

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

EXAMINATION REPORT  
OF

NORTHERN COMMUNITY SCHOOLS  
OF TIPTON COUNTY  
TIPTON COUNTY, INDIANA

July 1, 2005 to June 30, 2006



**FILED**

01/10/2007



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials .....	2
Independent Accountant's Report .....	3
Financial Information:	
Government-Wide Financial Statements:	
Statement of Cash and Investments .....	4
Statement of Cash Activities .....	5
Fund Financial Statements:	
Governmental Funds:	
Statement of Receipts, Disbursements, and Cash and Investment Balances	
– Governmental Funds .....	6
Fiduciary Funds:	
Statement of Receipts, Disbursements, and Changes in Cash and Investments	
– Fiduciary Funds .....	7
Statement of Cash and Investments – Fiduciary Funds .....	8
Notes to Financial Information.....	9-11
Supplementary Information:	
Schedule of Capital Assets .....	12
Schedule of Long-Term Debt.....	13
Exit Conference .....	14

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sue Shockney	07-01-05 to 06-30-07
Superintendent of Schools	Dr. Lee Williford	07-01-05 to 06-30-07
President of the School Board	Dan DeLong Michael Harlow	07-01-05 to 06-30-06 07-01-06 to 06-30-07



**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 NORTHERN COMMUNITY SCHOOLS  
OF TIPTON COUNTY, TIPTON COUNTY, INDIANA

We have examined the financial information presented herein of the Northern Community Schools of Tipton County (School Corporation), for the period of July 1, 2005 to June 30, 2006. The School Corporation's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

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

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

STATE BOARD OF ACCOUNTS

December 7, 2006

NORTHERN COMMUNITY SCHOOLS OF TIPTON COUNTY  
STATEMENT OF CASH AND INVESTMENTS  
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 3,162,097
Restricted assets:	
Cash and investments	<u>526,688</u>
Total assets	<u>\$ 3,688,785</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 526,688
Unrestricted	<u>3,162,097</u>
Total net assets	<u>\$ 3,688,785</u>

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

NORTHERN COMMUNITY SCHOOLS OF TIPTON COUNTY  
STATEMENT OF CASH ACTIVITIES  
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 2,833,897	\$ -	\$ 36,277	\$ (2,797,620)
Support services	4,278,703	341,586	78,353	(3,858,764)
Community services	131,852	-	-	(131,852)
Nonprogrammed charges	149,301	-	-	(149,301)
Debt service	1,236,782	-	-	(1,236,782)
<b>Total governmental activities</b>	<b><u>\$ 8,630,535</u></b>	<b><u>\$ 341,586</u></b>	<b><u>\$ 114,630</u></b>	<b><u>(8,174,319)</u></b>
General receipts:				
Property taxes				3,701,881
Other local sources				801,901
State aid				4,023,774
Grants and contributions not restricted				214,680
Sale of property, adjustments, and refunds				17,024
Investment earnings				<u>116,851</u>
<b>Total general receipts</b>				<b><u>8,876,111</u></b>
Change in cash and investments				701,792
Net assets - beginning				<u>2,986,993</u>
Net assets - ending				<b><u>\$ 3,688,785</u></b>

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

NORTHERN COMMUNITY SCHOOLS OF TIPTON COUNTY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended June 30, 2006

