

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

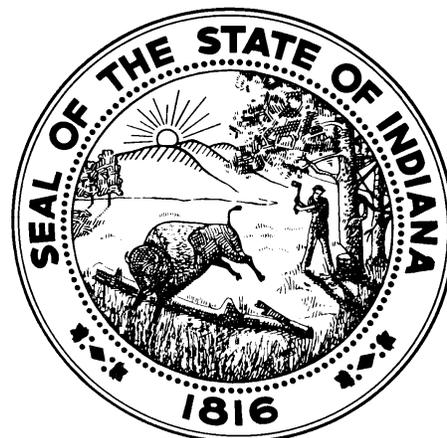
AUDIT REPORT

OF

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER

MARION COUNTY, INDIANA

July 1, 2005 to June 30, 2007



**FILED**

05/30/2008



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#### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Tom Pagen	07-01-05 to 06-30-08
Treasurer	Donna J. Hattenbach	07-01-05 to 06-30-08
President of the Board	N. Andrew Wagner	07-01-05 to 06-30-06
	Don Stinson	07-01-06 to 06-30-07
	Dr. Michael Cooper	07-01-07 to 06-30-08



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

TO: THE OFFICIALS OF THE CENTRAL INDIANA EDUCATIONAL  
SERVICE CENTER, MARION COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Central Indiana Educational Service Center (CIESC), as of and for the years ended June 30, 2006 and 2007, which collectively comprise the CIESC's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the CIESC'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 CIESC 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 CIESC as of June 30, 2006 and 2007, 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 30, 2008, on our consideration of the CIESC'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 CIESC 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

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

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.

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 CIESC 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 CIESC's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit 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 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 them.

STATE BOARD OF ACCOUNTS

April 30, 2008



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE CENTRAL INDIANA EDUCATIONAL  
SERVICE CENTER, MARION COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Central Indiana Educational Service Center (CIESC), as of and for the years ended June 30, 2006 and 2007, which collectively comprise the CIESC's basic financial statements and have issued our report thereon dated April 30, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the CIESC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CIESC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the CIESC's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CIESC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under Government Auditing Standards.

The CIESC's response to the findings identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the CIESC's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the CIESC's management, School Board, 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 30, 2008

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

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Totals</u>
Governmental activities:			
Instruction	\$ 770,652	\$ -	\$ (770,652)
Support services	4,338,193	52,494	(4,285,699)
Nonprogrammed charges	<u>87,512</u>	-	<u>(87,512)</u>
Total governmental activities	<u>\$ 5,196,357</u>	<u>\$ 52,494</u>	<u>(5,143,863)</u>
General receipts:			
Other local sources			2,916,176
Grants and contributions not restricted to specific programs			1,100,223
Sale of property, adjustments, and refunds			447,070
Investment earnings			<u>49,348</u>
Total general receipts			<u>4,512,817</u>
Change in net assets			(631,046)
Net assets - beginning			<u>3,660,531</u>
Net assets - ending			<u>\$ 3,029,485</u>
<u>Assets</u>			
Cash and investments			<u>\$ 3,029,485</u>
<u>Net Assets</u>			
Unrestricted			<u>\$ 3,029,485</u>

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

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

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Totals</u>
Governmental activities:			
Instruction	\$ 879,661	\$ -	\$ (879,661)
Support services	3,923,552	91,171	(3,832,381)
Nonprogrammed charges	<u>82,256</u>	<u>-</u>	<u>(82,256)</u>
Total governmental activities	<u>\$ 4,885,469</u>	<u>\$ 91,171</u>	<u>(4,794,298)</u>
General receipts:			
Other local sources			2,968,195
Grants and contributions not restricted to specific programs			1,011,568
Sale of property, adjustments, and refunds			135,213
Investment earnings			<u>68,115</u>
Total general receipts			<u>4,183,091</u>
Change in net assets			(611,207)
Net assets - beginning			<u>3,029,485</u>
Net assets - ending			<u>\$ 2,418,278</u>
<u>Assets</u>			
Cash and investments			<u>\$ 2,418,278</u>
<u>Net Assets</u>			
Unrestricted			<u>\$ 2,418,278</u>

