

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

AUDIT REPORT  
OF

NORTHWESTERN CONSOLIDATED  
SCHOOL CORPORATION  
SHELBY COUNTY, INDIANA

July 1, 2003 to June 30, 2005



**FILED**

10/10/2006



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Diane J. Brown	07-01-03 to 06-30-06
Superintendent of Schools	Larry G. Moore	07-01-03 to 06-30-07
President of the School Board	Terry Morgan John Merlau	07-01-03 to 06-30-04 07-01-04 to 06-30-06



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE NORTHWESTERN CONSOLIDATED  
SCHOOL CORPORATION, SHELBY COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northwestern Consolidated School Corporation (School Corporation), as of and for the years ended June 30, 2004 and 2005, which collectively comprise the Northwestern Consolidated 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

July 31, 2006

NORTHWESTERN CONSOLIDATED SCHOOL CORPORATION  
 STATEMENT OF CASH AND INVESTMENTS  
 June 30, 2004

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 2,101,037
Restricted assets:	
Cash and investments	<u>48,798</u>
Total assets	<u>\$ 2,149,835</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 48,798
Unrestricted	<u>2,101,037</u>
Total net assets	<u>\$ 2,149,835</u>

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

NORTHWESTERN CONSOLIDATED SCHOOL CORPORATION  
STATEMENT OF CASH AND INVESTMENTS  
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 2,686,113
Restricted assets:	
Cash and investments	<u>400,036</u>
Total assets	<u>\$ 3,086,149</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 400,036
Unrestricted	<u>2,686,113</u>
Total net assets	<u>\$ 3,086,149</u>

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

NORTHWESTERN CONSOLIDATED 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	\$ 4,362,090	\$ -	\$ 63,992	\$ (4,298,098)
Support services	6,002,476	446,067	162,715	(5,393,694)
Community services	156,200	-	-	(156,200)
Nonprogrammed charges	690,711	-	-	(690,711)
Debt service	3,211,086	-	-	(3,211,086)
<b>Total governmental activities</b>	<b>\$ 14,422,563</b>	<b>\$ 446,067</b>	<b>\$ 226,707</b>	<b>(13,749,789)</b>
General receipts:				
Property taxes				2,681,225
Other local sources				788,474
State aid				5,597,733
Grants and contributions not restricted				232,391
Bonds and loans				4,785,500
Sale of property, adjustments, and refunds				52,325
Investment earnings				7,445
Intergovernmental transfers				22,147
				<u>14,167,240</u>
				417,451
				<u>1,732,384</u>
				<u>\$ 2,149,835</u>

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

NORTHWESTERN CONSOLIDATED 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	\$ 4,555,239	\$ -	\$ 57,764	\$ (4,497,475)
Support services	7,532,629	437,764	124,942	(6,969,923)
Community services	182,943	-	-	(182,943)
Nonprogrammed charges	769,950	-	-	(769,950)
Debt service	3,919,555	-	-	(3,919,555)
<b>Total governmental activities</b>	<b>\$ 16,960,316</b>	<b>\$ 437,764</b>	<b>\$ 182,706</b>	<b>(16,339,846)</b>
General receipts:				
Property taxes				6,320,883
Other local sources				1,234,706
State aid				5,452,388
Grants and contributions not restricted				247,257
Bonds and loans				3,228,500
Sale of property, adjustments, and refunds				757,634
Investment earnings				23,641
Intergovernmental transfers				11,151
				<u>17,276,160</u>
				Change in cash and investments 936,314
				Net assets - beginning <u>2,149,835</u>
				Net assets - ending <u>\$ 3,086,149</u>

