

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

AUDIT REPORT
OF
WESTVIEW SCHOOL CORPORATION
LAGRANGE COUNTY, INDIANA
July 1, 2004 to June 30, 2006



FILED
04/18/2007

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jerry D. Hawkins	07-01-04 to 06-30-07
Superintendent of Schools	Dr. Randall J. Zimmerly	07-01-04 to 06-30-07
President of the School Board	David Mehas	07-01-04 to 06-30-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

TO: THE OFFICIALS OF THE WESTVIEW SCHOOL CORPORATION, LAGRANGE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Westview School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, which collectively comprise the School Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2005 and 2006, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated April 10, 2007, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the School Corporation taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

The Schedule of Funding Progress, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The School Corporation has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Schedule of Capital Assets and Schedule of Long-Term Debt are presented for additional analysis and are not a required part of the basic financial statements. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on the Schedule of Capital Assets and Schedule of Long-Term Debt.

STATE BOARD OF ACCOUNTS

April 10, 2007



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE WESTVIEW SCHOOL CORPORATION, LAGRANGE COUNTY, INDIANA

We have audited the financial statements of the Westview School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated April 10, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the School Corporation's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

April 10, 2007

WESTVIEW SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 6,043,615
Restricted assets:	
Cash and investments	<u>1,036,207</u>
Total assets	<u>\$ 7,079,822</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 1,036,207
Unrestricted	<u>6,043,615</u>
Total net assets	<u>\$ 7,079,822</u>

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

WESTVIEW SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 6,715,316
Restricted assets:	
Cash and investments	<u>1,302,042</u>
Total assets	<u>\$ 8,017,358</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 1,302,042
Unrestricted	<u>6,715,316</u>
Total net assets	<u>\$ 8,017,358</u>

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

WESTVIEW SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Disbursements	Program Receipts		Net
		Charges for	Operating	Disbursement
		Services	Grants and	Total
			Contributions	
Governmental activities:				
Instruction	\$ 7,300,294	\$ -	\$ 117,279	\$ (7,183,015)
Support services	11,525,769	587,883	206,098	(10,731,788)
Community services	299,422	-	-	(299,422)
Nonprogrammed charges	1,172,562	-	-	(1,172,562)
Debt service	<u>6,117,071</u>	<u>-</u>	<u>-</u>	<u>(6,117,071)</u>
Total governmental activities	<u>\$ 26,415,118</u>	<u>\$ 587,883</u>	<u>\$ 323,377</u>	<u>(25,503,858)</u>
General receipts:				
Property taxes				14,709,441
Other local sources				1,502,022
State aid				7,759,657
Grants and contributions not restricted				1,320,936
Bonds and loans				4,252,270
Sale of property, adjustments, and refunds				347,090
Investment earnings				72,950
Intergovernmental transfers				<u>1,014,494</u>
Total general receipts and intergovernmental transfers				<u>30,978,860</u>
Change in cash and investments				5,475,002
Net assets - beginning				<u>1,604,820</u>
Net assets - ending				<u>\$ 7,079,822</u>

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

WESTVIEW SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts		Net
		Charges for	Operating	Disbursement
		Services	Grants and	Total
			Contributions	
Governmental activities:				
Instruction	\$ 7,275,238	\$ -	\$ 68,518	\$ (7,206,720)
Support services	11,721,774	586,114	275,014	(10,860,646)
Community services	291,577	-	-	(291,577)
Nonprogrammed charges	225,041	-	-	(225,041)
Debt service	6,516,100	-	-	(6,516,100)
Total governmental activities	<u>\$ 26,029,730</u>	<u>\$ 586,114</u>	<u>\$ 343,532</u>	<u>(25,100,084)</u>
General receipts:				
Property taxes				14,626,281
Other local sources				1,510,537
State aid				7,874,591
Grants and contributions not restricted				1,315,229
Sale of property, adjustments, and refunds				349,363
Investment earnings				227,929
Intergovernmental transfers				<u>133,690</u>
Total general receipts and intergovernmental transfers				<u>26,037,620</u>
Change in cash and investments				937,536
Net assets - beginning				<u>7,079,822</u>
Net assets - ending				<u>\$ 8,017,358</u>

