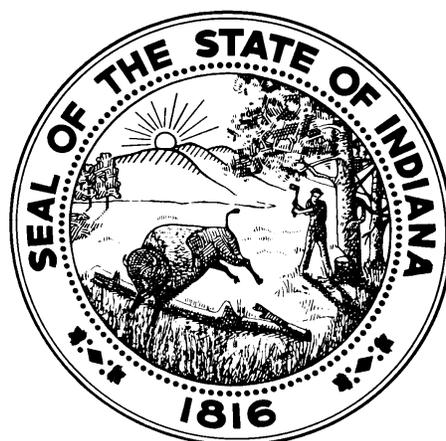


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF

NORTHWEST INDIANA
EDUCATIONAL SERVICE CENTER
LAKE COUNTY, INDIANA

July 1, 2005 to June 30, 2007



FILED

05/23/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Renner Ventling, Ph.D.	07-01-05 to 06-30-06
	Michael Boskovich	07-01-06 to 06-30-08
Executive Director	Charles Costa, Ph.D.	07-01-05 to 06-30-08
Chairman of the Board of Directors	Jan Bapst	07-01-05 to 06-30-06
	Monte Moffett	07-01-06 to 06-30-07
	Ruth Mueller	07-01-07 to 06-30-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE NORTHWEST INDIANA EDUCATIONAL
SERVICE CENTER, LAKE COUNTY, INDIANA

We have examined the financial information presented herein of the Northwest Indiana Educational Service Center (Service Center), for the period of July 1, 2005 to June 30, 2007. The Service Center's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Service Center for the years ended June 30, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial schedules 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 examine the information and express no opinion on it.

The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt, are presented for additional analysis and are not required parts of the basic financial information. The Combining Schedules, as listed in the Table of Contents, have been subjected to the examination procedures applied in the examination of the basic financial information and, in our opinion, are fairly stated in all material respects in relation to the basic financial information taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

April 16, 2008

NORTHWEST INDIANA EDUCATIONAL SERVICE CENTER
SCHEDULE OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Net (Disbursement) Receipts</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 465,683	\$ 371,533	\$ 59,578	\$ (34,572)
Support services	<u>764,697</u>	<u>123,934</u>	<u>488,286</u>	<u>(152,477)</u>
Total governmental activities	<u>\$ 1,230,380</u>	<u>\$ 495,467</u>	<u>\$ 547,864</u>	<u>(187,049)</u>
General receipts:				
State aid				175,293
Sale of property, adjustments, and refunds				1,741
Investment earnings				<u>8,644</u>
Total general receipts				<u>185,678</u>
Change in net assets				(1,371)
Net assets - beginning				<u>301,834</u>
Net assets - ending				<u>\$ 300,463</u>
<u>Assets</u>				
Cash and investments				<u>\$ 300,463</u>
<u>Net Assets</u>				
Unrestricted net assets				<u>\$ 300,463</u>

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

NORTHWEST INDIANA EDUCATIONAL SERVICE CENTER
SCHEDULE OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Net (Disbursement) Receipts</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 447,848	\$ 271,665	\$ 58,571	\$ (117,612)
Support services	<u>511,049</u>	<u>292,503</u>	<u>-</u>	<u>(218,546)</u>
Total governmental activities	<u>\$ 958,897</u>	<u>\$ 564,168</u>	<u>\$ 58,571</u>	<u>(336,158)</u>
General receipts:				
State aid				175,548
Sale of property, adjustments, and refunds				2,529
Investment earnings				<u>7,911</u>
Total general receipts				<u>185,988</u>
Change in net assets				(150,170)
Net assets - beginning				<u>300,463</u>
Net assets - ending				<u>\$ 150,293</u>
<u>Assets</u>				
Cash and investments				<u>\$ 150,293</u>
<u>Net Assets</u>				
Unrestricted net assets				<u>\$ 150,293</u>

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

NORTHWEST INDIANA EDUCATIONAL SERVICE CENTER
SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
CASH AND INVESTMENT BASIS - GOVERNMENTAL FUNDS
For The Year Ended June 30, 2006

