

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

EXAMINATION REPORT  
OF  
WILSON EDUCATION CENTER  
CLARK COUNTY, INDIANA  
July 1, 2006 to June 30, 2008



**FILED**  
02/05/2010



TABLE OF CONTENTS

| <u>Description</u>   | <u>Page</u> |
|--|-------------|
| Officials .....  | 2           |
| Independent Accountant's Report.....   | 3           |
| Financial Information:   |             |
| Government-Wide Financial Information:   |             |
| Statement of Activities and Net Assets – Cash and Investment Basis .....   | 4-5         |
| Fund Financial Information:  |             |
| Governmental Funds:  |             |
| Statement of Assets and Fund Balances and Receipts, Disbursements, and<br>Changes in Fund Balances – Cash and Investment Basis – Governmental Funds .....                  | 6-7         |
| Fiduciary Funds:   |             |
| Statement of Additions, Deductions, and Changes in Cash and<br>Investment Balances – Fiduciary Funds .....   | 8-9         |
| Notes to Financial Statements .....  | 10-18       |
| Required Supplementary Information:  |             |
| Schedule of Funding Progress .....   | 19          |
| Supplementary Information:   |             |
| Combining Schedule of Assets and Fund Balances and Receipts, Disbursements,<br>and Changes in Fund Balances – Cash and Investment Basis – Other<br>Governmental Funds..... | 20-21       |
| Schedule of Long-Term Debt .....   | 22          |
| Examination Results and Comments:  |             |
| Association of Educational Purchasing Agencies (AEPA) .....  | 23-24       |
| Public Works vs. Public Purchasing .....   | 25-28       |
| Bid Process.....   | 28          |
| Specifications – Multi-State Service Requirement .....   | 28          |
| Specifications – Bidder Eligibility .....  | 29-31       |
| Purchases Not Competitively Bid – Roofing Related Services .....   | 31-33       |
| Purchases Not Competitively Bid – Roofing Materials Only .....   | 33-35       |
| Purchases Not Competitively Bid – Technology Products .....  | 35-36       |
| Bid Evaluation Process – Technology Products.....  | 36-39       |
| Bid Evaluation Process – Roofing Related Services.....   | 39-40       |
| State Cost Multipliers – Roofing Related Services.....   | 40-41       |
| Bid Items Not Related to Roofing .....   | 41-43       |
| Board Action Without a Quorum Present .....  | 43-44       |
| Exit Conference.....   | 45          |
| Official Response .....  | 46-47       |

OFFICIALS

| <u>Office</u>                    | <u>Official</u>  | <u>Term</u>  |
|----------------------------------|--|--|
| Treasurer                        | Pamela A. Clover   | 07-01-05 to 06-30-10   |
| Executive Director               | Larry E. Risk<br>(Vacant)<br>Phil Partenheimer                             | 07-01-05 to 12-31-08<br>01-01-09 to 01-31-09<br>02-01-09 to 06-30-10                         |
| President of the<br>School Board | Dr. Michael Bushong<br>Terry Smith<br>Dr. Robert Schmielau<br>Stephen Patz | 07-01-05 to 06-30-06<br>07-01-06 to 06-30-07<br>07-01-07 to 06-30-08<br>07-01-08 to 06-30-10 |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE WILSON EDUCATION CENTER, CLARK COUNTY, INDIANA

We have examined the financial statement presented herein of the Wilson Education Center (School Corporation), for the period of July 1, 2005 to June 30, 2007. The School Corporation's management is responsible for the financial statement 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 statement 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 statement referred to above presents fairly, in all material respects, the financial statement of the School Corporation 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 required part of the 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 examine the information and express no opinion on it.

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

STATE BOARD OF ACCOUNTS

September 29, 2009

WILSON EDUCATION CENTER  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2006

|  | <u>Net<br/>(Disbursements)<br/>Receipts and<br/>Changes in<br/>Net Assets</u> |
|--|---|
| <u>Functions/Programs</u>                                    | <u>Totals</u>   |
| Governmental activities:                                     |   |
| Instruction  | \$ (22,540)   |
| Support services   | <u>(2,578,709)</u>  |
| Total government   | <u>(2,601,249)</u>  |
| General receipts:  |   |
| Other local sources  | 1,027,814   |
| State aid  | 188,778   |
| Loan   | 650,000   |
| Sale of property, adjustments, and refunds                   | 4,894   |
| Grants and contributions not restricted to specific programs | 46,142  |
| Investment earnings  | <u>35,044</u>   |
| Total general receipts                                       | <u>1,952,672</u>  |
| Change in net assets   | (648,577)   |
| Net assets - beginning                                       | <u>1,029,206</u>  |
| Net assets - ending  | <u>\$ 380,629</u>   |
| <br><u>Assets</u>  |   |
| Unrestricted   |   |
| Cash and investments   | <u>\$ 380,629</u>   |

The notes to the financial statements are an integral part of the financial information.

WILSON EDUCATION CENTER  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2007

| <u>Functions/Programs</u>                                    | Net<br>(Disbursements)<br>Receipts and<br>Changes in<br>Net Assets |
|--|--|
|  | <u>Totals</u>  |
| Governmental activities:                                     |  |
| Instruction  | \$ (18,140)  |
| Support services   | (1,837,987)  |
| Debt service   | <u>(71,633)</u>  |
| Total government   | <u>(1,927,760)</u>   |
| General receipts:  |  |
| Other local sources  | 1,325,839  |
| State aid  | 188,739  |
| Loan   | 252,887  |
| Grants and contributions not restricted to specific programs | 41,163   |
| Investment earnings  | <u>33,884</u>  |
| Total general receipts                                       | <u>1,842,512</u>   |
| Change in net assets   | (85,248)   |
| Net assets - beginning                                       | <u>380,629</u>   |
| Net assets - ending  | <u><u>\$ 295,381</u></u>   |
| <br><u>Assets</u>  |  |
| Unrestricted   |  |
| Cash and investments   | <u><u>\$ 295,381</u></u>   |

The notes to the financial statements are an integral part of the financial information.

WILSON EDUCATION CENTER  
STATEMENT 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           | Construction     | Building         | Capital<br>Projects | Other            | Totals            |
|--|-------------------|------------------|------------------|---------------------|------------------|-------------------|
| Receipts:  |                   |                  |                  |                     |                  |                   |
| Local sources  | \$ 1,046,516      | \$ -             | \$ 5,543         | \$ -                | \$ 10,800        | \$ 1,062,859      |
| State sources  | 188,778           | -                | -                | -                   | 9,673            | 198,451           |
| Federal sources  | -                 | -                | -                | -                   | 36,468           | 36,468            |
| Bonds and loans  | -                 | -                | -                | 650,000             | -                | 650,000           |
| Sale of property, adjustments, and refunds   | -                 | -                | -                | 4,894               | -                | 4,894             |
| <b>Total receipts</b>  | <u>1,235,294</u>  | <u>-</u>         | <u>5,543</u>     | <u>654,894</u>      | <u>56,941</u>    | <u>1,952,672</u>  |
| Disbursements:   |                   |                  |                  |                     |                  |                   |
| Current:   |                   |                  |                  |                     |                  |                   |
| Instruction  | -                 | -                | -                | -                   | 22,540           | 22,540            |
| Support services   | 1,306,470         | 8,683            | 437,440          | 805,720             | 20,396           | 2,578,709         |
| <b>Total disbursements</b>   | <u>1,306,470</u>  | <u>8,683</u>     | <u>437,440</u>   | <u>805,720</u>      | <u>42,936</u>    | <u>2,601,249</u>  |
| Excess (deficiency) of receipts over disbursements   | <u>(71,176)</u>   | <u>(8,683)</u>   | <u>(431,897)</u> | <u>(150,826)</u>    | <u>14,005</u>    | <u>(648,577)</u>  |
| Other financing sources (uses):  |                   |                  |                  |                     |                  |                   |
| Transfers in   | -                 | 72,932           | -                | -                   | -                | 72,932            |
| Transfers out  | -                 | -                | -                | (72,932)            | -                | (72,932)          |
| <b>Total other financing sources (uses)</b>  | <u>-</u>          | <u>72,932</u>    | <u>-</u>         | <u>(72,932)</u>     | <u>-</u>         | <u>-</u>          |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing sources | <u>(71,176)</u>   | <u>64,249</u>    | <u>(431,897)</u> | <u>(223,758)</u>    | <u>14,005</u>    | <u>(648,577)</u>  |
| Cash and investments - beginning   | <u>253,071</u>    | <u>-</u>         | <u>431,897</u>   | <u>295,000</u>      | <u>49,238</u>    | <u>1,029,206</u>  |
| Cash and investments - ending  | <u>\$ 181,895</u> | <u>\$ 64,249</u> | <u>\$ -</u>      | <u>\$ 71,242</u>    | <u>\$ 63,243</u> | <u>\$ 380,629</u> |
| <b>Cash and Investment Fund Balance - Ending</b>   |                   |                  |                  |                     |                  |                   |
| Unrestricted   | <u>\$ 181,895</u> | <u>\$ 64,249</u> | <u>\$ -</u>      | <u>\$ 71,242</u>    | <u>\$ 63,243</u> | <u>\$ 380,629</u> |

The notes to the financial statements are an integral part of the financial information.