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

NORTHWESTERN CONSOLIDATED 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	Construction	Other	Totals
Receipts:								
Local sources	\$ 1,861,352	\$ 318,537	\$ 482,494	\$ 566,644	\$ 105,918	\$ -	\$ 587,556	\$ 3,922,501
Intermediate sources	52	-	-	-	-	-	656	708
State sources	5,565,822	55,439	27,518	-	-	-	84,752	5,733,531
Federal sources	-	-	-	-	-	-	323,301	323,301
Bonds and loans	2,775,000	450,000	160,500	400,000	-	1,000,000	-	4,785,500
Sale of property, adjustments and refunds	19,978	1,615	-	1,085	-	1,000	28,648	52,326
Intergovernmental transfers	4,427	-	-	-	-	-	17,720	22,147
<b>Total receipts</b>	<b><u>10,226,631</u></b>	<b><u>825,591</u></b>	<b><u>670,512</u></b>	<b><u>967,729</u></b>	<b><u>105,918</u></b>	<b><u>1,001,000</u></b>	<b><u>1,042,633</u></b>	<b><u>14,840,014</u></b>
Disbursements:								
Current:								
Instruction	4,188,860	-	-	-	-	-	173,230	4,362,090
Support services	3,297,551	588,080	-	1,214,531	97,004	138,293	667,017	6,002,476
Community services	106,922	-	-	-	-	-	49,278	156,200
Nonprogrammed charges	650,374	-	-	-	-	-	40,337	690,711
Debt services	1,933,896	200,000	927,190	150,000	-	-	-	3,211,086
<b>Total disbursements</b>	<b><u>10,177,603</u></b>	<b><u>788,080</u></b>	<b><u>927,190</u></b>	<b><u>1,364,531</u></b>	<b><u>97,004</u></b>	<b><u>138,293</u></b>	<b><u>929,862</u></b>	<b><u>14,422,563</u></b>
Excess (deficiency) of total receipts over (under) total disbursements	49,028	37,511	(256,678)	(396,802)	8,914	862,707	112,771	417,451
Cash and investments - beginning	<u>521,544</u>	<u>94,817</u>	<u>305,476</u>	<u>572,680</u>	<u>29,899</u>	<u>-</u>	<u>207,968</u>	<u>1,732,384</u>
Cash and investments - ending	<b><u>\$ 570,572</u></b>	<b><u>\$ 132,328</u></b>	<b><u>\$ 48,798</u></b>	<b><u>\$ 175,878</u></b>	<b><u>\$ 38,813</u></b>	<b><u>\$ 862,707</u></b>	<b><u>\$ 320,739</u></b>	<b><u>\$ 2,149,835</u></b>

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

NORTHWESTERN CONSOLIDATED 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	Construction	Other	Totals
Receipts:								
Local sources	\$ 3,988,865	\$ 695,608	\$ 866,629	\$ 1,564,846	\$ 157,945	\$ -	\$ 742,471	\$ 8,016,364
Intermediate sources	157	-	-	-	-	-	469	626
State sources	5,497,185	-	-	-	-	-	71,561	5,568,746
Federal sources	-	-	-	-	-	-	313,607	313,607
Bonds and loans	2,025,000	250,000	481,250	350,000	-	-	122,250	3,228,500
Sale of property, adjustments and refunds	21,254	2,960	-	7,184	-	706,142	20,096	757,636
Intergovernmental transfers	-	-	-	-	-	-	11,151	11,151
<b>Total receipts</b>	<b><u>11,532,461</u></b>	<b><u>948,568</u></b>	<b><u>1,347,879</u></b>	<b><u>1,922,030</u></b>	<b><u>157,945</u></b>	<b><u>706,142</u></b>	<b><u>1,281,605</u></b>	<b><u>17,896,630</u></b>
Disbursements:								
Current:								
Instruction	4,366,605	-	-	-	-	-	188,634	4,555,239
Support services	3,335,706	594,068	-	1,215,182	92,804	1,558,443	736,426	7,532,629
Community services	108,272	-	-	-	-	-	74,671	182,943
Nonprogrammed charges	758,799	-	-	-	-	-	11,151	769,950
Debt services	2,093,600	250,000	1,095,478	300,000	-	-	180,477	3,919,555
<b>Total disbursements</b>	<b><u>10,662,982</u></b>	<b><u>844,068</u></b>	<b><u>1,095,478</u></b>	<b><u>1,515,182</u></b>	<b><u>92,804</u></b>	<b><u>1,558,443</u></b>	<b><u>1,191,359</u></b>	<b><u>16,960,316</u></b>
Excess (deficiency) of total receipts over (under) total disbursements	869,479	104,500	252,401	406,848	65,141	(852,301)	90,246	936,314
Cash and investments - beginning	<u>570,572</u>	<u>132,328</u>	<u>48,798</u>	<u>175,878</u>	<u>38,813</u>	<u>862,707</u>	<u>320,739</u>	<u>2,149,835</u>
Cash and investments - ending	<b><u>\$ 1,440,051</u></b>	<b><u>\$ 236,828</u></b>	<b><u>\$ 301,199</u></b>	<b><u>\$ 582,726</u></b>	<b><u>\$ 103,954</u></b>	<b><u>\$ 10,406</u></b>	<b><u>\$ 410,985</u></b>	<b><u>\$ 3,086,149</u></b>