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
<b>Receipts:</b>							
Local sources	\$ 2,167,461	\$ 488,158	\$ 919,155	\$ 761,232	\$ 39,671	\$ 585,461	\$ 4,961,138
Intermediate sources	464	-	-	-	-	619	1,083
State sources	4,047,977	-	-	-	-	78,170	4,126,147
Federal sources	-	-	-	-	-	226,936	226,936
Sale of property, adjustments and refunds	12,982	-	-	427	-	3,614	17,023
Intergovernmental transfers	38,094	-	-	-	-	51,240	89,334
<b>Total receipts</b>	<u>6,266,978</u>	<u>488,158</u>	<u>919,155</u>	<u>761,659</u>	<u>39,671</u>	<u>946,040</u>	<u>9,421,661</u>
<b>Disbursements:</b>							
Current:							
Instruction	2,680,297	-	-	-	-	153,600	2,833,897
Support services	2,635,996	506,912	-	593,194	99,258	443,343	4,278,703
Community services	131,016	-	-	-	-	836	131,852
Nonprogrammed charges	137,769	5,427	10,041	7,508	170	77,720	238,635
Debt services	-	-	900,000	-	-	336,782	1,236,782
<b>Total disbursements</b>	<u>5,585,078</u>	<u>512,339</u>	<u>910,041</u>	<u>600,702</u>	<u>99,428</u>	<u>1,012,281</u>	<u>8,719,869</u>
Excess (deficiency) of total receipts over (under) total disbursements	681,900	(24,181)	9,114	160,957	(59,757)	(66,241)	701,792
Cash and investments - beginning	768,762	27,478	511,930	1,164,483	108,019	406,321	2,986,993
Cash and investments - ending	<u>\$ 1,450,662</u>	<u>\$ 3,297</u>	<u>\$ 521,044</u>	<u>\$ 1,325,440</u>	<u>\$ 48,262</u>	<u>\$ 340,080</u>	<u>\$ 3,688,785</u>

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

NORTHERN COMMUNITY SCHOOLS OF TIPTON COUNTY  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH AND INVESTMENTS  
FIDUCIARY FUNDS  
For The Year Ended June 30, 2006

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Intermediate sources	\$ -	\$ 9,193
Deductions:		
Instruction	-	9,193
Support services	69,146	1,008
Nonprogrammed charges	2,600	-
Total deductions	71,746	10,201
Deficiency of total additions under total deductions	(71,746)	(1,008)
Cash and investments - beginning	527,714	4,008
Cash and investments - ending	\$ 455,968	\$ 3,000

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

NORTHERN COMMUNITY SCHOOLS OF TIPTON COUNTY  
 STATEMENT OF CASH AND INVESTMENTS  
 FIDUCIARY FUNDS  
 June 30, 2006

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Cash and investments	\$ 455,968	\$ 3,000
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ 455,968	\$ 3,000

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

NORTHERN COMMUNITY SCHOOLS OF TIPTON COUNTY  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

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

Note 2. Fund Accounting

The School Corporation uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

Note 5. Deposits and Investments

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

State statute (IC 5-13-9) authorizes the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

NORTHERN COMMUNITY SCHOOLS OF TIPTON COUNTY  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 6. Pension Plans

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 this 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 members' 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. That 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 the plan members for PERF are established by the Board of Trustees of PERF.

Teacher's Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teacher's 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 members' 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:

NORTHERN COMMUNITY SCHOOLS OF TIPTON COUNTY  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Teacher's Retirement Fund  
150 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 232-3860

Funding Policy and Annual Pension Cost

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.

NORTHERN COMMUNITY SCHOOLS OF TIPTON COUNTY  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 June 30, 2006

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$          60,000
Buildings	16,912,996
Improvements other than buildings	876,097
Machinery and equipment	<u>849,370</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$          18,698,463</u>

NORTHERN COMMUNITY SCHOOLS OF TIPTON COUNTY  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 June 30, 2006

The School has entered into the following capital lease and long-term debt:

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
School buildings and improvements	\$ 9,625,000	\$ 475,000
Bonds payable:		
General obligations bond:		
Pension benefits	<u>2,410,000</u>	<u>50,000</u>
Total governmental activities long-term debt	<u>\$ 12,035,000</u>	<u>\$ 525,000</u>

NORTHERN COMMUNITY SCHOOLS OF TIPTON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on December 7, 2006, with Sue Shockney, Treasurer; and Dr. Lee Williford, Superintendent of Schools. Our examination disclosed no material items that warrant comment at this time.