-03 to 06-30-06
Superintendent of Schools	Michael Thompson I. E. Lewis John M. Reed	07-01-03 to 03-22-04 03-23-04 to 06-30-04 07-01-04 to 06-30-06
President of the School Board	Deana McMurray Ed Harvey	01-01-03 to 12-31-04 01-01-05 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE NINEVEH-HENSLEY-JACKSON
UNITED SCHOOL CORPORATION, JOHNSON COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Nineveh-Hensley-Jackson United School Corporation (School Corporation), as of and for the years ended June 30, 2004 and 2005, which collectively comprise the Nineveh-Hensley-Jackson United 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. 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, 2004 and 2005, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

The Schedule of Funding Progress, as listed in the table of contents, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The School Corporation has not presented Management 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

March 16, 2006

NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
 STATEMENT OF CASH AND INVESTMENTS
 June 30, 2004

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 3,531,153
Restricted assets:	
Cash and investments	<u>983,920</u>
Total assets	<u>\$ 4,515,073</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 983,920
Unrestricted	<u>3,531,153</u>
Total net assets	<u>\$ 4,515,073</u>

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

NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 3,179,364
Restricted assets:	
Cash and investments	<u>1,287,926</u>
Total assets	<u>\$ 4,467,290</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 1,287,926
Unrestricted	<u>3,179,364</u>
Total net assets	<u>\$ 4,467,290</u>

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

NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2004

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 5,110,232	\$ -	\$ 67,365	\$ (5,042,867)
Support services	7,576,987	565,518	135,358	(6,876,111)
Community services	99,845	-	-	(99,845)
Nonprogrammed charges	939,248	-	-	(939,248)
Debt service	6,556,149	-	-	(6,556,149)
Total governmental activities	\$ 20,282,461	\$ 565,518	\$ 202,723	(19,514,220)
General receipts:				
Property taxes				9,121,516
Other local sources				1,976,177
State aid				6,272,511
Grants and contributions not restricted				207,587
Bonds and loans				2,041,466
Sale of property, adjustments, and refunds				528,076
Investment earnings				16,988
Transfers:				
Intergovernmental				627,455
				20,791,776
				1,277,556
Net assets - beginning				3,237,517
Net assets - ending				\$ 4,515,073

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

NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 5,268,762	\$ -	\$ 58,482	\$ (5,210,280)
Support services	7,815,681	560,604	117,041	(7,138,036)
Community services	101,099	-	-	(101,099)
Nonprogrammed charges	344,227	-	-	(344,227)
Debt service	4,404,830	-	-	(4,404,830)
Total governmental activities	\$ 17,934,599	\$ 560,604	\$ 175,523	(17,198,472)
General receipts:				
Property taxes				7,045,701
Other local sources				1,547,726
State aid				6,038,100
Grants and contributions not restricted				210,297
Bonds and loans				2,186,743
Sale of property, adjustments, and refunds				57,053
Investment earnings				50,069
Transfers:				
Intergovernmental				15,000
Total general receipts and transfers				17,150,689
Change in cash and investments				(47,783)
Net assets - beginning				4,515,073
Net assets - ending				\$ 4,467,290

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

NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2004

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 4,702,162	\$ 1,214,149	\$ -	\$ 3,217,958	\$ 1,721,343	\$ 183,209	\$ 640,645	\$ 11,679,466
Intermediate sources	132	-	-	-	-	-	600	732
State sources	6,236,188	70,121	-	33,537	-	-	68,273	6,408,119
Federal sources	-	-	-	-	-	-	274,703	274,703
Bonds and loans	1,723,541	317,925	-	-	-	-	-	2,041,466
Sale of property, adjustments and refunds	19,366	8,710	-	-	500,000	-	-	528,076
Intergovernmental transfers	-	127,455	500,000	-	-	-	-	627,455
Total receipts	<u>12,681,389</u>	<u>1,738,360</u>	<u>500,000</u>	<u>3,251,495</u>	<u>2,221,343</u>	<u>183,209</u>	<u>984,221</u>	<u>21,560,017</u>
Disbursements:								
Current:								
Instruction	4,913,995	-	-	-	-	-	196,237	5,110,232
Support services	4,261,995	964,368	-	-	1,354,495	103,154	892,975	7,576,987
Community services	99,845	-	-	-	-	-	-	99,845
Nonprogrammed charges	289,793	-	-	75,000	552,455	-	22,000	939,248
Debt services	3,221,372	486,295	-	2,224,100	540,425	83,957	-	6,556,149
Total disbursements	<u>12,787,000</u>	<u>1,450,663</u>	<u>-</u>	<u>2,299,100</u>	<u>2,447,375</u>	<u>187,111</u>	<u>1,111,212</u>	<u>20,282,461</u>
Excess (deficiency) of total receipts over (under) total disbursements	(105,611)	287,697	500,000	952,395	(226,032)	(3,902)	(126,991)	1,277,556
Cash and investments - beginning	1,020,382	112,118	-	31,521	1,365,906	108,907	598,683	3,237,517
Cash and investments - ending	<u>\$ 914,771</u>	<u>\$ 399,815</u>	<u>\$ 500,000</u>	<u>\$ 983,916</u>	<u>\$ 1,139,874</u>	<u>\$ 105,005</u>	<u>\$ 471,692</u>	<u>\$ 4,515,073</u>