WILSON EDUCATION CENTER  
STATEMENT 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           | Construction  | Building    | Capital<br>Projects | Other            | Totals            |
|--|-------------------|---------------|-------------|---------------------|------------------|-------------------|
| Receipts:  |                   |               |             |                     |                  |                   |
| Local sources                                      | \$ 1,240,599      | \$ -          | \$ -        | \$ -                | \$ 10,990        | \$ 1,251,589      |
| State sources                                      | 188,739           | -             | -           | -                   | -                | 188,739           |
| Federal sources                                    | 500               | -             | -           | -                   | 148,797          | 149,297           |
| Bonds and loans                                    | -                 | -             | -           | 252,887             | -                | 252,887           |
|  | <u>1,429,838</u>  | <u>-</u>      | <u>-</u>    | <u>252,887</u>      | <u>159,787</u>   | <u>1,842,512</u>  |
| Total receipts                                     |                   |               |             |                     |                  |                   |
| Disbursements:                                     |                   |               |             |                     |                  |                   |
| Current:   |                   |               |             |                     |                  |                   |
| Instruction  | -                 | -             | -           | -                   | 18,140           | 18,140            |
| Support services                                   | 1,286,306         | 64,249        | -           | 324,129             | 163,303          | 1,837,987         |
| Debt services                                      | 71,633            | -             | -           | -                   | -                | 71,633            |
|  | <u>1,357,939</u>  | <u>64,249</u> | <u>-</u>    | <u>324,129</u>      | <u>181,443</u>   | <u>1,927,760</u>  |
| Total disbursements                                |                   |               |             |                     |                  |                   |
| Excess (deficiency) of receipts over disbursements | 71,899            | (64,249)      | -           | (71,242)            | (21,656)         | (85,248)          |
| Cash and investments - beginning                   | <u>181,895</u>    | <u>64,249</u> | <u>-</u>    | <u>71,242</u>       | <u>63,243</u>    | <u>380,629</u>    |
| Cash and investments - ending                      | <u>\$ 253,794</u> | <u>\$ -</u>   | <u>\$ -</u> | <u>\$ -</u>         | <u>\$ 41,587</u> | <u>\$ 295,381</u> |
| <u>Cash and Investment Fund Balance - Ending</u>   |                   |               |             |                     |                  |                   |
| Unrestricted                                       | <u>\$ 253,794</u> | <u>\$ -</u>   | <u>\$ -</u> | <u>\$ -</u>         | <u>\$ 41,587</u> | <u>\$ 295,381</u> |

The notes to the financial statements are an integral part of the financial information.

WILSON EDUCATION CENTER  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND  
CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2006

|   | Private-Purpose<br>Trust Funds |
|---|--------------------------------|
| Additions:  |                                |
| Contributions:                                      |                                |
| Other   | \$ 52,852                      |
| Deductions:   |                                |
| Administrative and general                          | 53,277                         |
| Deficiency of total additions over total deductions | (425)                          |
| Cash and investment fund balance - beginning        | 47,872                         |
| Cash and investment fund balance - ending           | \$ 47,447                      |

The notes to the financial statements are an integral part of the financial information.

WILSON EDUCATION CENTER  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND  
CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2007

|   | <u>Private-Purpose<br/>Trust Funds</u> |
|---|--|
| Additions:  |  |
| Contributions:                                      |  |
| Other   | \$ 60,184                              |
| Deductions:   |  |
| Administrative and general                          | <u>61,705</u>                          |
| Deficiency of total additions over total deductions | (1,521)                                |
| Cash and investment fund balance - beginning        | <u>47,447</u>                          |
| Cash and investment fund balance - ending           | <u><u>\$ 45,926</u></u>                |

The notes to the financial statements are an integral part of the financial information.

WILSON EDUCATION CENTER  
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 Wilson Education Center (School Corporation) is an educational service center established by area schools to perform educational planning on a cooperative basis and to assist in meeting specific educational needs in participating school districts which could be provided more efficiently by an educational service center than by the districts themselves. The establishment of an education service center is authorized under the laws of Indiana. The Education Center operates under a Board of Directors composed of the chief administrative officer or his/her designee from each of the following member schools:

|   |                                       |
|---|---------------------------------------|
| Batesville Community Schools            | North Harrison Community Schools      |
| Brownstown Central Schools              | Rising Sun-Ohio County Schools        |
| Clarksville Community Schools           | Salem Community Schools               |
| Crothersville Community Schools         | Scott County School District 1        |
| East Washington School Corporation      | Scott County School District 2        |
| Greater Clark County School Corporation | Seymour Community Schools             |
| Jac-Cen-Del Community Schools           | South Dearborn Community Schools      |
| Jennings County Schools                 | South Harrison Community Schools      |
| Lanesville Community Schools            | South Ripley Community Schools        |
| Lawrenceburg Community Schools          | Southwestern Jefferson County Schools |
| Madison Consolidated Schools            | Sunman-Dearborn Community Schools     |
| Medora Community Schools                | Switzerland County Schools            |
| Milan Community Schools                 | West Clark Community Schools          |
| New Albany-Floyd County Schools         |                                       |

The School Corporation's financial reporting entity is composed of the following:

Primary Government: Wilson Education Center

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

WILSON EDUCATION CENTER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Fund Financial Statements

Fund financial statements 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, fund equity, receipts, and disbursements. 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 are reported as separate columns in the fund financial statements.

The School Corporation 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 construction fund accounts for planned construction, repair, replacement or remodeling of building projects.

The building fund accounts funds transfers from the general fund and proceeds from debt to finance the construction of a new building.

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

Additionally, the School Corporation reports the following fund type:

The private-purpose trust fund reports a trust arrangement under which principal and income benefit schools and students participating in academic competitions.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis 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 statements.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

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.

WILSON EDUCATION CENTER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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. Capital Assets

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

3. 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 statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

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 School Corporation'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 Statements

Governmental fund equity is classified as fund balance.

E. Receipts and Disbursements

Program Receipts

Internally dedicated resources are reported as general receipts rather than as program receipts.

F. Internal and Interfund Balances and Activities

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

WILSON EDUCATION CENTER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Fund Financial Statements

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 not reported as reimbursements but as adjustments to disbursements in the respective funds.
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 Statements

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

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. 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. 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

Statutory Authorization for Investments

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 School Corporation 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.

WILSON EDUCATION CENTER  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

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

Additionally, the School Corporation may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the School Corporation'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.

B. Interfund Transfers

Interfund transfers for the year ended June 30, 2006, were as follows:

| Transfer From         | Transfer To       | 07-01-05<br>to<br>06-30-06 |
|-----------------------|-------------------|----------------------------|
| Capital Projects Fund | Construction Fund | \$ 72,932                  |

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

III. Other Information

A. Risk Management

The School Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

WILSON EDUCATION CENTER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

B. Pension Plans

1. Agent Multiple-Employer 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.

WILSON EDUCATION CENTER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Information for the Above Plan

|   | PERF            |
|---|-----------------|
| Annual required contribution                  | \$ 26,232       |
| Interest on net pension obligation            | (2,234)         |
| Adjustment to annual required contribution    | 2,546           |
| Annual pension cost                           | 26,544          |
| Contributions made                            | 32,843          |
| Increase (decrease) in net pension obligation | (6,299)         |
| Net pension obligation, beginning of year     | (30,815)        |
| Net pension obligation, end of year           | \$ (37,114)     |
| Contribution rates:                           |                 |
| School Corporation                            | %               |
| Plan members                                  | 3%              |
| Actuarial valuation date                      | 07-01-08        |
| Actuarial cost method                         | Entry age       |
| Amortization method                           | Level           |
|   | percentage      |
|   | of projected    |
|   | payroll, closed |
| Amortization period                           | 30 years        |
| Amortization period (from date)               | 07-01-97        |
| Asset valuation method                        | 75% of expected |
|   | actuarial value |
|   | plus 25% of     |
|   | market value    |
| Amortization period                           | 30 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%    |
| 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%    |

WILSON EDUCATION CENTER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Three Year Trend Information

|      | Year<br>Ending | Annual<br>Pension Cost<br>(APC) | Percentage<br>of APC<br>Contributed | Net<br>Pension<br>Obligation |
|------|----------------|---------------------------------|-------------------------------------|------------------------------|
| PERF | 06-30-06       | \$ 17,038                       | 137%                                | \$ (11,972)                  |
|      | 06-30-07       | 20,177                          | 193%                                | (30,815)                     |
|      | 06-30-08       | 26,544                          | 124%                                | (37,114)                     |

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.

WILSON EDUCATION CENTER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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, 2006, 2007, and 2008, were \$4511, \$4132, and \$4266, respectively. The School Corporation actually contributed 100%, 100%, and 100% of the required contribution for each of the fiscal years, respectively.

WILSON EDUCATION CENTER  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>(b) | Excess of<br>Assets Over<br>(Unfunded)<br>AAL<br>(a-b) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | Excess<br>(Unfunded)<br>AAL as a<br>Percentage<br>of Covered<br>Payroll<br>((a-b)/c) |
|--------------------------------|--|---|--|--------------------------|---------------------------|--|
| 07-01-06                       | \$ 540,961                             | \$ 489,936  | \$ 51,025  | 110%                     | \$ 428,414                | 12%  |
| 07-01-07                       | 632,856                                | 591,555   | 41,301   | 107%                     | 502,506                   | 8%   |
| 07-01-08                       | 707,881                                | 716,532   | (8,651)  | 99%                      | 524,269                   | (2%)   |