	General	Natural Gas Consortium	Workshop Fund	Federal Emergency Response	Gifted and Talented Speakers Bureau	Other	Totals
Receipts:							
Local sources	\$ 459,221	\$ 105,343	\$ 117,284	\$ -	\$ -	\$ 73,668	\$ 755,516
Intermediate sources	-	-	-	-	-	10,000	10,000
State sources	175,293	-	152	-	-	4,988	180,433
Federal sources	-	-	-	263,929	-	17,390	281,319
Sale of property, adjustments and refunds	1,741	-	-	-	-	-	1,741
Total receipts	636,255	105,343	117,436	263,929	-	106,046	1,229,009
Disbursements:							
Current:							
Instruction	347,099	-	-	-	18,123	100,461	465,683
Support services	270,078	100,643	104,191	263,929	-	25,856	764,697
Total disbursements	617,177	100,643	104,191	263,929	18,123	126,317	1,230,380
Excess (deficiency) of total receipts over total disbursements	19,078	4,700	13,245	-	(18,123)	(20,271)	(1,371)
Other finance sources (uses):							
Transfers in	5,456	-	-	-	-	1,300	6,756
Transfers out	-	-	(6,756)	-	-	-	(6,756)
Total other finance sources (uses)	5,456	-	(6,756)	-	-	1,300	-
Excess (deficiency) of receipts and other sources over disbursements and other financing sources	24,534	4,700	6,489	-	(18,123)	(18,971)	(1,371)
Cash and investments - beginning	146,959	2,218	62,615	-	42,020	48,022	301,834
Cash and investments - ending	<u>\$ 171,493</u>	<u>\$ 6,918</u>	<u>\$ 69,104</u>	<u>\$ -</u>	<u>\$ 23,897</u>	<u>\$ 29,051</u>	<u>\$ 300,463</u>
Assets							
Cash and investments	<u>\$ 171,493</u>	<u>\$ 6,918</u>	<u>\$ 69,104</u>	<u>\$ -</u>	<u>\$ 23,897</u>	<u>\$ 29,051</u>	<u>\$ 300,463</u>
Net Assets							
Unrestricted net assets	<u>\$ 171,493</u>	<u>\$ 6,918</u>	<u>\$ 69,104</u>	<u>\$ -</u>	<u>\$ 23,897</u>	<u>\$ 29,051</u>	<u>\$ 300,463</u>

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

NORTHWEST INDIANA EDUCATIONAL SERVICE CENTER
SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
CASH AND INVESTMENT BASIS - GOVERNMENTAL FUNDS
For The Year Ended June 30, 2007

	General	Natural Gas Consortium	Workshop Fund	Gifted and Talented Speakers Bureau	Other	Totals
Receipts:						
Local sources	\$ 263,828	\$ 105,941	\$ 117,205	\$ -	\$ 55,212	\$ 542,186
Intermediate sources	-	-	29,893	-	10,000	39,893
State sources	175,548	-	-	10,783	10,058	196,389
Federal sources	-	-	-	-	27,730	27,730
Sale of property, adjustments and refunds	2,529	-	-	-	-	2,529
Total receipts	441,905	105,941	147,098	10,783	103,000	808,727
Disbursements:						
Current:						
Instruction	353,690	-	-	16,810	77,348	447,848
Support services	286,766	100,893	97,719	1,852	23,819	511,049
Total disbursements	640,456	100,893	97,719	18,662	101,167	958,897
Excess (deficiency) of total receipts over total disbursements	(198,551)	5,048	49,379	(7,879)	1,833	(150,170)
Other finance sources (uses):						
Transfers in	43,471	-	-	-	-	43,471
Transfers out	-	-	(42,471)	-	(1,000)	(43,471)
Total other finance sources (uses)	43,471	-	(42,471)	-	(1,000)	-
Excess (deficiency) of receipts and other sources over disbursements and other financing sources	(155,080)	5,048	6,908	(7,879)	833	(150,170)
Cash and investments - beginning	171,493	6,918	69,104	23,897	29,051	300,463
Cash and investments - ending	<u>\$ 16,413</u>	<u>\$ 11,966</u>	<u>\$ 76,012</u>	<u>\$ 16,018</u>	<u>\$ 29,884</u>	<u>\$ 150,293</u>
Assets						
Cash and investments	<u>\$ 16,413</u>	<u>\$ 11,966</u>	<u>\$ 76,012</u>	<u>\$ 16,018</u>	<u>\$ 29,884</u>	<u>\$ 150,293</u>
Net Assets						
Unrestricted net assets	<u>\$ 16,413</u>	<u>\$ 11,966</u>	<u>\$ 76,012</u>	<u>\$ 16,018</u>	<u>\$ 29,884</u>	<u>\$ 150,293</u>