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

NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 3,737,993	\$ 950,265	\$ -	\$ 2,464,836	\$ 1,192,005	\$ 113,023	\$ 745,389	\$ 9,203,511
Intermediate sources	133	-	-	-	-	-	450	583
State sources	6,096,559	-	-	-	-	-	69,519	6,166,078
Federal sources	-	-	-	-	-	-	257,843	257,843
Bonds and loans	1,837,725	349,018	-	-	-	-	-	2,186,743
Sale of property, adjustments and refunds	36,845	16,060	-	-	3,874	-	281	57,060
Intergovernmental transfers	-	(2)	-	-	-	-	15,000	14,998
Total receipts	11,709,255	1,315,341	-	2,464,836	1,195,879	113,023	1,088,482	17,886,816
Disbursements:								
Current:								
Instruction	5,066,483	-	-	-	-	-	202,279	5,268,762
Support services	4,334,680	949,417	-	-	1,650,432	110,516	770,636	7,815,681
Community services	101,099	-	-	-	-	-	-	101,099
Nonprogrammed charges	313,979	-	-	(2)	-	-	30,250	344,227
Debt services	1,793,232	340,173	-	2,161,184	-	-	110,241	4,404,830
Total disbursements	11,609,473	1,289,590	-	2,161,182	1,650,432	110,516	1,113,406	17,934,599
Excess (deficiency) of total receipts over (under) total disbursements	99,782	25,751	-	303,654	(454,553)	2,507	(24,924)	(47,783)
Cash and investments - beginning	914,771	399,815	500,000	983,916	1,139,874	105,005	471,692	4,515,073
Cash and investments - ending	<u>\$ 1,014,553</u>	<u>\$ 425,566</u>	<u>\$ 500,000</u>	<u>\$ 1,287,570</u>	<u>\$ 685,321</u>	<u>\$ 107,512</u>	<u>\$ 446,768</u>	<u>\$ 4,467,290</u>

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

NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2004

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Local sources	\$ -	\$ 3,160
Bonds and loans	<u>3,685,000</u>	<u>-</u>
Total additions	<u>3,685,000</u>	<u>3,160</u>
Deductions:		
Support services	1,057,111	2,239
Debt services	<u>1,769,031</u>	<u>-</u>
Total deductions	<u>2,826,142</u>	<u>2,239</u>
Excess of total additions over total deductions	858,858	921
Cash and investments - beginning	<u>-</u>	<u>3,000</u>
Cash and investments - ending	<u>\$ 858,858</u>	<u>\$ 3,921</u>

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

NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2005

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Local sources	\$ 103	\$ 2,000
State sources	<u>-</u>	<u>1,050</u>
Total additions	<u>103</u>	<u>3,050</u>
Deductions:		
Support services	778,914	1,882
Nonprogrammed charges	<u>15,000</u>	<u>-</u>
Total deductions	<u>793,914</u>	<u>1,882</u>
Excess (deficiency) of total additions over (under) total deductions	(793,811)	1,168
Cash and investments - beginning	<u>858,858</u>	<u>3,921</u>
Cash and investments - ending	<u>\$ 65,047</u>	<u>\$ 5,089</u>

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

NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
 STATEMENT OF CASH AND INVESTMENTS
 FIDUCIARY FUNDS
 June 30, 2004

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 858,858	\$ 3,921	\$ 55,854
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	\$ 858,858	\$ 3,921	

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

NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
 STATEMENT OF CASH AND INVESTMENTS
 FIDUCIARY FUNDS
 June 30, 2005

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 65,047	\$ 5,089	\$ 54,153
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	\$ 65,047	\$ 5,089	

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

NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

The 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 Beech Grove City Schools, Center Grove Community School Corporation, Clark-Pleasant Community School Corporation, Metropolitan School District of Franklin Township, Franklin Community School Corporation, Greenwood Community School Corporation, Metropolitan School District of Perry Township and Edinburgh Community School Corporation in a joint venture to operate Central Nine Career Center which was created to provide vocational educational services. Central Nine Career Center's continued existence depends on continued funding by the School Corporation. Complete financial statements for Central Nine Career Center can be obtained from Central Nine Career Center, P.O. Box 710, Greenwood, Indiana, 46142.