WILSON EDUCATION 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

|  | Drug-Free<br>Grant | School<br>Technology | Gifted and<br>Talented<br>FY 05-06 | Gifted and<br>Talented<br>FY 06-07 | Shared<br>Information<br>Service<br>Grant | USDA<br>Distance<br>Learning<br>Grant | Bilingual<br>Education | Reading<br>First | Totals        |
|--|--------------------|----------------------|------------------------------------|------------------------------------|---|---------------------------------------|------------------------|------------------|---------------|
| <b>Receipts:</b>                                   |                    |                      |                                    |                                    |   |                                       |                        |                  |               |
| Local sources                                      | \$ -               | \$ 10,800            | \$ -                               | \$ -                               | \$ -                                      | \$ -                                  | \$ -                   | \$ -             | \$ 10,800     |
| State sources                                      | -                  | -                    | -                                  | 4,673                              | -   | -                                     | -                      | 5,000            | 9,673         |
| Federal sources                                    | 9,700              | -                    | -                                  | -                                  | -   | -                                     | 26,768                 | -                | 36,468        |
| <b>Total receipts</b>                              | <b>9,700</b>       | <b>10,800</b>        | <b>-</b>                           | <b>4,673</b>                       | <b>-</b>                                  | <b>-</b>                              | <b>26,768</b>          | <b>5,000</b>     | <b>56,941</b> |
| <b>Disbursements:</b>                              |                    |                      |                                    |                                    |   |                                       |                        |                  |               |
| <b>Current:</b>                                    |                    |                      |                                    |                                    |   |                                       |                        |                  |               |
| Instruction  | 9,700              | -                    | 3,167                              | 4,673                              | -   | -                                     | -                      | 5,000            | 22,540        |
| Support services                                   | -                  | -                    | -                                  | -                                  | 8,359                                     | -                                     | 12,037                 | -                | 20,396        |
| <b>Total disbursements</b>                         | <b>9,700</b>       | <b>-</b>             | <b>3,167</b>                       | <b>4,673</b>                       | <b>8,359</b>                              | <b>-</b>                              | <b>12,037</b>          | <b>5,000</b>     | <b>42,936</b> |
| Excess (deficiency) of receipts over disbursements | -                  | 10,800               | (3,167)                            | -                                  | (8,359)                                   | -                                     | 14,731                 | -                | 14,005        |
| Cash and investments - beginning                   | -                  | 24,845               | 16,259                             | -                                  | 8,359                                     | (225)                                 | -                      | -                | 49,238        |
| Cash and investments - ending                      | \$ -               | \$ 35,645            | \$ 13,092                          | \$ -                               | \$ -                                      | \$ (225)                              | \$ 14,731              | \$ -             | \$ 63,243     |
| <b>Cash and Investment Fund Balance - Ending</b>   |                    |                      |                                    |                                    |   |                                       |                        |                  |               |
| Unrestricted                                       | \$ -               | \$ 35,645            | \$ 13,092                          | \$ -                               | \$ -                                      | \$ (225)                              | \$ 14,731              | \$ -             | \$ 63,243     |

WILSON EDUCATION 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<br>Technology | Gifted and<br>Talented<br>FY 05-06 | Title II     | USDA<br>Distance<br>Learning<br>Grant | Bilingual<br>Education | Title III     | Totals           |
|--|----------------------|------------------------------------|--------------|---------------------------------------|------------------------|---------------|------------------|
| <b>Receipts:</b>                                   |                      |                                    |              |                                       |                        |               |                  |
| Local sources                                      | \$ 10,990            | \$ -                               | \$ -         | \$ -                                  | \$ -                   | \$ -          | \$ 10,990        |
| Federal sources                                    | -                    | -                                  | 4,673        | 108,134                               | -                      | 35,990        | 148,797          |
| <b>Total receipts</b>                              | <b>10,990</b>        | <b>-</b>                           | <b>4,673</b> | <b>108,134</b>                        | <b>-</b>               | <b>35,990</b> | <b>159,787</b>   |
| <b>Disbursements:</b>                              |                      |                                    |              |                                       |                        |               |                  |
| <b>Current:</b>                                    |                      |                                    |              |                                       |                        |               |                  |
| Instruction  | 5,048                | 13,092                             | -            | -                                     | -                      | -             | 18,140           |
| Support services                                   | -                    | -                                  | 4,673        | 107,909                               | 14,731                 | 35,990        | 163,303          |
| <b>Total disbursements</b>                         | <b>5,048</b>         | <b>13,092</b>                      | <b>4,673</b> | <b>107,909</b>                        | <b>14,731</b>          | <b>35,990</b> | <b>181,443</b>   |
| Excess (deficiency) of receipts over disbursements | 5,942                | (13,092)                           | -            | 225                                   | (14,731)               | -             | (21,656)         |
| Cash and investments - beginning                   | 35,645               | 13,092                             | -            | (225)                                 | 14,731                 | -             | 63,243           |
| Cash and investments - ending                      | <u>\$ 41,587</u>     | <u>\$ -</u>                        | <u>\$ -</u>  | <u>\$ -</u>                           | <u>\$ -</u>            | <u>\$ -</u>   | <u>\$ 41,587</u> |
| <b>Cash and Investment Fund Balance - Ending</b>   |                      |                                    |              |                                       |                        |               |                  |
| Unrestricted                                       | <u>\$ 41,587</u>     | <u>\$ -</u>                        | <u>\$ -</u>  | <u>\$ -</u>                           | <u>\$ -</u>            | <u>\$ -</u>   | <u>\$ 41,587</u> |

WILSON EDUCATION CENTER  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 June 30, 2007

The School Corporation has entered into the following debt:

| Description of Debt      | Ending<br>Principal<br>Balance | Principal and<br>Interest Due<br>Within One<br>Year |
|--------------------------|--------------------------------|---|
| Governmental activities: |                                |   |
| Building loan payable    | <u>\$ 862,624</u>              | <u>\$ 86,220</u>                                    |

WILSON EDUCATION CENTER  
EXAMINATION RESULTS AND COMMENTS

ASSOCIATION OF EDUCATIONAL PURCHASING AGENCIES (AEPA)

The Wilson Educational Service Center has been a member of the Association of Education Purchasing Agencies (AEPA) since the year 1999. AEPA was an unincorporated association prior to incorporation as a not for profit corporation in the State of Nevada on February 23, 2007. A "Memorandum of Understanding," dated July 23, 2007, was presented for examination showing the Wilson Education Center's participation in the incorporated AEPA.

Larry E. Risk, former Wilson Education Center Executive Director, is listed as one of the original incorporators of AEPA in the articles of incorporation. Pamela A. Clover, Wilson Education Center Treasurer, currently holds the position of Secretary for the Corporation. No information was presented for examination to indicate that Larry E. Risk or Pamela A. Clover derived a profit from the Wilson Education Center's membership in AEPA.

AEPA is a national purchasing organization of educational service centers located in 22 Member States. The AEPA's stated purpose is to secure volume purchasing contracts by accepting bids from vendors on a national level. The Wilson Education Center was designated by the Indiana Association of Educational Service Centers (a statewide consortium of the nine educational service centers) as AEPA's representative for the State of Indiana. The following is a summary of the AEPA and Wilson Education Center procurement process:

1. Each Member State is responsible for complying with their State and local procurement laws. The Wilson Education Center advertises for bids on various categories of materials (including the combined cost of materials and installation) in the Jeffersonville Evening News (a local newspaper) based on specifications approved by the AEPA.

The Wilson Education Center acts in the capacity of a clearinghouse for AEPA and receives bids solicited by all Member States for all bid categories. The Wilson Education Center opens the bids on the date, time, and location (Wilson Education Center office in Charlestown, Indiana) designated in the advertisement for bids. The Wilson Education Center then forwards the bids to AEPA.

2. The AEPA holds meetings at selected sites within the United States. AEPA assigns oversight committees for each bid category to evaluate the bids.

Based on our review of the bid categories: (1) "Roofing Related Services" (combined cost of materials and installation) and (2) "Technology Products" (computer products), the oversight committees used price surveys and other evaluation criteria outlined in the Invitation to Bid to determine the lowest responsible and responsive bidder.

Each oversight committee makes a recommendation to the full AEPA membership as to which bidder they consider the lowest responsible and responsive bidder.

3. The full AEPA membership votes to accept or reject the respective committees' recommendations.
4. Each individual Member State determines whether to accept or reject the AEPA recommended lowest responsible and responsive bidder. If the Wilson Education Center Board approves the AEPA recommended bidders, the Wilson Education Center Board awards a contract to the applicable bidders.

WILSON EDUCATION CENTER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

5. The contracts may be used by school corporations (members) located in the State of Indiana as described in the Invitation to Bid, Part A which states in part the following in Section 4C:

". . . Cooperative Purchasing is one of the specific statutory functions the Indiana General Assembly authorized Educational Service Centers (ESCs) to undertake. The Indiana Association of Educational Service Centers (IAESC) is a statewide consortium of the 9 ESCs and their member school corporations. All public schools and eligible private schools in Indiana can voluntarily become a member of one of the nine Educational Service Centers in the State. Currently, 87% of Indiana public school corporations and 50 private/parochial schools are members of an ESC. The Wilson Education Center (WEC) as established by Indiana Code 20-1-11.3-1 with Inter-local Agreement Powers, as established by Indiana Code 36-1-7-2, represents all ESCs and their eligible member school corporations in this multi-state (AEPA) cooperative purchasing program within Indiana. The WEC operates under all current coop purchasing statutes.

No member is obligated to use these services and contracts, but advantageous pricing and elimination of the bid process at the local level is extremely attractive."

The following is a schedule of the original contract award date and purchases that school corporations located in Indiana made during the fiscal years ended June 30, 2006, and June 30, 2007, using the Wilson Education Center's purchase contracts. The information was obtained from vendor summary reports that the Wilson Education Center submits to the Association of Educational Purchasing Agencies (AEPA).

| Description of Purchases           | Original<br>Contract<br>Award Date | 07-01-05<br>to<br>06-30-06 | 07-01-06<br>to<br>06-30-07 |
|------------------------------------|------------------------------------|----------------------------|----------------------------|
| Roofing related services           | 12-15-04                           | \$ 3,813,557               | 3,022,787                  |
| Office/Classroom supplies (Note 1) | 01-17-07                           | 761,229                    | 410,919                    |
| Commercial floor covering systems  | 12-15-04                           | 753,930                    | 1,386,695                  |
| Athletic services (Note 2)         | 02-18-04                           | -                          | 1,295,709                  |
| Library books                      | 02-18-04                           | 6                          | 7,494                      |
| Copiers                            | 12-15-04                           | 422,333                    | 631,629                    |
| Technology products                | 12-08-05                           | 806,015                    | 1,814,153                  |
| Furniture                          | 12-08-05                           | 99                         | 16,979                     |
| Sports and health catalogs         | 12-08-05                           | -                          | 993                        |
| Administrative software            | 02-18-04                           | 19,384                     | 89,908                     |
| Totals                             |                                    | <u>\$ 6,576,553</u>        | <u>\$ 8,677,266</u>        |

Note 1: Purchases for the year 2006 were based on a contract awarded in the year 2002.