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

NORTHWESTERN CONSOLIDATED 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	\$ -	\$ 6,500
State sources	-	5,471
Bonds and loans	<u>1,258,425</u>	<u>-</u>
Total additions	<u>1,258,425</u>	<u>11,971</u>
Deductions:		
Instruction	-	2,441
Support services	<u>1,203,355</u>	<u>9,349</u>
Total deductions	<u>1,203,355</u>	<u>11,790</u>
Excess of total additions over total deductions	55,070	181
Cash and investments - beginning	<u>-</u>	<u>10,361</u>
Cash and investments - ending	<u>\$ 55,070</u>	<u>\$ 10,542</u>

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

NORTHWESTERN CONSOLIDATED 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	\$ -	\$ 2,550
State sources	-	5,694
Total additions	-	8,244
Deductions:		
Support services	-	12,548
Deficiency of total additions under total deductions	-	(4,304)
Cash and investments - beginning	55,070	10,542
Cash and investments - ending	\$ 55,070	\$ 6,238

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

NORTHWESTERN CONSOLIDATED 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	\$ 55,070	\$ 10,542	\$ 3,939
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	\$ 55,070	\$ 10,542	

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

NORTHWESTERN CONSOLIDATED 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	\$ 55,070	\$ 6,238	\$ 2,627
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	\$ 55,070	\$ 6,238	

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

NORTHWESTERN CONSOLIDATED 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 Shelby Eastern School Corporation, Shelbyville Central Schools, and Southwestern Consolidated School District in a joint venture to operate Blue River Career Programs which was created to provide vocational education. The School Corporation is obligated by contract to remit bimonthly payments based on assessed value and number of students enrolled to supplement the Blue River Career Program's budget. The School Corporation is obligated for the debts of the Blue River Career Programs. Complete financial statements for the Blue River Career Programs can be obtained from Blue River Career Programs, 801 St. Joseph Street, Shelbyville, Indiana 46176.

Joint Venture

The School Corporation is a participant with Shelby Eastern School Corporation, Flat Rock-Hawcreek School Corporation, Shelbyville Central Schools, and Southwestern Consolidated School District in a joint venture to operate Blue River Special Education Cooperative which was created to provide a comprehensive program of special education for handicapped children residing in the above school corporations. The School Corporation is obligated by contract to remit an annual amount based on a funding formula provided for in the contract to supplement the operation of the Cooperative. Complete financial statements for the Blue River Special Education Cooperative can be obtained from the administrative office at 1111 West McKay Road, Shelbyville, Indiana 46176.

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. Likewise, the primary government is reported separately from certain legally separate component units for which the School Corporation is financially accountable.

NORTHWESTERN CONSOLIDATED SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The Statement of Cash Activities demonstrates the degree to which direct disbursements of a given function or segments 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, 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 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.

The construction fund is used to account for construction, repair, replacement or remodeling of school buildings and grounds.

NORTHWESTERN CONSOLIDATED SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 faculty and student development and training programs.

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 Government or State Government and various Insurance Companies.

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.

NORTHWESTERN CONSOLIDATED SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

3. Compensated Absences

a. Sick Leave

Certified and noncertified 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 retirement, not to exceed \$10,500.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 5 days to 15 days per year based upon the number of years of service. Carry-over paid vacation time may be allowed by the Superintendent, but not to exceed 3 weeks.

c. Personal Leave

Certified and noncertified School Corporation employees earn personal leave at the rate of 3 days per year. Personal leave does not accumulate from year to year. Unused personal leave shall be transferred to accumulated sick leave.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. 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.