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

CENTRAL INDIANA EDUCATIONAL SERVICE 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	SEAM Phase 3	Adult Education 2005-2006	Other	Totals
<b>Receipts:</b>					
Local sources	\$ 1,960,633	\$ 60,000	\$ -	\$ 988,085	\$ 3,008,718
Intermediate sources	9,300	-	-	-	9,300
State sources	179,266	-	-	7,250	186,516
Federal sources	-	-	914,693	-	914,693
Sale of property, adjustments and refunds	446,084	-	-	-	446,084
<b>Total receipts</b>	<u>2,595,283</u>	<u>60,000</u>	<u>914,693</u>	<u>995,335</u>	<u>4,565,311</u>
<b>Disbursements:</b>					
<b>Current:</b>					
Instruction	675,563	-	43,688	51,401	770,652
Support services	1,966,568	516,383	775,237	1,080,005	4,338,193
Nonprogrammed charges	-	-	80,000	7,512	87,512
<b>Total disbursements</b>	<u>2,642,131</u>	<u>516,383</u>	<u>898,925</u>	<u>1,138,918</u>	<u>5,196,357</u>
Excess (deficiency) of receipts over disbursements	<u>(46,848)</u>	<u>(456,383)</u>	<u>15,768</u>	<u>(143,583)</u>	<u>(631,046)</u>
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	212,353	212,353
Transfers out	-	-	-	(212,353)	(212,353)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(46,848)</u>	<u>(456,383)</u>	<u>15,768</u>	<u>(143,583)</u>	<u>(631,046)</u>
Cash and investments - beginning	<u>662,082</u>	<u>2,074,587</u>	<u>-</u>	<u>923,862</u>	<u>3,660,531</u>
Cash and investments - ending	<u>\$ 615,234</u>	<u>\$ 1,618,204</u>	<u>\$ 15,768</u>	<u>\$ 780,279</u>	<u>\$ 3,029,485</u>
<b>Cash and Investment Assets - Ending</b>					
Cash and investments	<u>\$ 615,234</u>	<u>\$ 1,618,204</u>	<u>\$ 15,768</u>	<u>\$ 780,279</u>	<u>\$ 3,029,485</u>
<b>Cash and Investment Fund Balance - Ending</b>					
Unrestricted	<u>\$ 615,234</u>	<u>\$ 1,618,204</u>	<u>\$ 15,768</u>	<u>\$ 780,279</u>	<u>\$ 3,029,485</u>

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

CENTRAL INDIANA EDUCATIONAL SERVICE 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	SEAM Phase 3	Adult Education 2005-2006	Adult Education 2006-2007	Other	Totals
<b>Receipts:</b>						
Local sources	\$ 2,367,243	\$ -	\$ -	\$ -	\$ 749,412	\$ 3,116,655
Intermediate sources	10,825	-	-	-	-	10,825
State sources	179,556	-	-	-	3,000	182,556
Federal sources	-	-	-	829,998	-	829,998
Sale of property, adjustments and refunds	134,228	-	-	-	-	134,228
<b>Total receipts</b>	<b>2,691,852</b>	<b>-</b>	<b>-</b>	<b>829,998</b>	<b>752,412</b>	<b>4,274,262</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	735,936	-	1,248	42,131	100,346	879,661
Support services	1,920,167	635,001	14,520	664,283	689,581	3,923,552
Nonprogrammed charges	-	-	-	75,454	6,802	82,256
<b>Total disbursements</b>	<b>2,656,103</b>	<b>635,001</b>	<b>15,768</b>	<b>781,868</b>	<b>796,729</b>	<b>4,885,469</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>35,749</b>	<b>(635,001)</b>	<b>(15,768)</b>	<b>48,130</b>	<b>(44,317)</b>	<b>(611,207)</b>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	145,000	145,000
Transfers out	-	(145,000)	-	-	-	(145,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(145,000)</b>	<b>-</b>	<b>-</b>	<b>145,000</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>35,749</b>	<b>(780,001)</b>	<b>(15,768)</b>	<b>48,130</b>	<b>100,683</b>	<b>(611,207)</b>
<b>Cash and investments - beginning</b>	<b>615,234</b>	<b>1,618,204</b>	<b>15,768</b>	<b>-</b>	<b>780,279</b>	<b>3,029,485</b>
<b>Cash and investments - ending</b>	<b>\$ 650,983</b>	<b>\$ 838,203</b>	<b>\$ -</b>	<b>\$ 48,130</b>	<b>\$ 880,962</b>	<b>\$ 2,418,278</b>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 650,983	\$ 838,203	\$ -	\$ 48,130	\$ 880,962	\$ 2,418,278
<b>Cash and Investment Fund Balance - Ending</b>						
Unrestricted	\$ 650,983	\$ 838,203	\$ -	\$ 48,130	\$ 880,962	\$ 2,418,278