Note 2: "Athletic Services" is a summary of purchases from several athletic services' categories including athletic equipment; artificial surfaces; indoor and outdoor tracks and courts; etc. Information was not presented for examination to provide a separate reporting of these athletic services.

WILSON EDUCATION CENTER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

PUBLIC WORKS VS. PUBLIC PURCHASING (Background Information)

The Wilson Education Center solicited bids as the AEPA's (See Examination Result and Comment titled "Association of Educational Purchasing Agencies") Member State representative for the State of Indiana for the bid categories: "Roofing Related Services"; "Commercial Floor Covering Systems"; and various categories of athletic services. These bid categories included the combined cost of materials and installation.

The following is information regarding the question of public works vs. public purchasing:

Audit Report on Rossville Consolidated School District

The Wilson Education Center has used some of the provisions of IC 5-22 (Public Purchasing Law) to solicit bids for combined cost of materials and installation since the year 2000.

The State Board of Accounts questioned the use of the Wilson Education Center contract by the Rossville Consolidated School District (RCSD) for roofing related services (including installation) in Report B22465 covering the period July 1, 2001 to June 30, 2003. Report B22465 stated in part the following in an Audit Result and Comment titled "Public Works Project":

"Rossville Consolidated School District in April 2002 contracted for a roof renovation project with Weatherproofing Technologies, Inc., Beachwood, Ohio, for the Elementary School and the High School. The total amount paid to Weatherproofing Technologies, Inc., was \$689,212."

"Rossville Consolidated School District Officials did not present information for audit that: (1) sealed bids were requested or received, (2) plans or specifications were prepared, (3) plans or specifications were approved by an architect or engineer, (4) notice of the project was published in a newspaper published within the school corporation or the county. However, School Officials did provide information that the Wilson Education Center, Charlestown, Indiana, published notice for bids for roofing in the year 2000 in a newspaper published in Jeffersonville, Indiana. . . ."

"IC 36-1-12-4(b) states in part: "The board must comply with the following procedure: (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. . . . (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3). (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with IC 5-3-1 calling for sealed proposals for the public work needed . . ."

Wilson Education Center Board Disclaimer

The December 15, 2004, Wilson Education Center's Board minutes state in part:

". . . Lengthy discussion ensued that included the status of the Rossville Schools audit, implications for the Wilson Education Center, and is there a possibility of lawsuits. Mr. Risk also distributed letters from corporations across the state that have used TREMCO and would like to have the bid awarded so that they may use them in the future. Following discussion a motion was made by Mr. Schroeder to approve the AEPA Bid

WILSON EDUCATION CENTER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Award for year five of the multi state buying consortia to Shaw Industries and Interface Flooring for Commercial Floor Covering, and Weatherproofing Technologies (Tremco) for Roofing Related Services; with a disclaimer stating the Wilson Education Center Governing Board recommends any corporation using this award, and any vendor used under this award go through the necessary steps to meet requirements of public works and prevailing wage law. . . ."

Use of Contracts That Include The Combined Cost of Materials and Installation

The use of contracts that included the combined cost of materials and installation awarded by the Wilson Education Center were based on AEPA recommendations and were used primarily by the school corporations outside the Wilson Education Center's approved service area. The following schedules are a summary of purchases made by Indiana school corporations located: (1) outside the Wilson Education Center's (WEC) approved service area; and (2) within the WEC approved service area based on information provided by Wilson Education Center officials:

| School Corporations<br>Outside WEC Service Area |                                |                                |                      |
|---|--------------------------------|--------------------------------|----------------------|
| Year  | Roofing<br>Related<br>Services | Commercial<br>Floor<br>Systems | Athletic<br>Services |
| 2006  | \$ 5,693,061                   | \$ 294,459                     | \$ -                 |
| 2007  | 4,640,608                      | 2,237,719                      | 1,295,709            |
| 2008  | 5,455,005                      | 1,216,140                      | 784,774              |
| Totals  | <u>\$ 15,788,674</u>           | <u>\$ 3,748,318</u>            | <u>\$ 2,080,483</u>  |

| School Corporations<br>Within the WEC Service Area |                                |                                |                      |
|--|--------------------------------|--------------------------------|----------------------|
| Year   | Roofing<br>Related<br>Services | Commercial<br>Floor<br>Systems | Athletic<br>Services |
| 2006   | \$ -                           | \$ 20,142                      | \$ -                 |
| 2007   | 32,238                         | 58,795                         | -                    |
| 2008   | 433                            | 107,883                        | -                    |
| Totals   | <u>\$ 32,671</u>               | <u>\$ 186,820</u>              | <u>\$ -</u>          |

WILSON EDUCATION CENTER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Legal Advice Followed by Wilson Education Center

A letter dated October 11, 2007, from the Wilson Education Center Attorney, to the Indiana Association of Educational Service Centers (a statewide consortium of the nine educational service centers) regarding the Wilson Education Center's process of using the provisions of the Public Purchasing Law to solicit bids for materials including the cost of installation. The letter states in part the following:

"As you know, the purchase of equipment, goods, and materials by Indiana public school corporations is governed by Indiana's public purchasing laws under Indiana Code 5-22, as amended. As I have previously discussed with Mr. Larry Risk, Executive Director of the Wilson Education Center, we reasonably believe Indiana's public purchasing laws apply to the purchase and installation of equipment and materials (such as flooring, boilers, chillers and roofing materials) on existing facilities so long as such equipment or materials is either replacing existing equipment or materials or there is not any alteration in the physical structure of the existing facility after the equipment or materials are installed. In addition, we reasonably believe that if services are provided in connection with such purchase and installation by an Indiana public school corporation, then Indiana Code 5-16-7, as amended, may apply. At your request, this letter will provide you a detailed written analysis of the conversations I have had with Mr. Risk on these issues"

Statutes Related to Public Works Projects

The following are two of the statutes related to public works projects:

IC 36-1-12-2(Public Works Law) states in part: "As used in this chapter, "public work" means the construction, reconstruction, alteration, or renovation of a public building, airport facility, or other structure that is paid for out of a public fund . . ."

IC 5-22-1-3(a) (Public Purchasing Law) states in part: ". . . this article does not apply to the following types of activities: . . . (2) A public works project. . ."

Official Opinion Issued by Office of the Attorney General

Official Opinion 2008-5, dated November 3, 2008, issued by the Attorney General of the State of Indiana in response to questions from the State Board of Accounts provided in part the following:

"You have requested our opinion regarding the extent to which the public work laws apply to certain expenditures by school corporations. Although you posed several questions related to this matter, we understand the basic question to be whether the public work statute applies to roof repair/replacement projects undertaken by school corporations and whether school corporations participating in educational service centers are excepted from the public work statute.

Conclusion

It is the opinion of this Office that school corporations are covered by the public work statute and are subject to the procedures for bids and quotes whenever they contract for public work even when the public work is contracted through an educational service center. The process

WILSON EDUCATION CENTER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

required to award a contract for a particular public work project is determined by the cost of the project except in the event of a declared emergency. The definition of "public work" includes repairs to a roof, including those made to a portion of a roof."

Subsequent Action by the General Assembly

The General Assembly passed Public Law 176, Effective July 1, 2009, adding IC 36-1-12-4.9 to provide:

"(a) This section applies to a public work for the routine operation, routine repair, or routine maintenance of existing structures, buildings, or real property if the cost of the public work is estimated to be less than one hundred fifty thousand dollars (\$150,000)."

"(b) The board may award a contract for public work described in subsection (a) in the manner provided in IC 5-22."

IC 5-22 is commonly referred to as the Public Purchasing Law.

BID PROCESS (Background)

The subsequent Examination Results and Comments were based primarily on our review of two bid categories: (1) "Roofing Related Services" (including the combined cost of materials and installation) and (2) "Technology Products" (computer products). We selected these two bid categories because roofing related services represented the largest dollar volume of purchases for a bid category that included the combined cost of materials and installation and technology products represented the largest dollar volume of purchases for a bid category that did not involve installation costs.

SPECIFICATIONS - MULTI-STATE SERVICE REQUIREMENT (Products Only)

The Wilson Education Center adopted specifications approved by the AEPA (See Examination Result and Comment titled "Association of Educational Purchasing Agencies") to solicit bids for various bid categories for products that do not include the cost of installation (products only).

The Invitation to Bid requires bidders to be able to provide products and service of their products in all of the AEPA Member States.

No information was presented for examination showing that a process was in place which ensured the multi-state service requirement did not eliminate bidders that were qualified to provide products and service of their products within the State of Indiana except for the "office/classroom supplies" bid category.

IC 5-22-5-3 (Public Purchasing Law) states: "A specification must do the following: (1) Promote overall economy for the purposes intended. (2) Encourage competition in satisfying the governmental body's needs."

IC 5-22-4-7(b) states: "This article applies to the purchases made by a cooperative purchasing organization."

WILSON EDUCATION CENTER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

SPECIFICATIONS - BIDDER ELIGIBILITY (Combined Cost of Materials and Installation)

The Wilson Education Center adopted specifications approved by the AEPA (See Examination Result and Comment titled "Association of Educational Purchasing Agencies") to solicit bids for bid categories "Roofing Related Services", "Commercial Floor Covering Systems", and various athletic services categories. These bid categories included the combined cost of materials and installation. The Wilson Education Center used the provisions of IC 5-22 (Public Purchasing Law) to solicit bids for the combined cost of materials and installation (See Examination Result and Comment titled "Public Works vs. Public Purchasing").