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

NORTHWEST INDIANA EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL INFORMATION

I. Summary of Significant Accounting Policies

A. Reporting Entity

On May 13, 1985, 16 school corporations mutually promised to establish and maintain an educational service center in order to allow the participating school corporations to cooperate and share certain programs and services which they collectively may implement. Such programs and services might include, but are not limited to, curriculum development, pupil personnel service, in-service education, instructional materials, multi-media service education, purchasing and financial management, needs assessment, computer utilization, natural gas consortium, and research and development. The Northwest Indiana Educational Service Center (Service Center) operates under a separate management board which is comprised of the superintendents of each member public school corporation or their designee. Currently the Service Center has 22 participating public school corporations and 4 nonpublic school members.

The School Town of Highland currently serves as the administering school corporation for the Service Center. The administering school corporation acts as a fiscal agent by administering the fiscal responsibility and maintains the accounting records.

B. Government-Wide and Fund Financial Schedules

Government-Wide Financial Schedules

The Schedule of Activities and Net Assets - Cash and Investment Basis, displays information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through intergovernmental revenues and other nonexchange revenues.

Fund Financial Schedules

Fund financial schedules of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial schedules are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial schedules. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial schedules. However, at this time, the Service Center has not established any enterprise funds.

The Service Center reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The natural gas consortium fund accounts for the shared cost of an energy consultant who uses hedging strategies to purchase bulk gas at a lower cost for the 37 public school corporation, nonpublic school corporation members. School corporations from neighboring service center areas are included in this membership.

The workshop fund accounts for financial resources from fees collected for workshops provided.

NORTHWEST INDIANA EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL INFORMATION
(Continued)

The federal emergency response fund accounts for federal resources received from the U.S. Department of Education for emergency response and crisis management planning.

The gifted and talented speaker fund accounts for state resources received for gifted and talented programs.

Additionally, the Service Center reports the following fund type:

Agency funds account for assets held by the Service Center as an agent for federal, state, and private entities and serve as control of accounts for certain cash transactions during the time they are a liability to the Service Center.

C. Measurement Focus and Basis of Accounting

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

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial schedules.

If the Service Center utilized the basis of accounting recognized as generally accepted, the fund financial schedules for governmental funds would use the modified accrual basis of accounting, while the fund financial schedules for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

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

When both restricted and unrestricted resources are available for use, the Service Center's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 10 days per year, except for the executive director who earns 12 days per year. Unused sick leave may be accumulated indefinitely. Accumulated sick leave is paid to employees through cash payments upon retirement; however, the maximum pay out for severance pay is 300 days.

NORTHWEST INDIANA EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL INFORMATION
(Continued)

b. Vacation Leave

Service Center 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.

c. Personal Leave

Service Center employees earn personal leave at the rate of 3 days per year. Unused personal leave is converted to sick leave.

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial schedules. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

5. Equity Classification

Government-Wide Schedules

Equity is classified as net assets and displayed in two components:

a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the Service Center's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Schedules

Governmental fund equity is classified as fund balance.

NORTHWEST INDIANA EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL INFORMATION
(Continued)

E. Receipts and Disbursements

Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, and (2) operating grants and contributions. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include state aid and other general receipts.

F. Internal and Interfund Balances and Activities

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

Fund Financial Schedules

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

Government-Wide Financial Schedules

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial schedules as follows:

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

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. All annual appropriations lapse at calendar year end.

In June, the Service Center Board approves an operating budget for the year commencing the following July 1. Copies of budget are sent to the Indiana Department of Education.