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

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2006

	Private-Purpose Trust Funds	Agency Funds
Additions:		
Contributions:		
Other	\$ 100,000	
Deductions:		
Administrative and general	83,637	
Excess of total additions over total deductions	16,363	
Cash and investment fund balance - beginning	-	
Cash and investment fund balance - ending	<u>\$ 16,363</u>	
Net assets:		
Cash and investments	<u>\$ 16,363</u>	<u>\$ 36</u>
Total net assets - cash and investment basis held in trust	<u>\$ 16,363</u>	<u>\$ 36</u>

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

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2007

	Private-Purpose Trust Funds	Agency Funds
Additions:		
Contributions:		
Other	\$ 217,470	
Deductions:		
Administrative and general	233,833	
Deficiency of total additions over total deductions	(16,363)	
Cash and investment fund balance - beginning	16,363	
Cash and investment fund balance - ending	\$ -	
Net assets:		
Cash and investments	\$ -	\$ 19,483
Total net assets - cash and investment basis held in trust	\$ -	\$ 19,483

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

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Central Indiana Educational Service Center (CIESC) was established under the laws of the State of Indiana. The CIESC Board of Directors consists of superintendents from each of the participating School Districts. The member districts include Avon Community Schools, Beech Grove City Schools, Carmel Clay Schools, Center Grove Community School Corporation, Clark-Pleasant Schools, Franklin Township Community School Corporation, Hamilton South Eastern Schools, Indianapolis Public Schools, Lebanon Community School Corporation, Metropolitan School District of Decatur Township, Metropolitan School District of Lawrence Township, Metropolitan School District of Perry Township, Metropolitan School District of Pike Township, Metropolitan School District of Washington Township, Metropolitan School District of Wayne Township, School Town of Speedway, Westfield Washington Schools, and Zionsville Community Schools. The CIESC operates under a Board of School Trustees form of government and provides educational services.

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

Primary Government: Central Indiana Educational Service Center

In determining the financial reporting entity, the CIESC 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 Statements of Activities and Net Assets – Cash and Investment Basis display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

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 and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, CIESC has not established any enterprise funds.

Central Indiana Educational Service 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 seam phase three fund accounts for grants and distributions received from private sources for the program.

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The adult education 2005-2006 fund accounts for federal grants and distributions for the program.

The adult education 2006-2007 fund accounts for federal grants and distributions for the program.

Additionally, the CIESC reports the following fund types:

The private-purpose trust fund reports a trust arrangement under which principal and income benefit other governments.

Agency funds account for assets held by CIESC as an agent for employees and serve as control accounts for certain cash transactions during the time they are a liability to CEISC.

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. 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 CIESC 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

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). CIESC does not have any enterprise funds.

When both restricted and unrestricted resources are available for use, CIESC'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.

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Property Taxes

CIESC does not receive any direct property taxes.

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 10 days per year. Unused sick leave may be accumulated indefinitely. Accumulated sick leave is not paid to employees.

b. Vacation Leave

Employees earn vacation leave at rates from 10 days to 20 days per year based upon the number of years of service. Vacation leave must be taken by an employee within 90 days immediately following the end of each fiscal year ended June 30.

c. Personal Leave

Employees earn personal leave at the rate of 2 days per year. Unused personal leave as of June 30 will be transferred to sick leave.

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 CIESC'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.

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

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.

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

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

III. Detailed Notes on All Funds

A. 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.

B. Interfund Transfers

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

<u>Transfer From</u>	<u>Transfer To</u>	<u>2006</u>	<u>2007</u>
SEAM Phase 3 Fund	Other governmental funds	\$ -	\$ 145,000
Other governmental funds	Other governmental funds	<u>212,353</u>	<u>-</u>
Totals		<u>\$ 212,353</u>	<u>\$ 145,000</u>

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

IV. Other Information

A. Risk Management

The CIESC 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.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; 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. Risk financing is not utilized for the other risks of loss.