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

WESTVIEW SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 7,980,893	\$ 1,618,334	\$ 3,450,292	\$ 2,798,523	\$ 399,779	\$ 623,648	\$ 16,871,469
Intermediate sources	248	-	-	-	-	581	829
State sources	7,854,725	-	-	-	-	75,679	7,930,404
Federal sources	-	-	-	-	-	1,473,565	1,473,565
Bonds and loans	2,600,498	650,000	750,000	101,772	150,000	-	4,252,270
Sale of property, adjustments and refunds	5,777	3,701	-	5,056	-	11,293	25,827
Intergovernmental transfers	8	-	-	964,006	-	50,480	1,014,494
Total receipts	<u>18,442,149</u>	<u>2,272,035</u>	<u>4,200,292</u>	<u>3,869,357</u>	<u>549,779</u>	<u>2,235,246</u>	<u>31,568,858</u>
Disbursements:							
Current:							
Instruction	6,480,461	-	-	-	-	819,833	7,300,294
Support services	6,665,530	1,060,951	-	1,641,141	469,214	1,189,899	11,026,735
Community services	215,740	-	-	-	-	83,682	299,422
Nonprogrammed charges	1,102,677	-	-	-	-	69,885	1,172,562
Debt services	<u>1,590,000</u>	<u>716,772</u>	<u>3,635,299</u>	<u>-</u>	<u>175,000</u>	<u>-</u>	<u>6,117,071</u>
Total disbursements	<u>16,054,408</u>	<u>1,777,723</u>	<u>3,635,299</u>	<u>1,641,141</u>	<u>644,214</u>	<u>2,163,299</u>	<u>25,916,084</u>
Excess (deficiency) of total receipts over (under) total disbursements	2,387,741	494,312	564,993	2,228,216	(94,435)	71,947	5,652,774
Cash and investments - beginning	<u>16,727</u>	<u>58,481</u>	<u>471,214</u>	<u>102,918</u>	<u>117,350</u>	<u>550,037</u>	<u>1,316,727</u>
Cash and investments - ending	<u>\$ 2,404,468</u>	<u>\$ 552,793</u>	<u>\$ 1,036,207</u>	<u>\$ 2,331,134</u>	<u>\$ 22,915</u>	<u>\$ 621,984</u>	<u>\$ 6,969,501</u>

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

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF CASH ACTIVITIES

Net change in fund balances - total governmental funds	\$ 5,652,774
Amounts reported for governmental activities in the statement of cash activities are different because:	
Internal service funds are not reported as a part of governmental funds.	<u>(177,772)</u>
Change in cash and investments of governmental activities	<u>\$ 5,475,002</u>

WESTVIEW SCHOOL CORPORATION
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
Receipts:							
Local sources	\$ 8,205,994	\$ 1,601,087	\$ 3,370,181	\$ 2,802,345	\$ 355,270	\$ 613,366	\$ 16,948,243
Intermediate sources	2,054	-	-	-	-	563	2,617
State sources	7,921,150	-	-	-	-	77,528	7,998,678
Federal sources	-	2,349	-	-	-	1,532,326	1,534,675
Sale of property, adjustments and refunds	1,523	1,129	11,754	11,398	-	7,375	33,179
Intergovernmental transfers	10,227	-	-	-	-	123,463	133,690
Total receipts	<u>16,140,948</u>	<u>1,604,565</u>	<u>3,381,935</u>	<u>2,813,743</u>	<u>355,270</u>	<u>2,354,621</u>	<u>26,651,082</u>
Disbursements:							
Current:							
Instruction	6,429,869	-	-	-	-	845,369	7,275,238
Support services	6,185,609	1,096,579	-	2,739,793	144,168	1,227,582	11,393,731
Community services	197,218	-	-	-	-	94,359	291,577
Nonprogrammed charges	157,294	-	-	-	-	67,747	225,041
Debt services	2,600,000	650,000	3,116,100	-	150,000	-	6,516,100
Total disbursements	<u>15,569,990</u>	<u>1,746,579</u>	<u>3,116,100</u>	<u>2,739,793</u>	<u>294,168</u>	<u>2,235,057</u>	<u>25,701,687</u>
Excess (deficiency) of total receipts over (under) total disbursements	570,958	(142,014)	265,835	73,950	61,102	119,564	949,395
Cash and investments - beginning	<u>2,404,468</u>	<u>552,793</u>	<u>1,036,207</u>	<u>2,331,134</u>	<u>22,915</u>	<u>621,984</u>	<u>6,969,501</u>
Cash and investments - ending	<u>\$ 2,975,426</u>	<u>\$ 410,779</u>	<u>\$ 1,302,042</u>	<u>\$ 2,405,084</u>	<u>\$ 84,017</u>	<u>\$ 741,548</u>	<u>\$ 7,918,896</u>

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

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF CASH ACTIVITIES

Net change in fund balances - total governmental funds	\$ 949,395
Amounts reported for governmental activities in the statement of cash activities are different because:	
Internal service funds are not reported as a part of governmental funds.	<u>(11,859)</u>
Change in cash and investments of governmental activities	<u>\$ 937,536</u>

WESTVIEW SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
PROPRIETARY FUND
For The Year Ended June 30, 2005