NORTHWEST INDIANA EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL INFORMATION
(Continued)

III. Detailed Notes on All Funds

A. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Service Center 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.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2006 and 2007, were as follows:

Transfer From	Transfer To	2006	2007
Workshop Fund	General Fund	\$ 5,456	\$ 42,471
	Other governmental funds	1,300	-
Other governmental funds	General Fund	-	1,000
Totals		<u>\$ 6,756</u>	<u>\$ 43,471</u>

The Service Center typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. Other Information

A. Risk Management

The Service Center 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 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 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.

NORTHWEST INDIANA EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL INFORMATION
(Continued)

B. Subsequent Event

Educational Service Centers Risk Funding Trust (ESCRFT)

The Service Center became a covered member of the Educational Service Centers Risk Funding Trust (ESCRFT) on January 1, 2008. This newly founded trust (formed in 2007) is a risk management pool for the benefit of all Indiana public school corporations that are members of an Educational Service Center. This risk pool is authorized by the Indiana law to provide liability insurance, property and casualty insurance, worker's compensation insurance, automobile liability insurance, professional liability insurance, boiler and machinery insurance, and crime insurance. Members contributed \$500 to establish the trust. Members are billed by the trust annual premiums for insurance coverage provided. As of June 30, 2007, 13 school corporations are members of the NWIESC and contributed to the establishment of this trust.

C. Postemployment Benefits

In addition to the pension benefits described below, the Service Center provides postemployment health benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the Service Center and are eligible for retirement benefits from either the State Teachers' Retirement Fund or Public Employees' Retirement Fund. Currently, one retiree meets these eligibility requirements. The Service Center (and retiree) provides 60% (and 40%, respectively,) of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2007, disbursements of \$12,274 were recognized for postemployment benefits.

D. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The Service Center 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 Service Center 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:

NORTHWEST INDIANA EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL INFORMATION
(Continued)

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 Town of Highland's annual pension cost and related information, as provided by the actuary, is presented in this note, since it includes the Service Center.

Information to segregate the assets/liabilities and the actuarial study figures between the School Corporation and the Service Center is not available.

Actuarial Information for the Above Plan

		PERF*
Annual required contribution	\$	181,659
Interest on net pension obligation		(5,786)
Adjustment to annual required contribution		6,594
Annual pension cost		182,467
Contributions made		142,185
Increase in net pension obligation		40,282
Net pension obligation, beginning of year		(79,808)
Net pension obligation, end of year	\$	(39,526)

* Information presented is the School Town of Highland, which includes the Service Center.

NORTHWEST INDIANA EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL INFORMATION
(Continued)

	PERF
Contribution rates:	
Service Center	5.5%
Plan members	3%
Actuarial valuation date	07-01-06
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	75% of expected actuarial value plus 25% of market value

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	06-30-04	\$ 125,640	110%	\$ (86,596)
	06-30-05	152,866	96%	(79,808)
	06-30-06	182,467	78%	(39,526)

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

Teachers' Retirement Fund

Plan Description

The Service Center 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 Service Center 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.

NORTHWEST INDIANA EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL INFORMATION
(Continued)

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 Service Center 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 Service Center 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 Service Center 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 Service Center 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 Service Center's required contributions to the plan for the fiscal years ended June 30, 2007, 2006, and 2005, were \$11,652, \$7,822, and \$11,217, respectively. The Service Center actually contributed 100% of the required contribution for each of the fiscal years, respectively.

NORTHWEST INDIANA EDUCATIONAL SERVICE CENTER
 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)	Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	3,142,530	3,271,850	(129,320)	96%	2,797,065	5%
07-01-05	3,258,468	3,648,786	(390,318)	89%	2,813,895	14%
07-01-06	3,509,871	3,677,649	(167,778)	95%	2,788,504	6%

* Information presented is the School Town of Highland's, which includes the Service Center.

