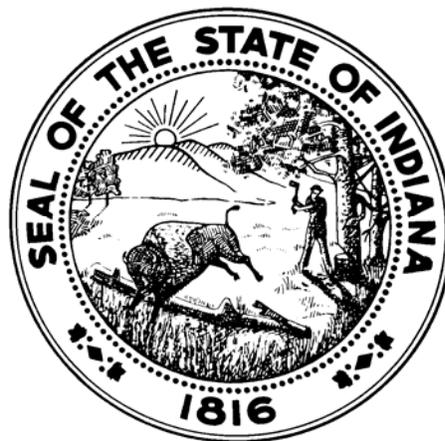


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

AUDIT REPORT
OF
NORTH WEST HENDRICKS SCHOOL CORPORATION
HENDRICKS COUNTY, INDIANA
July 1, 2003 to June 30, 2005



FILED
08/10/2006

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Pat J. Willard	07-01-03 to 06-30-06
Superintendent of Schools	Larry F. Rambis	07-01-03 to 06-30-06
President of the School Board	Lisa F. Tanselle	07-01-03 to 06-30-06



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ROOM E418
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Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE NORTH WEST HENDRICKS
SCHOOL CORPORATION, HENDRICKS 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 West Hendricks School Corporation (School Corporation), as of and for the years ended June 30, 2004 and 2005, which collectively comprise the North West Hendricks 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

April 26, 2006

NORTH WEST HENDRICKS SCHOOL CORPORATION
 STATEMENT OF CASH AND INVESTMENTS
 June 30, 2004

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 1,590,914
Restricted assets:	
Cash and investments	<u>75,215</u>
Total assets	<u>\$ 1,666,129</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 75,215
Unrestricted	<u>1,590,914</u>
Total net assets	<u>\$ 1,666,129</u>

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

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

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 1,096,689
Restricted assets:	
Cash and investments	<u>528,449</u>
Total assets	<u>\$ 1,625,138</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 528,449
Unrestricted	<u>1,096,689</u>
Total net assets	<u>\$ 1,625,138</u>

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

NORTH WEST HENDRICKS 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	\$ 4,549,749	\$ -	\$ 77,013	\$ (4,472,736)
Support services	7,583,654	682,998	139,992	(6,760,664)
Community services	152,165	-	-	(152,165)
Nonprogrammed charges	521,527	-	-	(521,527)
Debt service	<u>5,578,773</u>	<u>-</u>	<u>-</u>	<u>(5,578,773)</u>
Total governmental activities	<u>\$ 18,385,868</u>	<u>\$ 682,998</u>	<u>\$ 217,005</u>	<u>(17,485,865)</u>
General receipts:				
Property taxes				6,004,182
Other local sources				1,040,403
State aid				5,449,155
Grants and contributions not restricted				389,603
Bonds and loans				3,313,580
Sale of property, adjustments, and refunds				54,560
Investment earnings				19,502
Transfers:				
Intergovernmental				<u>65,913</u>
Total general receipts and transfers				<u>16,336,898</u>
Change in cash and investments				(1,148,967)
Net assets - beginning				<u>2,815,096</u>
Net assets - ending				<u>\$ 1,666,129</u>

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

NORTH WEST HENDRICKS 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	\$ 4,794,992	\$ -	\$ 60,016	\$ (4,734,976)
Support services	8,080,165	739,063	115,639	(7,225,463)
Community services	165,795	-	-	(165,795)
Nonprogrammed charges	1,556,635	-	-	(1,556,635)
Debt service	<u>3,865,635</u>	<u>-</u>	<u>-</u>	<u>(3,865,635)</u>
Total governmental activities	<u>\$ 18,463,222</u>	<u>\$ 739,063</u>	<u>\$ 175,655</u>	<u>(17,548,504)</u>
General receipts:				
Property taxes				8,422,326
Other local sources				1,976,379
State aid				5,099,577
Grants and contributions not restricted				404,337
Sale of property, adjustments, and refunds				101,095
Investment earnings				23,629
Transfers:				
Intergovernmental				<u>1,480,170</u>
Total general receipts and transfers				<u>17,507,513</u>
Change in cash and investments				(40,991)
Net assets - beginning				<u>1,666,129</u>
Net assets - ending				<u>\$ 1,625,138</u>