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Job Related Illnesses or Injuries to Employees

During 2006, the CIESC joined with other governmental entities to form the Indiana School's Educational Service Centers (ISESC) Risk Management Program Self-Insurance Trust, a public entity risk pool currently operating as a common risk management and insurance program. This risk pool was formed in July 2006. The purpose of the risk pool is to provide a medium for the funding and administration of workers compensation claims. CIESC deposits an amount equal to the greater of ISESC program administrative cost plus actuarially determined loss cost or 80% of the annual premium. The deposit is split between the individual school account (90%) and the ISESC Trust account (10%). The maximum per occurrence amount is \$250,000 and aggregate excess coverage is 130% of the normal premium.

B. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The CIESC 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 CIESC 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 CIESC's annual pension cost and related information, as provided by the actuary, is presented in this note.

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 29,632
Interest on net pension obligation	(3,115)
Adjustment to annual required contribution	3,550
Annual pension cost	30,067
Contributions made	24,222
Increase in net pension obligation	5,845
Net pension obligation, beginning of year	(42,968)
Net pension obligation, end of year	\$ (37,123)
Contribution rates:	
CIESC	5%
Plan members	3%
Actuarial valuation date	07-01-06
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

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

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 14,581	132%	\$ (35,418)
	06-30-05	14,847	151%	(42,968)
	06-30-06	30,067	81%	(37,123)

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

Teachers' Retirement Fund

Plan Description

The CIESC 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 CIESC 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 CIESC 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 CIESC 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 CIESC 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.

Central Indiana Educational Service Center is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 7% of covered wages. The CIESC's required contributions to the plan for the fiscal years ended June 30, 2007, 2006, and 2005, were \$39,892, \$34,770, and \$30,550, respectively. The CIESC actually contributed 100% of the required contribution for each of the fiscal years.

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 114,759	\$ 96,043	\$ 18,716	119%	\$ 319,850	6%
07-01-05	132,624	138,017	(5,393)	96%	544,384	(1%)
07-01-06	180,273	182,160	(1,887)	99%	517,774	(0%)

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

	Joint Purchases	Drivers Education	Indiana Schools Smart Partners	Project Lead The Way	Bio Tech Engineering	INDEA	English Works
Receipts:							
Local sources	\$ 460,647	\$ 12,005	\$ 53,000	\$ 29,414	\$ 12,000	\$ 1,940	\$ -
State sources	-	-	-	-	-	-	-
Total receipts	<u>460,647</u>	<u>12,005</u>	<u>53,000</u>	<u>29,414</u>	<u>12,000</u>	<u>1,940</u>	<u>-</u>
Disbursements:							
Current:							
Instruction	16,016	30,278	-	-	-	-	-
Support services	405,904	-	71,775	22,950	32,000	621	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>421,920</u>	<u>30,278</u>	<u>71,775</u>	<u>22,950</u>	<u>32,000</u>	<u>621</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>38,727</u>	<u>(18,273)</u>	<u>(18,775)</u>	<u>6,464</u>	<u>(20,000)</u>	<u>1,319</u>	<u>-</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	20,000	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>38,727</u>	<u>(18,273)</u>	<u>(18,775)</u>	<u>6,464</u>	<u>-</u>	<u>1,319</u>	<u>-</u>
Cash and investments - beginning	<u>19,556</u>	<u>97,942</u>	<u>47,809</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19</u>
Cash and investments - ending	<u>\$ 58,283</u>	<u>\$ 79,669</u>	<u>\$ 29,034</u>	<u>\$ 6,464</u>	<u>\$ -</u>	<u>\$ 1,319</u>	<u>\$ 19</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 58,283</u>	<u>\$ 79,669</u>	<u>\$ 29,034</u>	<u>\$ 6,464</u>	<u>\$ -</u>	<u>\$ 1,319</u>	<u>\$ 19</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 58,283</u>	<u>\$ 79,669</u>	<u>\$ 29,034</u>	<u>\$ 6,464</u>	<u>\$ -</u>	<u>\$ 1,319</u>	<u>\$ 19</u>