NORTHWESTERN CONSOLIDATED SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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:

Investment Type	Primary Government Market Value	Investment Maturities (in Years)  Less Than 1
Repurchase agreements	<u>\$ 1,321,143</u>	<u>\$ 1,321,143</u>

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

NORTHWESTERN CONSOLIDATED SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
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investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

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

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The School Corporation does not have a formal investment policy for custodial credit risk for investments. At June 30, 2005, the School Corporation held investments in repurchase agreements in the amount of \$1,321,143. Of these investments all were held by the counterparty's trust department or agent but not in the School Corporation's name.

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>School Corporation's Investments Mutual Funds</u>
Unrated	Unrated	<u>\$ 1,321,143</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.

NORTHWESTERN CONSOLIDATED SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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
Land	\$ 300
Buildings	300
Improvements other than buildings	300
Machinery and equipment	300
Transportation equipment	300

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

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Fiscal Year 2003-2004</u>				
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 60,000	\$ 146,131	\$ -	\$ 206,131
Buildings	28,909,251	2,127,206	-	31,036,457
Improvements other than buildings	391,400	-	-	391,400
Machinery and equipment	2,803,492	189,063	-	2,992,555
Total governmental activities, capital assets not being depreciated	\$ 32,164,143	\$ 2,462,400	\$ -	\$ 34,626,543
 <u>Fiscal Year 2004-2005</u>				
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 206,131	\$ 16,271	\$ -	\$ 222,402
Buildings	31,036,457	2,700,617	-	33,737,074
Improvements other than buildings	391,400	-	-	391,400
Machinery and equipment	2,992,555	162,678	206,116	2,949,117
Total governmental activities, capital assets not being depreciated	\$ 34,626,543	\$ 2,879,566	\$ 206,116	\$ 37,299,993

NORTHWESTERN CONSOLIDATED SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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>
Debt Service Fund	General Fund	\$ 230,843	\$ 183,287
Title I, Fund 412	Title I, Fund 411	17,720	-
Title I, Fund 413	Title I, Fund 412	<u>-</u>	<u>11,151</u>
Totals		<u>\$ 248,563</u>	<u>\$ 194,438</u>

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

D. Capital Leases

The School Corporation has entered into various capital leases for additions to and/or remodeling of Elementary, Middle, and High School buildings, and energy savings projects at the Middle and High Schools. 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	\$ 1,009,478
2007	1,157,978
2008	860,478
2009	736,478
2010	740,978
2011-2015	<u>2,891,826</u>
Total minimum lease payments	7,397,216
Less amount representing interest	<u>1,191,410</u>
Present value of net minimum lease payments	<u>\$ 6,205,806</u>

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

	<u>Governmental Activities</u>
Buildings	<u>\$ 8,480,157</u>

NORTHWESTERN CONSOLIDATED SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

E. Short-Term Liabilities

1. 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.

2. Other Short-Term Loans

The School Corporation uses short-term loans to finance a variety of public projects, including additions to and remodeling of school buildings.

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	\$ 1,310,500	\$ 3,785,500	\$ 2,410,500	\$ 2,685,500
Short-term loans	<u>1,036,240</u>	<u>-</u>	<u>180,620</u>	<u>855,620</u>
Totals	<u>\$ 2,346,740</u>	<u>\$ 3,785,500</u>	<u>\$ 2,591,120</u>	<u>\$ 3,541,120</u>
<u>Fiscal Year 2004-2005</u>				
Tax anticipation warrants	\$ 2,685,500	\$ 3,228,500	\$ 2,957,000	\$ 2,957,000
Short-term loans	<u>855,620</u>	<u>-</u>	<u>143,120</u>	<u>712,500</u>
Totals	<u>\$ 3,541,120</u>	<u>\$ 3,228,500</u>	<u>\$ 3,100,120</u>	<u>\$ 3,669,500</u>

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:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Retirement/severance bonds	1.4% to 5.61%	<u>\$ 1,215,000</u>