The School Corporation is a participant with Center Grove Community School Corporation, Clark-Pleasant Community School Corporation, Franklin Community School Corporation, Greenwood Community School Corporation and Edinburgh Community School Corporation in a joint venture to operate Special Services-Johnson County Schools which was created to provide a comprehensive program of special education for handicapped children in Johnson County. Special Services-Johnson County Schools' continued existence depends on continued funding by the School Corporation. Complete financial statements for Special Services-Johnson County Schools can be obtained from Special Services-Johnson County Schools, 500 Earlywood Drive, Franklin, Indiana, 46131.

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. 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 is 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.

NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

The government-wide, governmental fund, proprietary 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. Receipts are recorded when received and disbursements are recorded when paid.

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 than 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 the federal and state government and for employees. This serves as a control account 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.

NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. 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. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to December 31 of the year collected.

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 10 to 15 days per year based on classification. Unused sick leave may be accumulated to a maximum of 140 days. Accumulated sick leave is paid to employees through cash payments upon retirement.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 5 days to 20 days per year based upon the number of years of service.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 3 days per year. Unused personal leave converts into sick leave if not used in the year earned.

NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

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 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 and Investments

1. Deposits

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

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of June 30, 2005, the School Corporation had the following investments:

Investment Type	Primary Government	Investment Maturities (in Years)		
	Market Value	Less Than 1	1-2	More Than 2
Mutual funds	\$ 46,060	\$ -	\$ -	\$ -

NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment Policies

Indiana Code 5-13-9 authorizes the School Corporation to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the unit to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the School Corporation and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise; or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the School Corporation may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Interest Rate Risk

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

B. Interfund Transfers

Interfund transfers for the fiscal years ended June 30, 2004 and 2005, were as follows:

NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Transfer From</u>	<u>Transfer To</u>	<u>2004</u>	<u>2005</u>
Debt service fund	Transportation Fund	\$ 75,000	\$ -
Capital projects fund	Rainy Day Fund	500,000	-
	Transportation Fund	52,455	-
All others	All others	-	15,000
Totals		<u>\$ 627,455</u>	<u>\$ 15,000</u>

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

C. Leases

Capital Leases

The School Corporation has entered into various capital leases for the construction of new school buildings and additions to and remodeling of existing school buildings. Future minimum lease payments and present values of the net minimum lease payments under these capital leases as of June 30, 2005, follows:

	<u>Governmental Activities</u>
2006	\$ 2,192,255
2007	2,318,770
2008	2,412,293
2009	2,504,310
2010	2,603,690
2011-2015	7,962,850
2016-2020	6,502,500
2021-2025	5,212,500
2026-2030	<u>1,429,000</u>
Total minimum lease payments	33,138,168
Less amount representing interest	<u>10,606,002</u>
Present value of net minimum lease payments	<u>\$ 22,532,166</u>

D. Short-Term Liabilities

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.

NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Short-term debt activity for the years ended June 30, 2004 and 2005, was as follows:

<u>Fiscal Year 2003-2004</u>	<u>Beginning Balance</u>	<u>Issued/ Draws</u>	<u>Redeemed Repayments</u>	<u>Ending Balance</u>
Tax anticipation warrants	\$ 3,953,936	\$ 2,041,466	\$ 4,697,515	\$ 1,297,887

Fiscal Year 2004-2005

Tax anticipation warrants	\$ 1,297,887	\$ 2,187,508	\$ 2,115,566	\$ 1,369,829
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E. Long-Term Liabilities

1. General Obligation Bonds

The School Corporation issues general obligation bonds to provide funds 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:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Pension liability bonds of 2004	3.16% to 6.34%	\$ 1,935,000

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

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 80,000	\$ 106,132
2007	100,000	103,056
2008	100,000	98,969
2009	110,000	94,326
2010	110,000	88,968
2011-2015	660,000	346,257
2016-2020	<u>775,000</u>	<u>125,350</u>
Totals	<u>\$ 1,935,000</u>	<u>\$ 963,058</u>

NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Notes and Loans Payable

The School Corporation has entered into various loans. Annual debt service requirements to maturity for the loans, are as follows:

	Common School Loans		Energy Savings Agreement		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 12,500	\$ 3,563	\$ -	\$ -	\$ 12,500	\$ 3,563
2006	150,000	35,437	99,095	13,101	249,095	48,538
2007	75,000	27,188	104,721	7,475	179,721	34,663
2008	75,000	23,437	54,570	1,528	129,570	24,965
2009	75,000	19,688	-	-	75,000	19,688
2010	75,000	15,937	-	-	75,000	15,937
2011-2015	<u>262,500</u>	<u>26,250</u>	<u>-</u>	<u>-</u>	<u>262,500</u>	<u>26,250</u>
Totals	<u>\$ 725,000</u>	<u>\$ 151,500</u>	<u>\$ 258,386</u>	<u>\$ 22,104</u>	<u>\$ 983,386</u>	<u>\$ 173,604</u>

3. Changes in Long-Term Debt

Long-term debt activity for the years ended June 30, 2004 and 2005, was as follows:

<u>Fiscal Year 2003-2004</u>	Balance July 1	Additions	Reductions	Balance June 30	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation	\$ -	\$ 1,935,000	\$ -	\$ 1,935,000	\$ -
Capital leases	23,813,568	94,831	545,931	23,362,468	830,302
Notes and loans payable	<u>1,465,388</u>	<u>-</u>	<u>238,232</u>	<u>1,227,156</u>	<u>243,770</u>
Total governmental activities long-term liabilities	<u>\$ 25,278,956</u>	<u>\$ 2,029,831</u>	<u>\$ 784,163</u>	<u>\$ 26,524,624</u>	<u>\$ 1,074,072</u>
<u>Fiscal Year 2004-2005</u>					
Governmental activities:					
Bonds payable:					
General obligation	\$ 1,935,000	\$ -	\$ -	\$ 1,935,000	\$ 80,000
Capital leases	23,362,468	-	830,302	22,532,166	1,113,475
Notes and loans payable	<u>1,227,156</u>	<u>-</u>	<u>243,770</u>	<u>983,386</u>	<u>261,595</u>
Total governmental activities long-term liabilities	<u>\$ 26,524,624</u>	<u>\$ -</u>	<u>\$ 1,074,072</u>	<u>\$ 25,450,552</u>	<u>\$ 1,455,070</u>

NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
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 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.

Medical Benefits To Employees

During 1998, the School Corporation joined with other governmental entities to form the South Central Indiana School Trust, a public entity risk pool currently operating as a common risk management and insurance program for twelve member governmental entities. The purpose of the risk pool is to provide a medium for the funding and administration of medical benefits to employees. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$200,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$200,000 limit.

B. Holding Corporation

The School Corporation has entered into various capital leases with the Nineveh-Hensley-Jackson Intermediate School Building Corporation. 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 facilities under lease obligation have been included in the governmental activities column of the lease note. Lease payments during the audit period totaled \$3,560,710.

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

NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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	\$ 92,626
Interest on net pension obligation	(11,756)
Adjustment to annual required contribution	13,396
Annual pension cost	94,266
Contributions made	132,078
Decrease in net pension obligation	(37,812)
Net pension obligation, beginning of year	(162,146)
Net pension obligation, end of year	\$ (199,958)
Contribution rates:	
School Corporation	8.25%
Plan members	3%
Actuarial valuation date	07-01-04
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	4 year smoothed market

NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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	06-30-02	\$ 93,543	138%	\$ (130,759)
	06-30-03	102,421	131%	(162,146)
	06-30-04	94,266	140%	(199,958)

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

NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Costs

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

Plan members are required to contribute 3% of their salary and the School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2005, 2004, and 2003, were \$158,510, \$138,638, and \$169,670, respectively. The School Corporation actually contributed 100% of the required contributions for each of the fiscal years.

NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-02	\$ 1,070,243	\$ 1,333,194	\$ (262,951)	80%	\$ 1,401,289	(19%)
07-01-03	1,146,610	1,334,569	(187,959)	86%	1,508,410	(12%)
07-01-04	1,222,266	1,610,436	(388,170)	76%	1,572,087	(25%)

NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

Information presented for audit did not indicate an inventory or record of capital assets using Form 369. A similar comment appeared in prior Audit Reports B18358 and B22720.

Every governmental unit should have a complete inventory of all fixed assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OLD OUTSTANDING CHECKS

Our review of the bank reconcilements as of June 30, 2004, and June 30, 2005, revealed checks outstanding in excess of two years. A similar comment appeared in prior Audit Report B22720.

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

Indiana Code 5-11-10.5-3 states in part: "Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the board of finance of the political subdivision or the fiscal body of a city or town. The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5 (a) states: "Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks."

NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on June 5, 2006, with John M. Reed, Superintendent of Schools; and Sandra J. West, Treasurer. The officials concurred with our audit findings.