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

	Teachers Internship	Economic Education	Technology Grant	Writing Using Computers	Learning Communities Network	SEAM 53	Buddy 2 Teaching
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 46,337	\$ 546	\$ 50,000
State sources	-	2,250	5,000	-	-	-	-
Total receipts	-	2,250	5,000	-	46,337	546	50,000
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	-	2,000	256	-	49,407	170,311	45,544
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	2,000	256	-	49,407	170,311	45,544
Excess (deficiency) of receipts over disbursements	-	250	4,744	-	(3,070)	(169,765)	4,456
Other financing sources (uses):							
Transfers in	-	-	-	-	-	190,003	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	190,003	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	250	4,744	-	(3,070)	20,238	4,456
Cash and investments - beginning	7,508	-	857	26,720	3,190	6,957	75,285
Cash and investments - ending	<u>\$ 7,508</u>	<u>\$ 250</u>	<u>\$ 5,601</u>	<u>\$ 26,720</u>	<u>\$ 120</u>	<u>\$ 27,195</u>	<u>\$ 79,741</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 7,508</u>	<u>\$ 250</u>	<u>\$ 5,601</u>	<u>\$ 26,720</u>	<u>\$ 120</u>	<u>\$ 27,195</u>	<u>\$ 79,741</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 7,508</u>	<u>\$ 250</u>	<u>\$ 5,601</u>	<u>\$ 26,720</u>	<u>\$ 120</u>	<u>\$ 27,195</u>	<u>\$ 79,741</u>

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

	Even Start FY 1999	Even Start FY 2000	Even Start FY 2001	Investment Fund	Adult Education 2004-2005	Indiana Educational/ CARE	Drug Free Schools
<b>Receipts:</b>							
Local sources	\$ -	\$ -	\$ -	\$ 7,512	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-	-
Total receipts	-	-	-	7,512	-	-	-
<b>Disbursements:</b>							
Current:							
Instruction	-	-	-	-	5,107	-	-
Support services	-	-	-	-	64,552	-	-
Nonprogrammed charges	-	-	-	7,512	-	-	-
Total disbursements	-	-	-	7,512	69,659	-	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	(69,659)	-	-
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	(190,003)	-	-	-
Total other financing sources (uses)	-	-	-	(190,003)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(190,003)	(69,659)	-	-
Cash and investments - beginning	1,302	13,844	7,000	366,580	69,659	5,789	122
Cash and investments - ending	<u>\$ 1,302</u>	<u>\$ 13,844</u>	<u>\$ 7,000</u>	<u>\$ 176,577</u>	<u>\$ -</u>	<u>\$ 5,789</u>	<u>\$ 122</u>
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	<u>\$ 1,302</u>	<u>\$ 13,844</u>	<u>\$ 7,000</u>	<u>\$ 176,577</u>	<u>\$ -</u>	<u>\$ 5,789</u>	<u>\$ 122</u>
<b>Cash and Investment Fund Balance - Ending</b>							
Unrestricted	<u>\$ 1,302</u>	<u>\$ 13,844</u>	<u>\$ 7,000</u>	<u>\$ 176,577</u>	<u>\$ -</u>	<u>\$ 5,789</u>	<u>\$ 122</u>

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

	TEECA Technical Education	Engineering Seminars	Curriculum Development	Leadership Development	AG Ed Inservice	Occupational FACS Project	Family and Consumer Science
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-	-
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	6,008	9,211	-	-	10,315	18,304	23,250
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	6,008	9,211	-	-	10,315	18,304	23,250
Excess (deficiency) of receipts over disbursements	(6,008)	(9,211)	-	-	(10,315)	(18,304)	(23,250)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(2,350)	-
Total other financing sources (uses)	-	-	-	-	-	(2,350)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(6,008)	(9,211)	-	-	(10,315)	(20,654)	(23,250)
Cash and investments - beginning	17,371	36,198	200	800	10,315	21,814	24,500
Cash and investments - ending	<u>\$ 11,363</u>	<u>\$ 26,987</u>	<u>\$ 200</u>	<u>\$ 800</u>	<u>\$ -</u>	<u>\$ 1,160</u>	<u>\$ 1,250</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 11,363</u>	<u>\$ 26,987</u>	<u>\$ 200</u>	<u>\$ 800</u>	<u>\$ -</u>	<u>\$ 1,160</u>	<u>\$ 1,250</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 11,363</u>	<u>\$ 26,987</u>	<u>\$ 200</u>	<u>\$ 800</u>	<u>\$ -</u>	<u>\$ 1,160</u>	<u>\$ 1,250</u>