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

NORTH WEST HENDRICKS SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2004

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$3,077,210	\$ 646,320	\$1,966,382	\$ 1,092,121	\$ 166,818	\$ 793,099	\$ 7,741,950
Intermediate sources	230	-	-	-	-	4,901	5,131
State sources	5,464,100	18,892	28,075	-	-	83,755	5,594,822
Federal sources	-	-	-	-	-	460,943	460,943
Bonds and loans	2,078,460	179,775	677,793	290,555	71,155	15,842	3,313,580
Sale of property, adjustments and refunds	13,674	-	-	24,114	-	16,774	54,562
Intergovernmental transfers	2,488	-	-	277	-	63,148	65,913
Total receipts	<u>10,636,162</u>	<u>844,987</u>	<u>2,672,250</u>	<u>1,407,067</u>	<u>237,973</u>	<u>1,438,462</u>	<u>17,236,901</u>
Disbursements:							
Current:							
Instruction	4,208,022	-	-	-	-	341,727	4,549,749
Support services	4,380,776	768,781	-	1,168,498	242,621	1,022,978	7,583,654
Community services	149,283	-	-	-	-	2,882	152,165
Nonprogrammed charges	491,080	-	-	-	-	30,447	521,527
Debt services	<u>2,526,590</u>	<u>116,247</u>	<u>2,716,079</u>	<u>187,005</u>	<u>32,852</u>	<u>-</u>	<u>5,578,773</u>
Total disbursements	<u>11,755,751</u>	<u>885,028</u>	<u>2,716,079</u>	<u>1,355,503</u>	<u>275,473</u>	<u>1,398,034</u>	<u>18,385,868</u>
Excess (deficiency) of total receipts over (under) total disbursements	(1,119,589)	(40,041)	(43,829)	51,564	(37,500)	40,428	(1,148,967)
Cash and investments - beginning	<u>1,733,241</u>	<u>109,979</u>	<u>119,044</u>	<u>545,461</u>	<u>99,979</u>	<u>207,392</u>	<u>2,815,096</u>
Cash and investments - ending	<u>\$ 613,652</u>	<u>\$ 69,938</u>	<u>\$ 75,215</u>	<u>\$ 597,025</u>	<u>\$ 62,479</u>	<u>\$ 247,820</u>	<u>\$ 1,666,129</u>

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

NORTH WEST HENDRICKS 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	\$ 4,190,598	\$ 1,038,590	\$ 2,756,315	\$ 1,659,138	\$ 476,725	\$ 1,038,128	\$ 11,159,494
Intermediate sources	230	-	-	-	-	1,670	1,900
State sources	5,146,554	-	-	-	-	101,087	5,247,641
Federal sources	-	-	-	-	-	431,931	431,931
Sale of property, adjustments and refunds	6,467	2,587	-	34,415	-	57,626	101,095
Intergovernmental transfers	766,163	-	-	-	-	714,007	1,480,170
Total receipts	10,110,012	1,041,177	2,756,315	1,693,553	476,725	2,344,449	18,422,231
Disbursements:							
Current:							
Instruction	4,400,749	-	-	-	-	394,243	4,794,992
Support services	4,653,217	741,178	-	1,360,417	359,735	965,618	8,080,165
Community services	162,529	-	-	-	-	3,266	165,795
Nonprogrammed charges	430,355	74,204	186,378	88,586	37,130	739,982	1,556,635
Debt services	1,074,910	179,775	2,233,398	290,555	71,155	15,842	3,865,635
Total disbursements	10,721,760	995,157	2,419,776	1,739,558	468,020	2,118,951	18,463,222
Excess (deficiency) of total receipts over (under) total disbursements	(611,748)	46,020	336,539	(46,005)	8,705	225,498	(40,991)
Cash and investments - beginning	613,652	69,938	75,215	597,025	62,479	247,820	1,666,129
Cash and investments - ending	<u>\$ 1,904</u>	<u>\$ 115,958</u>	<u>\$ 411,754</u>	<u>\$ 551,020</u>	<u>\$ 71,184</u>	<u>\$ 473,318</u>	<u>\$ 1,625,138</u>