	Internal Service Fund
Receipts:	
Local sources	\$ 2,250,491
Sale of property, adjustments and refunds	<u>321,262</u>
Total receipts	<u>2,571,753</u>
Disbursements:	
Support services	<u>2,749,525</u>
Changes in cash and investments	(177,772)
Cash and investments - beginning	<u>288,093</u>
Cash and investments - ending	<u><u>\$ 110,321</u></u>

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

WESTVIEW SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
PROPRIETARY FUND
For The Year Ended June 30, 2006

	Internal Service Fund
Receipts:	
Local sources	\$ 2,458,064
Sale of property, adjustments and refunds	<u>316,184</u>
Total receipts	<u>2,774,248</u>
Disbursements:	
Support services	<u>2,786,107</u>
Changes in cash and investments	(11,859)
Cash and investments - beginning	<u>110,321</u>
Cash and investments - ending	<u><u>\$ 98,462</u></u>

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

WESTVIEW SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUND
For The Year Ended June 30, 2006

	Pension Trust Fund
Additions:	
Bonds and loans	\$ 3,220,000
Deductions:	
Support services	29,163
Excess of total additions over total deductions	3,190,837
Cash and investments - beginning	-
Cash and investments - ending	\$ 3,190,837

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

WESTVIEW SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2005

<u>Assets</u>	<u>Agency Funds</u>
Cash and investments	\$ <u>101,600</u>

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

WESTVIEW SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2006

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 3,190,837	\$ 103,329
	<u> </u>	<u> </u>
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ 3,190,837	
	<u> </u>	

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

WESTVIEW SCHOOL CORPORATION NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

These financial statements present the School Corporation (primary government). There are no significant component units which require inclusion.

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

Joint Venture

The School Corporation is a participant with other interested school corporations in a joint venture to operate the Joint School Vocational Program which was created to provide vocational instruction for children. The School Corporation is obligated by contract to remit an amount annually to supplement the program. Complete financial statements for the Program can be obtained from Elkhart Community Schools, 2720 California Road, Elkhart, IN 46514.

The School Corporation is a participant with other interested school corporations in DeKalb, LaGrange, Noble, and Steuben Counties, in a joint venture to operate the Northeast Indiana Special Education Cooperative (Co-op) which was created to provide programs and services for children with exceptional needs. The School Corporation is obligated by contract to remit an amount annually to supplement the Co-op. Complete financial statements for the Co-op can be obtained from DeKalb County Eastern Community School Corporation, 300 East Washington Street, Butler, IN 46721.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Cash and Investments and the Statement of Cash Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. However, there are no business-type activities to report at this time.

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 receipts and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are

WESTVIEW SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

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 transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

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

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

Additionally, the School Corporation reports the following fund types:

The internal service fund services the risk of loss related to employee health claims. An excess policy through commercial insurance covers individual claims in excess of \$60,000 per family per year.

The pension trust fund accounts for the activities of the retirees, which accumulate resources for pension benefit payments.

Agency funds account for assets held by the School Corporation as an agent for other governments and private organizations, and serve as control of accounts for certain cash transactions during the time they are a liability to the School Corporation.

C. Measurement Focus and Basis of Accounting

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

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, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

WESTVIEW SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds.

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

D. Assets and Cash 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. Property Taxes

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

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 5 to 7 days per school year. Unused sick leave may be accumulated to a maximum of 150 days. Accumulated sick leave is paid to employees upon retirement.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 10 days to 15 days per school year based upon the number of years of service. Vacation leave does not accumulate from year to year.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 3 days per school year. Unused personal leave may be accumulated to a maximum of 5 days. Accumulated personal leave is paid to employees upon retirement.

WESTVIEW SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

4. Capital Assets

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

5. 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.

6. 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. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

Program Receipts

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

F. Internal and Interfund Balances and Activities

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

Fund Financial Statements

- 1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.

WESTVIEW SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Government-Wide Financial 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 Cash and Investments and the Statement of Cash Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Cash and Investments and the Statement of Cash Activities.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository

WESTVIEW SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2005 and 2006, were as follows:

Transfer From	Transfer To	2005	2006
General Fund	Capital Projects	\$ 919,049	\$ -
General Fund	Other governmental	-	51,506
Debt Service	Other governmental	-	22,847
Capital Projects	Other governmental	-	16,408
Transportation Operating	Other governmental	-	10,604
Bus Replacement	Other governmental	-	2,319
Other governmental	General Fund	8	-
Other governmental	Capital Projects	44,957	10,227
Other governmental	Other governmental	50,480	19,779
Totals		<u>\$ 1,014,494</u>	<u>\$ 133,690</u>

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

IV. Other Information

A. Risk Management

The School Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

WESTVIEW SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Group Health Insurance (Medical Benefits to Employees)

The School Corporation's Self-Insurance Fund, an internal service fund, services the risk of loss related to employee and retiree health claims. An excess policy through commercial insurance covers individual claims in excess of \$60,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Amounts are paid into the fund by all insured funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based primarily upon the percentage of each fund's current year payroll as it relates to total payroll, and are reported as quasi-external interfund transactions. Provisions are also made for unexpected and unusual claims.