NORTHWESTERN CONSOLIDATED SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

	Governmental Activities	
	Principal	Interest
2006	\$ 70,000	\$ 55,573
2007	70,000	53,873
2008	70,000	51,752
2009	70,000	49,273
2010	75,000	46,544
2011-2015	430,000	177,574
2016-2020	430,000	54,454
Totals	\$ 1,215,000	\$ 489,043

2. Notes and Loans Payable

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

	Governmental Activities	
	Principal	Interest
2006	\$ 75,000	\$ 34,688
2007	75,000	30,937
2008	75,000	27,188
2009	75,000	23,437
2010	75,000	19,688
2011-2015	337,500	45,187
Totals	\$ 712,500	\$ 181,125

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	Additions	Reductions	Balance June 30	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation	\$ 230,000	\$ 1,275,000	\$ 110,000	\$ 1,395,000	\$ 180,000
Capital leases	4,204,472	-	548,279	3,656,193	400,387
Notes and loans payable	1,036,240	-	180,620	855,620	143,120
Total governmental activities long-term liabilities	\$ 5,470,712	\$ 1,275,000	\$ 838,899	\$ 5,906,813	\$ 723,507

NORTHWESTERN CONSOLIDATED SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

<u>Fiscal Year 2004-2005</u>	<u>Balance July 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation	\$ 1,395,000	\$ -	\$ 180,000	\$ 1,215,000	\$ 70,000
Capital leases	3,656,193	2,950,000	400,387	6,205,806	740,506
Notes and loans payable	<u>855,620</u>	<u>-</u>	<u>143,120</u>	<u>712,500</u>	<u>75,000</u>
Total governmental activities					
long-term liabilities	<u>\$ 5,906,813</u>	<u>\$ 2,950,000</u>	<u>\$ 723,507</u>	<u>\$ 8,133,306</u>	<u>\$ 885,506</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; 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.

During 1998, the School Corporation joined with other governmental entities to form the Hoosier Heartland School Trust, a public entity risk pool currently operating as a common risk management and insurance program for seven 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 \$100,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$100,000 limit.

B. Holding Corporations

The School Corporation has entered into capital leases with Triton School Building Corporation and the Northwestern Consolidated School Building Corporation (the lessors). The lessors were 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 lessors have been determined to be a related party of the School Corporation.

The school 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 fiscal years ending June 30, 2004 and 2005 totaled \$849,472 and \$722,778, respectively.

NORTHWESTERN CONSOLIDATED SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment benefits, for those employees who retired prior to June 30, 2004, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 54 with at least 6 years of service. Currently, 11 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 years ended June 30, 2004 and June 30, 2005, disbursements of \$80,040 and \$92,325 respectively, were recognized for postemployment 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.

NORTHWESTERN CONSOLIDATED SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 29,672
Interest on net pension obligation	(2,498)
Adjustment to annual required contribution	2,846
Annual pension cost	30,020
Contributions made	53,963
Decrease in net pension obligation	(23,943)
Net pension obligation, beginning of year	34,449
Net pension obligation, end of year	\$ 10,506
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	06-30-03	\$ 48,111	107%	\$ (34,449)
	06-30-04	30,020	180%	(58,392)
	06-30-05	40,135	169%	(69,139)

NORTHWESTERN CONSOLIDATED 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.

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, 2003, 2004, and 2005, were \$99,841, \$92,287, and \$104,871, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

NORTHWESTERN CONSOLIDATED 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)
07-01-03	\$ 707,159	\$ 709,628	\$ (2,469)	100%	\$ 631,633	0%
07-01-04	732,442	791,601	(59,159)	93%	727,450	(8%)
07-01-05	773,855	879,792	(105,937)	88%	764,250	(14%)

NORTHWESTERN CONSOLIDATED SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

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

The information presented for audit indicates enrollment figures on Form 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for the school years ending June 30, 2004 and 2005.