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

NORTH WEST HENDRICKS SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2004

	Private-Purpose Trust Funds
Additions:	
Local sources	\$ 22,176
Sale of property, adjustments and refunds	508
Transfers	500
Total additions	23,184
Deductions:	
Instruction	13,203
Support services	8,070
Community services	524
Nonprogrammed charges	9,600
Total deductions	31,397
Deficiency of total additions under total deductions	(8,213)
Cash and investments - beginning	20,615
Cash and investments - ending	\$ 12,402

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

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

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Local sources	\$ -	\$ 34,139
Bonds and loans	2,467,750	-
Total additions	2,467,750	34,139
Deductions:		
Instruction	-	13,443
Support services	1,573,229	2,598
Community services	-	7,711
Nonprogrammed charges	47,795	6,500
Debt services	119,997	-
Total deductions	1,741,021	30,252
Excess of total additions over total deductions	726,729	3,887
Cash and investments - beginning	-	12,402
Cash and investments - ending	\$ 726,729	\$ 16,289

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

NORTH WEST HENDRICKS SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2004

<u>Assets</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ <u>12,402</u>	\$ <u>516</u>
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ <u>12,402</u>	

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

NORTH WEST HENDRICKS 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	\$ 726,729	\$ 16,289	\$ 253
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	<u>\$ 726,729</u>	<u>\$ 16,289</u>	

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

NORTH WEST HENDRICKS 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 Plainfield Community School Corporation, Mill Creek Community School Corporation, Speedway City Schools, Mooresville Consolidated School Corporation, Eminence Consolidated School Corporation, Avon Community School Corporation, Brownsburg Community School Corporation, Danville Community School Corporation, MSD Decatur Township, and MSD Wayne Township in a joint venture to operate Area 31 Career Programs which was created to provide vocational education. The Area 31 Career Programs' continued existence depends on continued funding by the School Corporation. Complete financial statements for the Area 31 Career Programs can be obtained from Area 31 Career Programs, 1220 South High School Road, Indianapolis, Indiana, 46241-3199.

The School Corporation is a participant with Clinton Central School Corporation, Clinton Prairie School Corporation, Community Schools of Frankfort, Lebanon Community School Corporation, Rossville Consolidated School District and Western Boone County Community School Corporation in a joint venture to operate Boone-Clinton-Northwest Hendricks County Joint Service which was created to provide instruction for handicapped children. The Boone-Clinton-Northwest Hendricks County Joint Service's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Boone-Clinton-Northwest Hendricks County Joint Service can be obtained from Community Schools of Frankfort, Frankfort, Indiana, 46041.

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

NORTH WEST HENDRICKS SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 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:

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the individuals.

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

NORTH WEST HENDRICKS SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Agency funds account for assets held by the School Corporation as an agent for employees 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, (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.

3. Compensated Absences

a. Sick Leave

Teaching or Certified School Corporation employees earn sick leave at the rate of 10 days per year. Unused sick leave may be accumulated to a maximum of 200 days. Accumulated sick leave is paid to employees through cash payments upon termination at the rate of \$30 for each day.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 10 days to 20 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

NORTH WEST HENDRICKS SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

c. Personal Leave

School Corporation employees earn personal leave at the rate of 3 to 7 days per year based upon the employee position. Unused personal leave may be accumulated to a maximum of fifty days. Accumulated personal leave is paid to employees through cash payments upon request at termination.

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 and Investments

1. Deposits

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

2. Investments

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

NORTH WEST HENDRICKS SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment Type	Primary Government	Investment Maturities (in Years)		
	Market Value	Less Than 1	1-2	More Than 2
Stock (1)	\$ 72,871	\$ -	\$ -	\$ 72,871

(1) The School Corporation received the 962 shares of Prudential Financial, Inc., stock when Prudential was converted to a public trade company. The number of shares received was based on the life insurance policy the school was paying for its employees.

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.

NORTH WEST HENDRICKS SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The School Corporation does not have a formal investment policy for custodial credit risk for investments.