NORTHWEST INDIANA EDUCATIONAL SERVICE CENTER
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006

	School Technology	Gifted and Talented	Service and Repair	Indiana University Northwest Partners Grant	Reading Recovery	Group Purchase
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 60,170	\$ 6,650
Intermediate sources	-	-	-	-	-	-
State sources	-	4,988	-	-	-	-
Federal sources	-	-	-	-	-	-
Total receipts	-	4,988	-	-	60,170	6,650
Disbursements:						
Current:						
Instruction	-	2,581	-	-	64,490	-
Support services	2,166	2,200	370	13,540	930	6,650
Total disbursements	2,166	4,781	370	13,540	65,420	6,650
Excess (deficiency) of total receipts over total disbursements	(2,166)	207	(370)	(13,540)	(5,250)	-
Other finance sources (uses):						
Transfers in	-	-	-	-	1,300	-
Excess (deficiency) of total receipts and other financing sources over total disbursements and other financing sources	(2,166)	207	(370)	(13,540)	(3,950)	-
Cash and investments - beginning	4,002	-	3,784	13,540	6,869	7,819
Cash and investments - ending	<u>\$ 1,836</u>	<u>\$ 207</u>	<u>\$ 3,414</u>	<u>\$ -</u>	<u>\$ 2,919</u>	<u>\$ 7,819</u>
<u>Assets</u>						
Cash and investments	<u>\$ 1,836</u>	<u>\$ 207</u>	<u>\$ 3,414</u>	<u>\$ -</u>	<u>\$ 2,919</u>	<u>\$ 7,819</u>
<u>Net Assets</u>						
Unrestricted net assets	<u>\$ 1,836</u>	<u>\$ 207</u>	<u>\$ 3,414</u>	<u>\$ -</u>	<u>\$ 2,919</u>	<u>\$ 7,819</u>

NORTHWEST INDIANA EDUCATIONAL SERVICE CENTER
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	VA Content Provider	Title III	Gifted and Talented Identification Workshop	Discovery Education Health Subscription	Totals
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ 6,848	\$ 73,668
Intermediate sources	-	-	-	10,000	10,000
State sources	-	-	-	-	4,988
Federal sources	-	17,390	-	-	17,390
	<u>-</u>	<u>17,390</u>	<u>-</u>	<u>-</u>	<u>17,390</u>
Total receipts	<u>-</u>	<u>17,390</u>	<u>-</u>	<u>16,848</u>	<u>106,046</u>
Disbursements:					
Current:					
Instruction	-	17,390	-	16,000	100,461
Support services	-	-	-	-	25,856
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,856</u>
Total disbursements	<u>-</u>	<u>17,390</u>	<u>-</u>	<u>16,000</u>	<u>126,317</u>
Excess (deficiency) of total receipts over total disbursements	-	-	-	848	(20,271)
Other finance sources (uses):					
Transfers in	-	-	-	-	1,300
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,300</u>
Excess (deficiency) of total receipts and other financing sources over total disbursements and other financing sources	-	-	-	848	(18,971)
Cash and investments - beginning	<u>1,225</u>	<u>-</u>	<u>10,783</u>	<u>-</u>	<u>48,022</u>
Cash and investments - ending	<u>\$ 1,225</u>	<u>\$ -</u>	<u>\$ 10,783</u>	<u>\$ 848</u>	<u>\$ 29,051</u>
<u>Assets</u>					
Cash and investments	<u>\$ 1,225</u>	<u>\$ -</u>	<u>\$ 10,783</u>	<u>\$ 848</u>	<u>\$ 29,051</u>
<u>Net Assets</u>					
Unrestricted net assets	<u>\$ 1,225</u>	<u>\$ -</u>	<u>\$ 10,783</u>	<u>\$ 848</u>	<u>\$ 29,051</u>

NORTHWEST INDIANA EDUCATIONAL SERVICE CENTER
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	School Technology	BP "A" Plus for Energy	Gifted and Talented	Service and Repair	Reading Recovery	Group Purchase
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 44,957	\$ 10,255
Intermediate sources	-	10,000	-	-	-	-
State sources	-	-	4,979	-	-	-
Federal sources	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>10,000</u>	<u>4,979</u>	<u>-</u>	<u>44,957</u>	<u>10,255</u>
Disbursements:						
Current:						
Instruction	-	-	1,742	-	37,219	-
Support services	-	-	2,217	-	5,915	10,608
Total disbursements	<u>-</u>	<u>-</u>	<u>3,959</u>	<u>-</u>	<u>43,134</u>	<u>10,608</u>
Excess (deficiency) of total receipts over total disbursements	-	10,000	1,020	-	1,823	(353)
Other finance sources (uses):						
Transfers out	-	-	-	-	(1,000)	-
Excess (deficiency) of total receipts and other financing sources over total disbursements and other financing sources	-	10,000	1,020	-	823	(353)
Cash and investments - beginning	<u>1,836</u>	<u>-</u>	<u>207</u>	<u>3,414</u>	<u>2,919</u>	<u>7,819</u>
Cash and investments - ending	<u>\$ 1,836</u>	<u>\$ 10,000</u>	<u>\$ 1,227</u>	<u>\$ 3,414</u>	<u>\$ 3,742</u>	<u>\$ 7,466</u>
Assets						
Cash and investments	<u>\$ 1,836</u>	<u>\$ 10,000</u>	<u>\$ 1,227</u>	<u>\$ 3,414</u>	<u>\$ 3,742</u>	<u>\$ 7,466</u>
Net Assets						
Unrestricted net assets	<u>\$ 1,836</u>	<u>\$ 10,000</u>	<u>\$ 1,227</u>	<u>\$ 3,414</u>	<u>\$ 3,742</u>	<u>\$ 7,466</u>