The enrollment count dates for the 2003-2004 school year and the 2004-2005 school year were September 12, 2003 and September 17, 2004, respectively. The difference between the count reported on the ADM and the verified figures are shown below:

School Year	Grade	Count as Reported on Form 30A	Actual Enrollment Figures	Difference
2003-2004	Honors diplomas	20	18	2
2003-2004	1 through 12	1478	1477	1
2004-2005	1 through 12	1433	1435	(2)

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

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

The building level official (Principal, Assistant Principal, etc.) responsible for reporting ADM to the School Corporation Central Office did not provide written certification of ADM to properly document responsibility for the numbers used to support the ADM claimed by the School Corporation.

Officials should maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM. The building level official (Principal, Assistant Principal, etc.) responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (The School Administrator and Uniform Compliance Guidelines, Volume 123, September 1993, and Volume 142, June 1998)

PURCHASING BONUSES

Sixteen unidentified free gifts were included on invoices 327062 and 327063, dated June 6, 2003, from Really Good Stuff, a school supply vendor. The total amount of the invoices was \$687.28 and \$122.05 respectively.

Any compensation, premium, bonus, or product earned as a result of the purchase of goods or services by the governmental unit becomes the property of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

NORTHWESTERN CONSOLIDATED SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

SALES TAX

Sales tax was paid on two of the five electric bills the School Corporation receives each month.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

GUARANTEED ENERGY SAVINGS CONTRACTS

Triton Central High School:

The Northwestern Consolidated School Corporation entered into a guaranteed energy savings contract with Energy Systems Group, LLC, on April 26, 2000. The total amount of the contract was \$665,000. The total amount of guaranteed energy savings was \$87,500. The total amount of guaranteed stipulated and agreed upon operational savings was \$577,500. The "stipulated and agreed upon" operational savings were "considered fully satisfied upon the Owner's final acceptance of the project." No information was presented for audit to document "stipulated and agreed upon" operational savings.

The High School Project has contract requirements which include full lighting upgrade, well water pressure tank replacement, fresh water well cleaning and refurbishing, certain HVAC and control repair and replacement, revised air handling ductwork system, and repair and replacement of air handling unit controls.

Triton Middle School:

The Northwestern Consolidated School Corporation entered into a guaranteed energy savings contract with Energy Systems Group, LLC, on January 8, 2003. The total amount of the contract was \$2,350,559. The total amount of guaranteed energy savings was \$375,600. The total amount of guaranteed operational savings was \$2,632,055. The parties stipulate and agree that the energy and operational savings were "considered fully satisfied upon the Owner's final acceptance of the project." No information was presented for audit to document "stipulated and agreed upon" operational savings.

The Middle School Project has contract requirements which include installation of a new front-end workstation with full communications network, boiler control, chiller control, pump control, AHU control, unit ventilator control, exhaust fan control, and a new boiler room.

Statutory and Other Compliance Guideline Provisions

The Public Works Law, Indiana Code 36-1-12-1(e) states in part: "As an alternative to this chapter, the governing body . . . may . . . enter into a guaranteed energy savings contract as permitted under IC 36-1-12.5."

Effective March 21, 2002, Indiana Code 36-1-12.5-1 states in part: "As used in this chapter, 'energy conservation measure' means a school facility alteration or an alteration of a structure (as defined in IC 36-1-10-2) designed to reduce energy consumption costs or other operating costs . . . including future:

- (A) labor costs;
- (B) costs for contracted services; and
- (C) related capital expenditures."

NORTHWESTERN CONSOLIDATED SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 36-1-12.5-5(a) concerning energy savings contracts states in part: "The governing body may enter into . . . a guaranteed energy savings contract with a qualified provider to reduce the school corporation's or the political subdivision's energy consumption costs or operating costs if, after review of the report described in section 6 of this chapter, the governing body finds:

- (1) that the amount the governing body would spend on the energy conservation measures under the contract and that are recommended in the report is not likely to exceed the amount to be saved in energy consumption costs and other operating costs over ten (10) years from the date of installation if the recommendations in the report were followed; and
- (2) in the case of a guaranteed energy savings contract, the qualified provider provides a written guarantee as described in subsection (d)(2)."

Indiana Code 36-1-12.5-5(d) states in part: "An agreement to participate in . . . guaranteed energy savings contract under this section must provide that: . . . (2) in the case of the guaranteed energy savings contract:

- (A) the savings in energy and operating costs due to the energy conservation measures are guaranteed to cover the costs of the payments for the measures; and
- (B) the qualified provider will reimburse the school corporation or political subdivision for the difference between the guaranteed savings and the actual savings . . ."