We noted the following regarding the encouraging of competition or unduly limiting competition in accordance with IC 5-22-5-3 (Public Purchasing Law) and/or IC 36-1-12-4(b)(1) (Public Works Law) within the State of Indiana:

Manufacturing Companies

Bidders for "Roofing Related Services" and "Commercial Floor Covering Systems" were required to be manufacturers by the AEPA specifications. Consequently, local or regional general contractors, roofing installers, and carpet installers in the State of Indiana would not be eligible to bid on public works projects based on the above requirement.

IC 5-22-5-3 (Public Purchasing Law) states: "A specification must do the following: (1) Promote overall economy for the purposes intended. (2) Encourage competition in satisfying the governmental body's needs."

IC 36-1-12-4(b)(1) (Public Works Law) states in part: "The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. . . ."

Multi-State Service Requirement

The AEPA approved specifications and Invitation for Bid (IFB) require bidders for "Roofing Related Services," "Commercial Floor Covering Systems," and various athletic services categories to provide service to all 22 member states of AEPA and be licensed in all member states.

No information was presented for examination that a process was in place which ensured the multi-state service agreement did not eliminate roofing manufacturers, general contractors, regional and local installers that were qualified to provide service in the State of Indiana. For example, a bid proposal submitted by Johns Manville (a manufacturer) showed they were eligible to provide service in all member states except for the State of Arizona. Johns Manville's bid proposal showed Johns Manville had applied for a general contractor's license in Arizona but had not received the license at the time bids were submitted. AEPA rejected Johns Manville's bid for consideration based on the bid specifications requirement that an eligible bidder must serve all member states.

IC 5-22-5-3 (Public Purchasing Law) states: "A specification must do the following: (1) Promote overall economy for the purposes intended. (2) Encourage competition in satisfying the governmental body's needs."

IC 36-1-12-4(b)(1) (Public Works Law) states in part: "The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. . . ."

WILSON EDUCATION CENTER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Bonding Requirements for Roofing Related Services

The Invitation for Bid (IFB) states the following regarding a high level of bonding capacity for roofing related services (materials and installation): "The AEPA is insisting upon a very high level of bonding capacity for the company awarded a contract . . . A \$50,000,000 dollar minimum requirement is requested. . . ."

No upfront bonding capacity was required for "Commercial Floor Covering Systems" and the various athletic services categories.

The total roofing related services (combined cost of materials and installation) purchased by school corporations located in the State of Indiana directly through the Wilson Education Center's contracts for the calendar years ended December 31, 2006, 2007, and 2008, were \$5,693,061, \$4,672,846, and \$5,455,437, respectively. The largest purchases by an individual school corporation by year, based on purchase order records provided by Wilson Education Center Officials, were as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2006        | \$ 1,045,812  |
| 2007        | 1,786,303     |
| 2008        | 1,865,788     |

IC 5-22-16-5(c) (Public Purchasing Law) states:

"If a bond or certified check is required as the evidence of financial responsibility, the amount of the bond or certified check may not be set at more than ten percent (10%) of the contract price. The bond, certified check, or other evidence of financial responsibility shall be made payable to the governmental body."

IC 36-1-12-4.5 (Public Works Law) states in part the following:

"(a) The political subdivision or agency:

- (1) shall require a bond or a certified check to be filed with each bid by a bidder in the amount determined and specified by the board in the notice of the letting if the cost of the public work is estimated to be more than two hundred thousand dollars (\$200,000); and
- (2) may require a bond or a certified check to be filed with each bid by a bidder in the amount determined and specified by the board in the notice of the letting if the cost of the public work is estimated to be not more than two hundred thousand dollars (\$200,000)."

"(b) The amount of the bond or certified check may not be set at more than ten percent (10%) of the contract price. The bond or certified check shall be made payable to the political subdivision or agency. . . ."

WILSON EDUCATION CENTER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

IC 5-22-5-3 (Public Purchasing Law) states: "A specification must do the following: (1) Promote overall economy for the purposes intended. (2) Encourage competition in satisfying the governmental body's needs."

IC 36-1-12-4(b)(1) (Public Works Law) states in part: "The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. . . ."

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

PURCHASES NOT COMPETITIVELY BID – ROOFING RELATED SERVICES

The AEPA's (See Examination Result and Comment titled "Association of Educational Purchasing Agencies") bid process used a price survey to determine the lowest responsible and responsive bidder for the bid category "Roofing Related Services" (combined cost of materials and installation). The price survey was a predetermined list made known to bidders and was used to compare bidders' prices. However, the lowest responsible and responsive bidder recommendation made by the AEPA to Member States included not only those bid items subject to the price survey but also included other non-bid items for roofing related services (combined cost of materials and installation) that were not subject to the price survey such as the non-bid items totaling \$279,607 described in the section below titled "Penn High School Project."

No information was presented for examination showing how the AEPA's bid process would encourage competition and whether the bid process used an objectively measurable basis to determine the lowest responsible and responsive bidder in accordance with IC 5-22-7-8 and/or IC 36-1-12-4(b)(8) (See section below titled Penn High School Project).

Penn High School Project

We reviewed the roofing related services (combined cost of materials and installation) purchased in the year 2005 by Penn-Harris-Madison School Corporation located in Mishawaka, Indiana for the Penn High School Project (total project costs in amount of \$490,470 including the 2.2% fee assessed by Indiana Association of Educational Service Centers) to determine whether the items purchased were subjected to the AEPA's price survey and thus, competitively bid. Our comparison showed the following roofing related services purchased by Penn-Harris-Madison School Corporation, representing 58% of the total project costs, were not subject to AEPA's price survey:

WILSON EDUCATION CENTER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

| Non-Bid Item  | Amount            |
|---|-------------------|
| Sweep Loose Aggregate   | \$ 19,445         |
| Wet Vacuum Loose Aggregate                                    | 22,515            |
| Prime Substrate   | 7,575             |
| Single Ply Roof, TPA Mechanically attached 45 mils            | 14,063            |
| Single Ply Roof, Fleece back, 60 Mil Adhered with hot asphalt | 183,022           |
| Single Ply Roof TPA fully adhered into bonding adhesive       | 26,107            |
| Warranty 15 year option roof over 10,000 square feet          | 6,880             |
|   | <u>\$ 279,607</u> |

Since 58% of total project costs were not subject to the AEPA price survey, we compared prices bid by Weatherproofing Technology, Inc., (successful bidder) with Johns Manville (eligible bidder in the State of Indiana; See Examination Result and Comment titled "Specifications-Bidder Eligibility) for the above Penn High School Project.

Our comparison showed that the Weatherproofing Technology, Inc., (WTI) had the lowest costs for purchases subject to the price survey for 42% of the project costs. However, Johns Manville (JM) had the lowest costs for 58% of the project costs and lower overall project costs in the amount of \$64,122 as shown in the following schedule:

| Description   | WTI<br>Unit<br>Price | JM<br>Unit<br>Price | Square<br>Feet<br>Quantity | WTI<br>Total<br>Cost | JM<br>Total<br>Cost | Variance    |
|---|----------------------|---------------------|----------------------------|----------------------|---------------------|-------------|
| <u>Bid items subject to AEPA base bid price comparison process (42% of total project costs)</u>   |                      |                     |                            |                      |                     |             |
| Summary total (Note A)  |                      |                     |                            | \$ 200,305           | \$ 229,356          | \$ 29,051   |
| IAESC 2.2% fee (Note B)   |                      |                     |                            | 4,407                | 5,046               | 639         |
| Total bid items subject to AEPA price comparison process  |                      |                     |                            | 204,712              | 234,402             | 29,690      |
| <u>Items not subject to AEPA price comparison process (58% of total project costs)</u>  |                      |                     |                            |                      |                     |             |
| Sweep loose aggregate from roof membrane  | 0.45                 | 0.17                | 43,000                     | 19,445               | 7,310               | (12,135)    |
| Wet vacuum loose aggregate from roof membrane   | 0.52                 | 0.24                | 43,000                     | 22,515               | 10,320              | (12,195)    |
| Prime substrate   | 0.30                 | 0.35                | 25,463                     | 7,575                | 8,912               | 1,337       |
| WTI: Single ply mechanically attached 45 mil TPA vs.<br>JM: 50 mil PVC mechanically attached (Note C)   | 2.61                 | 2.67                | 5,396                      | 14,063               | 14,407              | 344         |
| WTI: Single ply roof, TPA fleece back 60 mil adhered<br>with hot asphalt vs. JM: 60 mil reinforced fleeced<br>back fully adhered PVC (Note C) | 4.87                 | 3.22                | 37,604                     | 183,022              | 121,085             | (61,937)    |
| WTI: Single ply roof TPA 60 mil fully adhered vs. JM<br>60 mil PVC fully adhered (Note C)   | 3.42                 | 3.15                | 7,644                      | 26,107               | 24,079              | (2,028)     |
| Warranty 15 year option roof over 10,000 sq. ft.  | 0.16                 | 0.05                | 43,000                     | 6,880                | 2,150               | (4,730)     |
| Total bid items not subject to AEPA price comparison process  |                      |                     |                            | 279,607              | 188,263             | (91,344)    |
| IAESC fee (Note B)  |                      |                     |                            | 6,151                | 4,142               | (2,010)     |
| Total bid items not subject to AEPA price comparison process including IAESC fee  |                      |                     |                            | 285,758              | 192,405             | (93,354)    |
| Totals  |                      |                     |                            | \$ 490,470           | \$ 426,806          | \$ (63,664) |

WILSON EDUCATION CENTER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Notes to Schedule:

Note A: The "Summary total" is a comparison of 21 bid items subject to the AEPA price comparison process.

Note B: The Indiana Association of Education Service Centers charges a 2.2% administrative fee on all AEPA purchases.

Note C: The product descriptions for the thermoplastic single ply roofing in the AEPA specifications were the same as product descriptions on the WTI website (also referred to as Tremco).