NORTHWEST INDIANA EDUCATIONAL SERVICE CENTER
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	VA Content Provider	Title III	Gifted and Talented Identification Workshop	Discovery Education Health Subscription	Access Training	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,212
Intermediate sources	-	-	-	-	-	10,000
State sources	-	-	-	-	5,079	10,058
Federal sources	-	27,730	-	-	-	27,730
Total receipts	-	27,730	-	-	5,079	103,000
Disbursements:						
Current:						
Instruction	-	27,604	10,783	-	-	77,348
Support services	-	-	-	-	5,079	23,819
Total disbursements	-	27,604	10,783	-	5,079	101,167
Excess (deficiency) of total receipts over total disbursements	-	126	(10,783)	-	-	1,833
Other finance sources (uses):						
Transfers out	-	-	-	-	-	(1,000)
Excess (deficiency) of total receipts and other financing sources over total disbursements and other financing sources	-	126	(10,783)	-	-	833
Cash and investments - beginning	1,225	-	10,783	848	-	29,051
Cash and investments - ending	<u>\$ 1,225</u>	<u>\$ 126</u>	<u>\$ -</u>	<u>\$ 848</u>	<u>\$ -</u>	<u>\$ 29,884</u>
Assets						
Cash and investments	<u>\$ 1,225</u>	<u>\$ 126</u>	<u>\$ -</u>	<u>\$ 848</u>	<u>\$ -</u>	<u>\$ 29,884</u>
Net Assets						
Unrestricted net assets	<u>\$ 1,225</u>	<u>\$ 126</u>	<u>\$ -</u>	<u>\$ 848</u>	<u>\$ -</u>	<u>\$ 29,884</u>

NORTHWEST INDIANA EDUCATIONAL SERVICE CENTER
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended June 30, 2007

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Machinery and equipment	\$ 352,411
Vehicles	<u>32,412</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 384,823</u>

NORTHWEST INDIANA EDUCATIONAL SERVICE CENTER
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For The Year Ended June 30, 2007

The Service Center has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital lease:		
Copier	\$ 1,584	\$ 1,584

NORTHWEST INDIANA EDUCATIONAL SERVICE CENTER
EXAMINATION RESULTS AND COMMENTS

ADEQUATE SUPPORTING DOCUMENTATION

Payments remitted to credit card companies were based solely on the credit card statements. Receipts were not included with the claim for payment to support the charges on the statement. Other claims were observed which did not include an invoice or receipt.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

LIST OF PUBLIC EMPLOYEES

Northwest Indiana Educational Service Center did not file the list of public employees with the County Treasurer's office.

Indiana Code 6-1.1-22-14 states in part: "(a) On or before June 1 and December 1 of each year (or more frequently if the county legislative body adopts an ordinance requiring additional certifications), the disbursing officer of each political subdivision . . . shall certify the name and address of each person who has money due the person from the political subdivision to the treasurer of each county in which the political subdivision is located."

NORTHWEST INDIANA EDUCATIONAL SERVICE CENTER
EXIT CONFERENCE

The contents of this report were discussed on April 16, 2008, with Dr. Charles Costa, Executive Director; John Lewis, Coordinator; and Ruth Mueller, Board Chairperson. The officials concurred with our examination findings.