Effective March 21, 2002, Indiana Code 36-1-12.5-0.5 states: "As used in this chapter, 'actual savings' includes stipulated savings."

Indiana Code 36-1-12.5-0.7 states: "As used in this chapter, 'causally connected work' means work that is required to properly implement an energy conservation measure."

Indiana Code 36-1-12.5-3.7 states in part: "As used in this chapter, 'stipulated savings' are assumed savings that are documented by industry engineering standards."

Indiana Code 36-1-12.5-11 states in part:

"(a) A guaranteed energy savings contract that includes stipulated savings must specify the methodology used to calculate the savings using industry engineering standards.

(b) Stipulated savings may be used for energy conservation measures including . . . (9) Any work that is causally connected to the energy conservation measures listed in subdivisions (1) through (8).

(c) The guaranteed energy savings contract shall:

- (1) describe stipulated savings for:
  - (A) energy conservation measures; and
  - (B) work causally connected to the energy conservation measures; and
- (2) document assumptions by industry engineering standards."

NORTHWESTERN CONSOLIDATED SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

Repayment of Costs in Excess of Savings

Northwestern Consolidated School Corporation Officials conveyed that the items shown as "agreed upon" or "stipulated savings" have been predetermined. Furthermore, Northwestern Consolidated School Corporation Officials do not have available for audit and conveyed they do not plan in the future to have any additional information to document actual operating or energy savings. Accordingly, with due regards for the remaining contract time for which information may be presented to document actual operating and energy savings (effective March 21, 2002, "stipulated savings" documented by "industry engineering standards"), the Northwestern Consolidated School Corporation should request reimbursement from Energy Systems Group, LLC, for costs which did not result in an actual reduction of energy consumption costs or other operating costs (or effective March 21, 2002, stipulated savings which were not supported by "industry engineering standards") at the end of the contract term in accordance with Indiana Code 36-1-12.5-5(d)(2)(B).

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

BANK ACCOUNT RECONCILIATIONS (Applies to Triton Middle School and Triton Elementary School)

Depository reconciliations of the fund balances to the bank account balances were incorrect.

Numerous bank debit and credit memos representing various items such as nonsufficient funds checks charged or deposited, bank charges for deposit tickets and other bank charges were not posted to the records. Many deposits to the bank were not posted to the records at all or were incorrectly posted. Several receipts and checks were posted to the records in amounts other than what appeared on the bank statements.

Indiana Code 5-13-6-1(e) states in part: "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."

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

CASH NECESSARY TO BALANCE (Applies to Triton Middle School)

A comparison of the funds ledger balance to the reconciled bank account indicated cash necessary to balance of \$183.20 as of June 30, 2005 and May 31, 2006.

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

Tamyra E. Sipes repaid \$183.20 to the Triton Middle School Extra Curricular Account on August 18, 2006. (See Summary, page 34)

NORTHWESTERN CONSOLIDATED SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on July 31, 2006, with Diane J. Brown, Treasurer; Larry G. Moore, Superintendent of Schools; Mary Giesting, Assistant Superintendent of Schools; Rhonda Hill, Director of Media and Technology; Brad Lindsay, Triton Central High School Principal; Scott Kern, Triton Middle School Principal; Cindy Conner, Triton Elementary Principal; Shirley Merder, Triton Middle School Extra-Curricular Treasurer; and Thelma Buckel, Triton Elementary Extra-Curricular Treasurer. The officials concurred with our audit findings.

NORTHWESTERN CONSOLIDATED SCHOOL CORPORATION  
SHELBY COUNTY  
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Tamyra E. Sipes, former Extra-Curricular Treasurer: Cash Necessary to Balance - Triton Middle School, page 32	\$ 183.20	\$	\$
Tamyra E. Sipes repaid August 18, 2006	<u>                    </u>	183.20	<u>                    </u> -
Totals	<u>\$ 183.20</u>	<u>\$ 183.20</u>	<u>\$ -</u>