A representative from Johns Manville stated his firm's PVC-alloy products are similar to Weatherproofing Technology, Inc.'s TPA product. The above Johns Manville prices for their PVC-alloy products were obtained from the bid documents Johns Manville submitted to the AEPA.

IC 36-1-12-4(b)(1) (Public Works Law) states in part: "The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. . . ."

IC 36-1-12-4(b)(8) (Public Works Law) states in part: ". . . the board shall (A) award the contract for public work or improvements to the lowest responsible and responsive bidder . . ."

IC 5-22-7-3 states: "Evaluation criteria that will: (1) affect the bid price; and (2) be considered in the evaluation award; must be objectively measurable."

IC 5-22-7-8 (Public Purchasing Law) states: "A contract must be awarded with reasonable promptness by written notice to the lowest responsible and responsive bidder."

IC 5-22-5-3 (Public Purchasing Law) states: "A specification must do the following: (1) Promote overall economy for the purposes intended. (2) Encourage competition in satisfying the governmental body's needs."

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

PURCHASES NOT COMPETITIVELY BID – ROOFING MATERIALS ONLY

Metropolitan School District of Washington Township (MSDWT) located in Indianapolis, Indiana purchased roofing materials without the cost of installation (roofing materials only) using the Wilson Education Center's contract with Weatherproofing Technology, Inc., (WTI). We noted the following regarding the purchase of roofing materials only by MSDWT:

Invitation to Bid for Roofing Related Services

The AEPA's (See Examination Result and Comment titled "Association of Educational Purchasing Agencies") Invitation for Bid (IFB) for the bid category "Roofing Related Services" states the following:

WILSON EDUCATION CENTER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

"AEPA is seeking a manufacturer response defined as the manufacturer and the general contractor being one and the same (also called the prime contractor in the IFB) of asbestos-free roofing materials. The manufacturer must also be able to provide and facilitate the design, construction management and offer single source responsibility for the removal, replacement and/or repair of roofing systems by licensed bonding roofing contractors. . . ."

Based on the IFB quoted above, the successful bidder would be responsible for installing roofing materials. WTI was the successful bidder for the bid category "Roofing Related Services" (including the combined cost of materials and installation). However, MSDWT contracted with a local roofing contractor rather than WTI to install the roofing materials described in the section below titled "Limiting Competition and Lowest Bidder Determination."

Limiting Competition and Lowest Bidder Determination

The AEPA's bid process used a price survey and a system of evaluation points to determine the lowest responsible and responsive bidder for the bid category "Roofing Related Services" that included the combined cost of materials and installation (See Examination Result titled "Bid Evaluation Process – Roofing Related Services"). The price survey did list a single bid item for "% off Discount" for "roofing materials only." The price survey requested bidders to enter their across-the-board "% off Discount" from their catalog prices for "roofing materials only."

However, no information was presented for examination showing there was a documented process whereby a comparison was made between bidders' discounted prices for "roofing materials only." Without a price comparison process in place, we were unable to determine that an objectively measurable basis was used to allow the contract to be awarded to the lowest responsible and responsive bidder in accordance with IC 5-22-7-8 and/or IC 36-1-12-4(b)(8) and to encourage competition in accordance with IC 5-22-5-3 and/or IC 36-1-12-4(b)(1). The following is an example of "roofing materials only" purchased by MSDWT that were not subject to price comparisons:

| Roof Location                        | Year | Material Description         |                        |                             |                 | Totals            |
|--------------------------------------|------|------------------------------|------------------------|-----------------------------|-----------------|-------------------|
|                                      |      | Burmastic<br>Composit<br>Ply | Premium<br>III Asphalt | Thermastic<br>Flood<br>Coat | Other           |                   |
| Westlane Partial Roof<br>Replacement | 2006 | \$ 30,100                    | \$ 16,542              | \$ 59,100                   | \$ 5,790        | \$ 111,532        |
| North Central High School            | 2005 | 42,819                       | 35,980                 | 146,905                     | -               | 225,704           |
| Totals                               |      | <u>\$ 72,919</u>             | <u>\$ 52,522</u>       | <u>\$ 206,005</u>           | <u>\$ 5,790</u> | <u>\$ 337,236</u> |

IC 5-22-7-3 states: "Evaluation criteria that will: (1) affect the bid price; and (2) be considered in the evaluation award; must be objectively measurable."

IC 5-22-7-8 (Public Purchasing Law) states: "A contract must be awarded with reasonable promptness by written notice to the lowest responsible and responsive bidder."

WILSON EDUCATION CENTER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

IC 5-22-5-3 (Public Purchasing Law) states: "A specification must do the following: (1) Promote overall economy for the purposes intended. (2) Encourage competition in satisfying the governmental body's needs."

IC 36-1-12-4(b)(1) (Public Works Law) states in part: "The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. . . ."

IC 36-1-12-4(b)(8) (Public Works Law) states in part: ". . . the board shall (A) award the contract for public work or improvements to the lowest responsible and responsive bidder . . ."

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

PURCHASES NOT COMPETITIVELY BID – TECHNOLOGY PRODUCTS

The AEPA's (See Examination Result and Comment titled "Association of Educational Purchasing Agencies) Invitation for Bid used a predetermined price survey that requested bidders to submit prices on 21 technology products (computer products) for the bid category "Technology Products." The 21 items included on the price survey were used to compare bidders' prices to determine the lowest responsible and responsive bidder. However, the lowest responsible and responsive bidder recommendation made by the AEPA included other non-bid items included in the bidder's catalog that were not subject to the price survey.

The Wilson Education Center awarded contracts based on the recommendations of the AEPA. The contracts allow school corporations located in the State of Indiana to purchase from the bidders' catalogs which included approximately 66,000 items other than the 21 items subject to the price survey. No information was presented for examination that the AEPA process of having bidders use a predetermined price survey that requires bids on only 21 items would encourage competition or ensure an objectively measurable basis was used for determining the lowest responsible and responsive bidder for over 66,000 items.

IC 5-22-7-3 states: "Evaluation criteria that will: (1) affect the bid price; and (2) be considered in the evaluation award; must be objectively measurable."

IC 5-22-7-8 (Public Purchasing Law) states: "A contract must be awarded with reasonable promptness by written notice to the lowest responsible and responsive bidder."

IC 5-22-5-3 (Public Purchasing Law) states: "A specification must do the following: (1) Promote overall economy for the purposes intended. (2) Encourage competition in satisfying the governmental body's needs."

IC 5-22-4-7(b) states: "This article applies to the purchases made by a cooperative purchasing organization."

WILSON EDUCATION CENTER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

BID EVALUATION PROCESS - TECHNOLOGY PRODUCTS

The Wilson Education Center awarded contracts to both CDW-G and to Tech Depot for the bid category "Technology Products" (computer products) based on the bid process used by the AEPA (See Examination Result and Comment titled "Association of Educational Purchasing Agencies"). The AEPA's Invitation for Bid (IFB) did not document whether the determination of the lowest responsible and responsive bidder for the bid category "Technology Products" consisting of multiple bid items was based on objectively measurable evaluation criteria in accordance with IC 5-22-7-3.

IC 5-22-7-3 states: "Evaluation criteria that will: (1) affect the bid price; and (2) be considered in the evaluation award; must be objectively measurable."

We noted the following regarding the awarding of contracts and evaluation criteria:

Contracts Awarded to More than One Bidder

The AEPA's IFB used a predetermined price survey that requested bidders to submit prices on 21 technology products. However, the IFB did not show how the price survey would be used to determine the lowest responsible and responsive bidder in accordance with IC 5-22-7-8 for a bid category consisting of multiple bid items.

The Technology Products Oversight Committee did not determine a single lowest responsible and responsive bidder and instead recommended to the AEPA full membership an award to two bidders as stated below at a December 3, 2005, AEPA meeting report:

"Elmo Kallner of Ohio presented the report on Technology Catalogs (Products). It was the consensus of the Oversight Committee that each of the two respondents (bidders) was advantageous in several of the bid items, and that bid rankings would be dependent upon items selected for the market basket (price survey). It is therefore the recommendation of the committee to award both respondents (bidders) since the dual award is required to provide the most favorable purchasing solution to all members. Mr. Kallner made a motion to accept the recommendation of the committee. The motion was seconded by Tom Peeler of Arizona and passed unanimously."

The AEPA's full membership approved the Technology Products Oversight Committee's recommendation. The AEPA's recommendation was the basis for the Wilson Education Center awarding contracts to more than one bidder (See Examination Result and Comment titled "Contracts Awarded to More Than One Bidder").

WILSON EDUCATION CENTER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

IC 5-22-7-8 states: "A contract must be awarded with reasonable promptness by written notice to the lowest responsible and responsive bidder."

AEPA Information for Bid (IFB) allows for the awarding of bids to more than one bidder, however, the IFB does not show the process to be used to award separate contracts. Information was also not presented for examination that the Wilson Education Center (purchasing agent) made a written determination showing that the award of separate contracts was in the interest of efficiency or economy.

IC 5-22-17-12 states the following:

"(a) A solicitation may provide that offers will be received and contracts will be awarded separately or for any combination of a line or a class of supplies or services contained in the solicitation."

"(b) If the solicitation does not indicate how separate contracts might be awarded, the purchasing agent may award separate contracts to different offerors under this section only if the purchasing agent makes a written determination showing that the award of separate contracts is in the interest of efficiency or economy."

"(c) If the purchasing agent awards a contract for a line or class of supplies or services, or any combination of lines or classes, to an offeror other than the lowest offeror, the purchasing agent must make a written determination stating the reasons for awarding a contract to that offeror."

Objective Measurement of Evaluation Criteria Examples

Since, the IFB did not show how the predetermined price survey would be used in accordance with IC 5-22-7-3 to determine the lowest responsible and responsive bidder, we inquired about the process used by the Indiana Department of Administration (IDOA) which is the purchasing agency responsible for making volume purchases for the State of Indiana.