Interest Rate Risk

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

Credit Risk

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

<u>Standard and Poor's Rating</u>	<u>Moody's Rating</u>	<u>Stock</u>
Unrated	Unrated	<u>\$ 72,871</u>

Concentration of Credit Risk

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

Foreign Currency Risk

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

B. 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:

	<u>Capitalization Threshold</u>
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Machinery and equipment	5,000

NORTH WEST HENDRICKS SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Capital asset activity for the years ended June 30, 2004 and 2005, follows:

<u>Fiscal Year 2003-2004</u>	<u>Beginning Balance</u>	<u>Reduction by Board Policy</u>	<u>Corrected Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:						
Capital assets, not being depreciated:						
Land	\$ 829,602	\$ -	\$ 829,602	\$ -	\$ -	\$ 829,602
Buildings	24,909,055	-	24,909,055	-	-	24,909,055
Improvements other than buildings	672,042	-	672,042	33,809	10,020	695,831
Machinery and equipment	<u>3,679,068</u>	<u>484,100</u>	<u>3,194,968</u>	<u>191,374</u>	<u>383,650</u>	<u>3,002,692</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 30,089,767</u>	<u>\$ 484,100</u>	<u>\$29,605,667</u>	<u>\$ 225,183</u>	<u>\$ 393,670</u>	<u>\$ 29,437,180</u>
<u>Fiscal Year 2004-2005</u>						
Governmental activities:						
Capital assets, not being depreciated:						
Land	\$ 829,602	\$ -	\$ 829,602	\$ 21,000	\$ -	\$ 850,602
Buildings	24,909,055	-	24,909,055	174,500	101,500	24,982,055
Improvements other than buildings	695,831	-	695,831	-	56,300	639,531
Machinery and equipment	<u>3,002,692</u>	<u>-</u>	<u>3,002,692</u>	<u>114,922</u>	<u>533,860</u>	<u>2,583,754</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 29,437,180</u>	<u>\$ -</u>	<u>\$29,437,180</u>	<u>\$ 310,422</u>	<u>\$ 691,660</u>	<u>\$ 29,055,942</u>

C. Interfund Transfers

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

<u>Transfer From</u>	<u>Transfer To</u>	<u>2004</u>	<u>2005</u>
General Fund	Nonmajor governmental	\$ 41,651	\$ 23,634
Nonmajor governmental	General Fund	6,012	766,163
Nonmajor governmental	Nonmajor governmental	18,250	-
	Nonmajor governmental	<u>-</u>	<u>692,173</u>
Totals		<u>\$ 65,913</u>	<u>\$ 1,481,970</u>

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 various capital leases for school buildings, computer equipment and transportation equipment. Future minimum lease payments and present values of the net minimum lease payments under these capital leases as of June 30, 2005, follows:

NORTH WEST HENDRICKS SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Governmental Activities
2006	\$ 1,388,812
2007	1,426,309
2008	1,422,735
2009	1,550,000
2010	1,690,000
2011-2015	8,450,000
2016-2020	8,450,000
2021-2023	5,915,000
Total minimum lease payments	30,292,856
Less amount representing interest	8,707,625
Present value of net minimum lease payments	\$ 21,585,231

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

	Governmental Activities
Buildings	\$ 24,909,055
Improvements other than buildings	447,894
Machinery and equipment	330,080
Total	\$ 25,687,029

E. Short-Term Liabilities

Tax Anticipation Warrants

The School Corporation issues tax anticipation warrants for cash flow purposes in advance of property tax collections depositing the proceeds in the appropriate fund.

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

	Beginning Balance	Issued/ Draws	Redeemed Repayments	Ending Balance
<u>Fiscal Year 2003-2004</u>				
Tax anticipation warrants	\$ 2,492,500	\$ 2,700,000	\$ 3,192,500	\$ 2,000,000
<u>Fiscal Year 2004-2005</u>				
Tax anticipation warrants	\$ 2,000,000	\$ -	\$ 2,000,000	\$ -

NORTH WEST HENDRICKS SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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	Interest Rates	Amount
School building	5.2% to 5.4%	<u>\$ 730,000</u>

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

	Governmental Activities	
	Principal	Interest
2006	\$ 195,000	\$ 35,795
2007	210,000	25,525
2008	215,000	14,552
2009	<u>110,000</u>	<u>2,970</u>
Totals	<u>\$ 730,000</u>	<u>\$ 78,842</u>