B. Holding Corporations

The School Corporation has entered into capital leases with School Additions Building Corporation-Westview, Westview School Building Corporation, and Westview Elementary School Building Corporation (the lessors). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. Lease payments during the years ended June 30, 2005 and 2006, totaled \$2,227,690 and \$2,300,609, respectively.

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55 with at least 15 years of service and through the age of 65. Currently, 17 retirees meet these eligibility requirements. The School Corporation and retirees provide 28% and 72%, respectively, of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2006, disbursements of \$42,500 were recognized for postemployment benefits.

D. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

WESTVIEW SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Actuarial Information for the Above Plan

	<u>PERF</u>
Annual required contribution	\$ 149,621
Interest on net pension obligation	(19,950)
Adjustment to annual required contribution	<u>22,735</u>
Annual pension cost	152,406
Contributions made	<u>174,407</u>
Decrease in net pension obligation	(22,001)
Net pension obligation, beginning of year	<u>(275,174)</u>
Net pension obligation, end of year	<u>\$ (297,175)</u>
Contribution rates:	
School Corporation	5.5%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

WESTVIEW SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 154,861	116%	\$ (226,012)
	06-30-04	139,928	135%	(275,174)
	06-30-05	152,406	125%	(297,175)

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 members.

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

WESTVIEW SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2006, 2005, and 2004, were \$249,864, \$244,947, and \$229,671, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years, respectively.

WESTVIEW SCHOOL CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 3,062,842	\$ 3,014,090	\$ 48,752	102%	\$ 2,857,831	2%
07-01-04	3,133,110	3,050,651	82,459	103%	3,079,955	3%
07-01-05	3,272,092	3,198,363	73,729	102%	2,986,034	2%

WESTVIEW SCHOOL CORPORATION
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	\$ 710,000
Buildings	33,484,673
Improvements other than buildings	460,361
Machinery and equipment	<u>9,885,344</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 44,540,378</u>

WESTVIEW SCHOOL CORPORATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT

June 30, 2006

The school corporation has entered into the following long-term debt obligation:

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Westview School Building Corporation	\$ 3,045,562	\$ 1,070,000
Westview Elementary School Building Corporation	16,792,395	370,000
Guaranteed Energy Savings Contract	2,217,607	259,809
Bonds payable:		
General obligation bonds:		
Pension Liability	<u>3,220,000</u>	<u>-</u>
Total governmental activities long-term debt	<u>\$ 25,275,564</u>	<u>\$ 1,699,809</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE WESTVIEW SCHOOL CORPORATION, LAGRANGE COUNTY, INDIANA

Compliance

We have audited the compliance of the Westview School Corporation (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2005 and 2006. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2005 and 2006.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the School Corporation's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

April 10, 2007

WESTVIEW SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2005 and 2006

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-05	Total Federal Awards Expended 06-30-06
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 6,540	\$ 12,271
National School Lunch Program	10.555		206,197	261,860
Total for federal grantor agency			212,737	274,131
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies	84.010	04-4525	104,800	-
		05-4525	941,112	49,968
		06-4525	-	880,088
Total for program			1,045,912	930,056
Safe and Drug Free Schools and Communities - State Grants	84.186	02-239	9,567	-
		03-224	16,100	10,650
		04-085	-	15,043
		05-026	-	250
Total for program			25,667	25,943
Education Technology State Grants	84.318	FY 2003	13,211	6,595
		FY 2004	-	18,932
Total for program			13,211	25,527
English Language Acquisition Grants	84.365	03-04	608	-
		04-05	48,712	10,222
		05-06	-	60,660
Total for program			49,320	70,882
Improving Teacher Quality State Grants	84.367	02-218	9,814	-
		03-196	153,136	45,066
		04-108	14,000	180,985
		05-035	-	14,000
Total for program			176,950	240,051
Total for federal grantor agency			1,311,060	1,292,459
Total Federal Awards Expended			\$ 1,523,797	\$ 1,566,590

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

WESTVIEW SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Westview School Corporation (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of School Corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2005 and 2006. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2005	2006
School Breakfast Program	10.553	\$ 1,372	\$ 2,106
National School Lunch Program	10.555	44,988	47,811

WESTVIEW SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted?	no
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Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no
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Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.555	Child Nutrition Cluster
84.367	Improving Teacher Quality State Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	yes
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Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

WESTVIEW SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

WESTVIEW SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on April 10, 2007, with Jerry D. Hawkins, Treasurer; David Mehas, President of the School Board; and Dr. Randall J. Zimmerly, Superintendent of Schools. Our audit disclosed no material items that warrant comment at this time.