The IDOA uses both prices and quantities to determine the lowest responsible and responsive bidder for a bid category with multiple bid items. This bid process is based on extending the cost for each bid item (price x quantity) and totaling the extended costs for each bid item to arrive at a total estimated cost for the entire bid category by bidder.

WILSON EDUCATION CENTER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

The following are examples to illustrate the AEPA's bid process (Prices Only Method) with the IDOA's bid process (Prices and Estimated Quantity Method):

**EXAMPLE 1**

| Example Products                    | Price Only Method |                   | Price and Estimated Quantity Method |                              |                              |
|-------------------------------------|-------------------|-------------------|-------------------------------------|------------------------------|------------------------------|
|                                     | Bidder A<br>Price | Bidder B<br>Price | Estimated<br>Quantity               | Bidder A<br>Extended<br>Cost | Bidder B<br>Extended<br>Cost |
| Product A                           | \$ 7.00           | \$ 6.00           | 1,000                               | \$ 7,000                     | \$ 6,000                     |
| Product B                           | 5.00              | 6.00              | 1,000                               | 5,000                        | 6,000                        |
| Product C                           | 2.00              | 6.00              | 1,000                               | 2,000                        | 6,000                        |
| Product D                           | 5.00              | 2.00              | 1,000                               | 5,000                        | 2,000                        |
| Total Estimated Costs by Bidder     |                   |                   |                                     | <u>\$ 19,000</u>             | <u>\$ 20,000</u>             |
| Low est Bidder for<br>Bid Category: |                   | Unknown           |                                     | Bidder A                     |                              |

**EXAMPLE 2**

| Example Products                    | Price Only Method |                   | Price and Estimated Quantity Method |                              |                              |
|-------------------------------------|-------------------|-------------------|-------------------------------------|------------------------------|------------------------------|
|                                     | Bidder A<br>Price | Bidder B<br>Price | Estimated<br>Quantity               | Bidder A<br>Extended<br>Cost | Bidder B<br>Extended<br>Cost |
| Product A                           | \$ 7.00           | \$ 6.00           | 1,000                               | \$ 7,000                     | \$ 6,000                     |
| Product B                           | 5.00              | 6.00              | 1,000                               | 5,000                        | 6,000                        |
| Product C                           | 2.00              | 6.00              | 1,000                               | 2,000                        | 6,000                        |
| Product D                           | 5.00              | 2.00              | 1,500                               | 7,500                        | 3,000                        |
| Total Estimated Costs by Bidder     |                   |                   |                                     | <u>\$ 21,500</u>             | <u>\$ 21,000</u>             |
| Low est Bidder for<br>Bid Category: |                   | Unknown           |                                     | Bidder B                     |                              |

The above examples show that under the IDOA's bid process (Price and Quantity Method) that the lowest responsible and responsive bidder can be determined because extended costs (price x quantity) is determined for each bid item by bidder and then totaled to arrive at a total estimated costs for the entire bid category. The determination of the lowest responsible and responsive bidder for a bid category with multiple bid items is based on the estimated quantities to be purchased during the contract period and price.

WILSON EDUCATION CENTER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Examples 1 and 2 also show how a single bid item can influence the determination of the lowest bidder depending on estimated quantities to be purchased. No information was presented for examination showing how the AEPA bid process that used "price only" as the only evaluation criteria was sufficient to objectively determine the lowest bidder for a bid category consisting of multiple bid items. Evaluation criteria that considers "price only" would be sufficient only in determining the lowest bidder for a single bid item.

IC 5-22-7-3 states: "Evaluation criteria that will: (1) affect the bid price; and (2) be considered in the evaluation award; must be objectively measurable."

IC 5-22-7-8 (Public Purchasing Law) states: "A contract must be awarded with reasonable promptness by written notice to the lowest responsible and responsive bidder."

IC 5-22-4-7(b) states: "This article applies to the purchases made by a cooperative purchasing organization."

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

BID EVALUATION PROCESS – ROOFING RELATED SERVICES

The Wilson Education Center awarded a contract to Weatherproofing Technology, Inc., for the bid category "Roofing Related Services" (combined cost of materials and installation) based on the bid evaluation process used by AEPA (See Examination Result and Comment titled "Association of Educational Purchasing Agencies.")

The AEPA's bid evaluation process for determining the lowest responsible and responsive bidder for the bid category roofing related services (combined cost of materials and installation) involves assigning evaluation points for each bid item listed in a predetermined price survey made known to bidders instead of using estimated quantities (See Examination Result and Comment titled "Bid Evaluation Process – Technology Products"). The lowest bidder receives the full amount of evaluation points assigned while other bidders receive a proportional amount of evaluation points - (Lowest Bid Price/Other Bid) x (point value assigned). The evaluation points earned by each bidder for each bid item are totaled for each bidder to arrive at the total evaluation points for the entire bid category for each bidder. The bidder with the most evaluation points is considered the lowest bidder based on price.

Documentation was not presented for our examination showing the basis used to assign evaluation points to each of the individual bid items within the bid category. As a result, we were unable to determine if an objectively measurable basis was used to determine the evaluation points assigned and whether this process allowed the awarding of the contract to the lowest responsible and responsive bidder in accordance with IC 5-22-7-8 (Public Purchasing Law) and/or IC 36-1-12-4(b)(1) (Public Works Law).

IC 5-22-7-3 (Public Purchasing Law) states: "Evaluation criteria that will: (1) affect the bid price; and (2) be considered in the evaluation for an award; must be objectively measurable."

WILSON EDUCATION CENTER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

IC 5-22-7-8 (Public Purchasing Law) states: "A contract must be awarded with reasonable promptness by written notice to the lowest responsible and responsive bidder."

IC 36-1-12-4(b)(1) (Public Works Law) states in part: ". . . the board shall (A) award the contract for public work or improvements to the lowest responsible and responsive bidder . . ."

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

STATE COST MULTIPLIERS – ROOFING RELATED SERVICES

The Wilson Education Center awarded a contract to Weatherproofing Technology, Inc., for the bid category "Roofing Related Services" (combined cost of materials and installation) based on the bid process used by the AEPA (See Examination Result and Comment titled "Association of Educational Purchasing Agencies.")

We noted the following regarding AEPA's use of State Cost Multipliers that are part of the AEPA price survey used in determining the lowest responsible and responsive bidder:

AEPA uses evaluation points to determine the lowest responsible and responsive bidder (See Examination Result and Comment titled "Bid Evaluation Process – Roofing Related Services.")

The AEPA requests bidders to submit State Cost Multipliers for each Member State as part of AEPA price survey. A State Cost Multiplier is used to adjust the bidders' base bid to the prices they would charge to school corporations located in a particular member state.

The State Cost Multiplier for the State of Indiana was assigned five evaluation points out of approximately 1,000 evaluation points or a maximum of one-half of one percent of total evaluation points. The effect would be even less than one-half of one percent of total evaluation points because the non-lowest bidder receives a portion of the evaluation points. Therefore, the State Cost Multiplier for the State of Indiana would appear, based on the specifications provided, not to have a significant impact on the determination of the lowest responsible and responsive bidder under the AEPA's evaluation point system.

We compared the State Cost Multiplier for two bidders which shows that the State Cost Multiplier could have a significant effect on the price survey items selected for evaluation and charged to school corporations located in the State of Indiana including items not competitively bid (See Examination Result and Comment titled "Purchases Not Competitively Bid – Roofing Related Services). The State Cost Multiplier submitted by Weatherproofing Technology, Inc., (successful bidder) was 1.19 and the State Cost Multiplier submitted by Johns Manville (eligible bidder in the State of Indiana; See Examination Result and Comment titled "Specifications-Bidder Eligibility) was 0.97 or 22.68% less than Weatherproofing Technology, Inc.

WILSON EDUCATION CENTER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Furthermore, there was no documented process in place whereby price comparisons using the state cost multiplier would be made between bidders. Without a comparison of bidders' prices charged to school corporations located in the State of Indiana, we were unable to determine if the bid process encouraged competition and whether an objectively measurable basis was used to determine the evaluation points assigned and whether the process allowed the awarding of the contract to the lowest responsible and responsive bidder in accordance with IC 5-22-7-8 (Public Purchasing Law) and/or IC 36-1-12-4(b)(8) (Public Works Law).

IC 5-22-5-3 (Public Purchasing Law) states: "A specification must do the following: (1) Promote overall economy for the purposes intended. (2) Encourage competition in satisfying the governmental body's needs."

IC 36-1-12-4(b)(1) (Public Works Law) states in part: "The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. . . ."

IC 5-22-7-3 states: "Evaluation criteria that will: (1) affect the bid price; and (2) be considered in the evaluation award; must be objectively measurable."

IC 5-22-7-8 (Public Purchasing Law) states: "A contract must be awarded with reasonable promptness by written notice to the lowest responsible and responsive bidder."

IC 36-1-12-4(b)(8) (Public Works Law) states in part: ". . . the board shall (A) award the contract for public work or improvements to the lowest responsible and responsive bidder . . ."

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

BID ITEMS NOT RELATED TO ROOFING

The AEPA's (See Examination Result and Comment titled "Association of Educational Purchasing Agencies") Invitation for Bid for the bid category "Roofing Related Services" states in part the following:

"AEPA is seeking a manufacturer response defined as the manufacturer and the general contractor being one and the same (also called the prime contractor in the IFB) of asbestos-free roofing materials. The manufacturer must also be able to provide and facilitate the design, construction management and offer single source responsibility for the removal, replacement and/or repair of roofing systems by licensed bonding roofing contractors. . . ."

However, the AEPA's price survey used to determine the lowest responsible and responsive bidder requested bidders to submit bids on bid items that did not involve the removal, replacement and/or repair of roofing systems.