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:

	Governmental Activities	
	Principal	Interest
2006	\$ 77,625	\$ 45,043
2007	53,888	42,757
2008	56,066	40,579
2009	58,331	38,314
2010	60,687	35,958
2011-2015	342,254	140,971
2016-2020	417,206	66,019
2021	<u>93,821</u>	<u>2,824</u>
Totals	<u>\$ 1,159,878</u>	<u>\$ 412,465</u>

NORTH WEST HENDRICKS SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Changes in Long-Term Debt

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

Fiscal Year 2003-2004	Balance July 1	Correction	Corrected Balance July 1	Additions	Reductions	Balance June 30	Due Within One Year
Governmental activities:							
Bonds payable:							
General obligation	\$ 870,000	\$ -	\$ 870,000	\$ -	\$ 25,000	\$ 845,000	\$ 115,000
Capital leases	23,016,332	53,280	23,069,612	136,950	849,084	22,357,478	772,247
Notes and loans payable	1,328,963	-	1,328,963	-	91,822	1,237,141	77,263
Total governmental activities long-term liabilities	<u>\$25,215,295</u>	<u>\$ 53,280</u>	<u>\$ 25,268,575</u>	<u>\$ 136,950</u>	<u>\$ 965,906</u>	<u>\$24,439,619</u>	<u>\$ 964,510</u>
Fiscal Year 2004-2005							
Governmental activities:							
Bonds payable:							
General obligation	\$ 845,000	\$ -	\$ 845,000	\$ -	\$ 115,000	\$ 730,000	\$ 195,000
Capital leases	22,357,478	-	22,357,478	-	772,247	21,585,231	592,044
Notes and loans payable	1,237,141	-	1,237,141	-	77,263	1,159,878	122,668
Total governmental activities long-term liabilities	<u>\$24,439,619</u>	<u>\$ -</u>	<u>\$ 24,439,619</u>	<u>\$ -</u>	<u>\$ 964,510</u>	<u>\$23,475,109</u>	<u>\$ 909,712</u>

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; 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 West Hendricks Middle 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 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 for the years ended June 30, 2004 and June 30, 2005, totaled \$1,836,000 and \$1,563,000, respectively.

NORTH WEST HENDRICKS SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55 with at least 10 years of service. Currently, 15 retirees meet these eligibility requirements. The School Corporation provides 100% of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2005, disbursements of \$104,066 were recognized for post-employment benefits.

D. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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.

NORTH WEST HENDRICKS SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 36,781
Interest on net pension obligation	(5,039)
Adjustment to annual required contribution	5,743
Annual pension cost	37,485
Contributions made	53,744
Decrease in net pension obligation	(16,259)
Net pension obligation, beginning of year	(69,506)
Net pension obligation, end of year	\$ (85,765)

Contribution rates:

School Corporation	7.25%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	4 year smoothed market

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-02	\$ 19,155	274%	\$ (53,322)
	06-30-03	37,305	143%	(69,506)
	06-30-04	37,485	143%	(85,765)

NORTH WEST HENDRICKS SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 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 \$340,317, \$337,231, and \$288,300, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

NORTH WEST HENDRICKS 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	\$ 214,432	\$ 298,458	\$ (84,026)	72%	\$ 528,756	(16%)
07-01-03	251,702	354,215	(102,513)	71%	532,847	(19%)
07-01-04	288,154	512,147	(223,993)	56%	753,966	(30%)

NORTH WEST HENDRICKS SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

SCHOOL LUNCH

The Indiana Department of Education noted the following financial related problems in a February 2005 review of the National School Lunch Program at the North West Hendricks School Corporation:

1. Incorrect determination of eligibility by the school resulted in incorrect reporting of free and reduced price meals to be reimbursed.
2. Verification of the application for free and reduced meals was not being completed at the individual schools.
3. Adults were not always charged the designated adult price for meals.
4. The ala carte prices charged for items were not consistent throughout the corporation.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

NORTH WEST HENDRICKS SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on May 9, 2006, with Larry F. Rambis, Superintendent of Schools; and Pat J. Willard, Treasurer.