WILSON EDUCATION CENTER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

The AEPA's price survey also uses a system of evaluation points to determine the lowest responsible and responsive bidder (See Examination Result and Comment titled "Bid Evaluation Process– Roofing Related Services.") The lowest bidder receives the full amount of evaluation points assigned under the process used by the AEPA for determining the lowest responsible and responsive bidder (See Examination Result and Comment titled "Bid Evaluation – Roofing Related Services.") A bidder who does not submit a bid because of not performing unrelated roofing services for a bid item included on the price survey receives zero evaluation points as shown in the following schedule of bid items not related to roofing:

| AEPA<br>Specification<br>No. | Description  | Evaluation<br>Points | Weatherproofing<br>Technology, Inc.<br>Base Bid | Johns<br>Manville<br>Base Bid |
|------------------------------|--|----------------------|---|-------------------------------|
| A.1.24                       | Site Preparation, Earthwork                        | 6                    | \$ -  | No Bid                        |
| A.1.25                       | Install New Crushed Stone Sub-Base                 | 4                    | 6.30  | No Bid                        |
| A.1.26                       | Install Base Asphalt and Topping Asphalt Surfacing | 4                    | 2.90  | No Bid                        |
| A.1.27                       | Repair and Seal Existing Asphalt Surfacing         | 2                    | 2.50  | No Bid                        |
| A.1.28                       | Install new concrete pavement or sidewalks         | 4                    | 12.00   | No Bid                        |
| A.1.29                       | Install new Line Striping                          | 2                    | 0.10  | No Bid                        |
| A.1.30                       | Install new top soil and grass seeding             | 3                    | 0.80  | No Bid                        |
| Total                        |  | <u>25</u>            |   |                               |

By including bid items in the price survey that did not involve the removal, replacement and/or repair of roofing systems, we were unable to determine if the bid process encouraged competition and whether an objectively measurable basis was used to determine the evaluation points assigned and whether the process allowed the awarding of the contract to the lowest responsible and responsive bidder in accordance with IC 5-22-7-8 (Public Purchasing Law) and/or IC 36-1-12-4(b)(8) (Public Works Law).

IC 5-22-5-3 (Public Purchasing Law) states: "A specification must do the following: (1) Promote overall economy for the purposes intended. (2) Encourage competition in satisfying the governmental body's needs."

IC 5-22-7-3 (Public Purchasing Law) states: "Evaluation criteria that will: (1) affect the bid price; and (2) be considered in the evaluation award; must be objectively measurable."

IC 36-1-12-4(b)(1) (Public Works Law) states in part: "The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. . . ."

IC 5-22-7-8 (Public Purchasing Law) states: "A contract must be awarded with reasonable promptness by written notice to the lowest responsible and responsive bidder."

IC 36-1-12-4(b)(8) (Public Works Law) states in part: ". . . the board shall (A) award the contract for public work or improvements to the lowest responsible and responsive bidder . . ."

WILSON EDUCATION CENTER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

BOARD ACTION WITHOUT A QUORUM PRESENT

Contracts and contracts extensions were approved on January 16, 2008, without a quorum being physically present at the Board meeting for the following contracts used by school corporations located in the State of Indiana to make purchases:

Description of Contract

Carpeting  
Copiers  
Roofing  
Furniture  
On-Line Training  
Portable and Modular Buildings  
Sports and Health Catalogs  
Technology Catalogs  
Office Supplies  
Classroom Supplies  
Web-Based Auction Services  
Administrative Software:  
    Food  
    Transportation  
    Professional Development  
    Facility Management Systems  
Custodial Supplies  
Athletic Equipment  
Artificial Surfaces  
Tracks and Courts  
Hardwood and Synthetic Flooring

The Wilson Education Center Board consists of 27 voting members requiring 14 voting members for a quorum. The minutes from the January 18, 2008, meeting shows that 13 members were in attendance.

WILSON EDUCATION CENTER  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

We also found the following other instances where Board action was taken and a quorum was not present:

| Date     | Members<br>Physically<br>Present |
|----------|----------------------------------|
| 07-20-05 | 12                               |
| 10-19-05 | 13                               |
| 12-08-05 | 9                                |
| 04-19-06 | 10                               |
| 06-21-06 | 12                               |
| 07-19-06 | 13                               |
| 11-15-06 | 13                               |
| 04-18-07 | 10                               |
| 07-18-07 | 13                               |

Pamela A. Clover, Treasurer, stated that fax votes were accepted from voting members not present in order to have a majority vote.

Section 3:02 of the Inter-local Agreement that established the Wilson Educational Service Center states: "A majority of the Board of Directors constitute a quorum for doing business. Except as otherwise provided in the Agreement or by resolution of the Board of Directors shall require a majority of any quorum present, except that no contract shall be valid unless it receives an affirmative vote of 2/3 of the quorum present."

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

IC 5-14-1.5-3(d) states:

"A member of the governing body of a public agency who is not physically present at a meeting of the governing body but who communicates with members of the governing body during the meeting by telephone, computer, videoconferencing, or any other electronic means of communication: (1) may not participate in final action taken at the meeting unless the member's participation is expressly authorized by statute; and (2) may not be considered to be present at the meeting unless considering the member to be present at the meeting is expressly authorized by statute."

WILSON EDUCATION CENTER  
EXIT CONFERENCE

The contents of this report were discussed on September 29, 2009, with Phillip Partenheimer, Executive Director; and Pamela A. Clover, Treasurer. Larry E. Risk, former Executive Director was invited to the exit conference but did not attend.

The contents of this report were also discussed on December 9, 2009, with Phillip Partenheimer, Executive Director; Pamela A. Clover, Treasurer; and Stephen Patz, President of the School Board.

The official response has been made a part of this report and may be found on pages 46 and 47.

November 20, 2009

Ron Robertson, Field Examiner  
375 East McClain Avenue  
Scottsburg, IN 47170

Re: Wilson Education Center 2007 Audit

Dear Mr. Robertson,

Most Indiana public school corporations are participants in regional Educational Service Centers. As defined by IC 20-20-1-2, an Educational Service Center is an extended agency of a school corporation that allows school corporations to voluntarily cooperate and share programs which may include purchasing and financial management often referenced in this audit report is IC 5-22-5-3 (Public Purchasing Law). As permitted under Indiana Code (IC 20-20-1-2[b]), the Wilson Education Center (WEC) serves as an entity responsible for pricing of certain school supplies, equipment and services to participating school corporation in compliance with public purchasing laws. In accordance with Indiana code 36-1-7, participating school corporations have designated the WEC as the cooperative purchasing organization. As required by Indiana law (IC 5-3), the WEC advertises bids on behalf of school corporations at least two times with the second advertisement being at least seven days prior to the receipt of bids. Upon receiving bids based on the Invitation to Bid, the WEC will provide to participating school corporations through its software program the tabulation of bids received. Each participating school corporation determines which bidder provided the lowest responsible and responsive bid for purchase of supplies.

Based on the forgoing facts and the applicable laws, we believe that a participating school corporation may purchase items under Indiana law from a WEC bid. No other action in bidding is required by the participating school corporation as described in Indiana Code 5-22.

The issue of Public Purchasing vs. Public Works is referred to many times in the examination results. Please note that the inconsistency in interpretation of the law first appeared in 2004 as indicated in the Audit Report on the Rossville Consolidated School District. At that time, the Wilson Education Center began requesting clarification and direction from the State Board of Accounts, the Attorney General and legal counsel. The Wilson Education Center continued to operate as advised by counsel until the Official Opinion was issued by the Office of the Attorney General dated November 3, 2008. Immediately upon issuance of the opinion, the Wilson Education Center ceased to promote any vendor, contract, or bid award that might be construed as involving Public Works. The General Assembly, as noted, did pass Public Law 176 effective July 1, 2009 adding IC 36-1-12-4.9 extending the Public Purchasing Law to routine operation, routine repair or routine maintenance of existing structures, buildings, or real property if the cost of the public work is estimated to be less than one hundred fifty thousand dollars. Although it has taken approximately five years to obtain clarification and two years to

obtain to receive an audit, we believe we now have a clear understanding and are currently operating within the defined parameters of Indiana Code.

The AEPA is comprised of government agencies legislatively enacted focusing on purchasing needs of its members. The AEPA holds no contracts nor does it make any sales. Members publish and award all bids in their respective states in compliance with state statutes. The AEPA is not a national purchasing organization. The AEPA does not publish bids; the Wilson Education Center publishes and awards bids but does not solicit bids on behalf of the AEPA.

Although the bid language may include verbiage requesting a manufacturer or national vendor only respond if capable of serving the entire AEPA membership, this verbiage is eliminated from all Indiana Association of Educational Service Centers (IAESC) bids published for Indiana use only. This duplication is an effective method to obtain both national pricing and an Indiana vendor presence. As in the past, when determined to be an effective solution for our membership, we will continue to duplicate these types of publications.

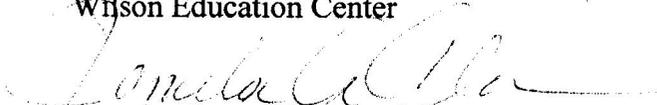
Many contracts awarded as a result of our AEPA membership utilize a distribution method through Indiana dealerships and distribution points. An example would be our current copier contracts. Although the pricing has been negotiated with the manufacturer, product sales and service are handled by Indiana dealerships near the purchasing school corporation. The price savings is passed by the manufacturer through the Indiana dealership and finally to the purchasing school corporation. These price savings previously were not available to the dealer or the purchaser without the involvement of the manufacturer through national pricing.

Finally, the lack of quorum has been discussed with the WEC Governing Board and corrective actions have been taken. The WEC Governing Board also voted to approve all contracts that had previously been voted on without a quorum. Conversations are currently ongoing with the governing board regarding the necessity of quorum representation in the future.

Sincerely,



Phil Fartenheimer, Executive Director  
Wilson Education Center



Pamela Clover, Business Manager  
Wilson Education Center