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

	Professional Development	Professional Development Family/ Consumer	Summer AG Teacher Workshop	Health/ Science Curriculum	Health/ Science Winter Conference	Advanced Life Science
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 69,890	\$ 5,000	\$ 15,000
State sources	-	-	-	-	-	-
Total receipts	-	-	-	69,890	5,000	15,000
Disbursements:						
Current:						
Instruction	-	-	-	-	-	-
Support services	19,594	15,700	528	44,763	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	19,594	15,700	528	44,763	-	-
Excess (deficiency) of receipts over disbursements	(19,594)	(15,700)	(528)	25,127	5,000	15,000
Other financing sources (uses):						
Transfers in	1,544	806	-	-	-	-
Transfers out	-	-	-	(20,000)	-	-
Total other financing sources (uses)	1,544	806	-	(20,000)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(18,050)	(14,894)	(528)	5,127	5,000	15,000
Cash and investments - beginning	19,000	15,894	733	-	(5,000)	(14,250)
Cash and investments - ending	\$ 950	\$ 1,000	\$ 205	\$ 5,127	\$ -	\$ 750
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 950	\$ 1,000	\$ 205	\$ 5,127	\$ -	\$ 750
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ 950	\$ 1,000	\$ 205	\$ 5,127	\$ -	\$ 750

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

	Technical Honors Certificate	Gold Star Guidance Works	Safe and Drug Free Schools	Gifted and Talented	ISTAR Regional Training	2005-2006 End of Course Assessment
Receipts:						
Local sources	\$ -	\$ 7,000	\$ 16,000	\$ -	\$ -	\$ 25,500
State sources	-	-	-	-	-	-
Total receipts	-	7,000	16,000	-	-	25,500
Disbursements:						
Current:						
Instruction	-	-	-	-	-	-
Support services	7,372	7,000	9,000	640	-	25,000
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	7,372	7,000	9,000	640	-	25,000
Excess (deficiency) of receipts over disbursements	(7,372)	-	7,000	(640)	-	500
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(7,372)	-	7,000	(640)	-	500
Cash and investments - beginning	29,000	-	-	6,882	10,266	-
Cash and investments - ending	\$ 21,628	\$ -	\$ 7,000	\$ 6,242	\$ 10,266	\$ 500
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 21,628	\$ -	\$ 7,000	\$ 6,242	\$ 10,266	\$ 500
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ 21,628	\$ -	\$ 7,000	\$ 6,242	\$ 10,266	\$ 500

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

	2006-2007 End of Course Assessment	FACS Assessment	Project Lead the Way - Summer	Career Tech Staff/Market	INACCESS	Totals
Receipts:						
Local sources	\$ 15,000	\$ 24,000	\$ 18,900	\$ 33,850	\$ 84,544	\$ 988,085
State sources	-	-	-	-	-	7,250
<b>Total receipts</b>	<b>15,000</b>	<b>24,000</b>	<b>18,900</b>	<b>33,850</b>	<b>84,544</b>	<b>995,335</b>
Disbursements:						
Current:						
Instruction	-	-	-	-	-	51,401
Support services	15,000	-	3,000	-	-	1,080,005
Nonprogrammed charges	-	-	-	-	-	7,512
<b>Total disbursements</b>	<b>15,000</b>	<b>-</b>	<b>3,000</b>	<b>-</b>	<b>-</b>	<b>1,138,918</b>
Excess (deficiency) of receipts over disbursements	-	24,000	15,900	33,850	84,544	(143,583)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	212,353
Transfers out	-	-	-	-	-	(212,353)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	24,000	15,900	33,850	84,544	(143,583)
Cash and investments - beginning	-	-	-	-	-	923,862
Cash and investments - ending	<u>\$ -</u>	<u>\$ 24,000</u>	<u>\$ 15,900</u>	<u>\$ 33,850</u>	<u>\$ 84,544</u>	<u>\$ 780,279</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	<u>\$ -</u>	<u>\$ 24,000</u>	<u>\$ 15,900</u>	<u>\$ 33,850</u>	<u>\$ 84,544</u>	<u>\$ 780,279</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Unrestricted	<u>\$ -</u>	<u>\$ 24,000</u>	<u>\$ 15,900</u>	<u>\$ 33,850</u>	<u>\$ 84,544</u>	<u>\$ 780,279</u>

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

	Joint Purchases	Drivers Education	Indiana Schools Smart Partners	Project Lead The Way	Public School Speaks	Food Service	INDEA
Receipts:							
Local sources	\$ 323,985	\$ 23,800	\$ -	\$ -	\$ 22,519	\$ 3,667	\$ 1,910
State sources	-	-	-	-	-	-	-
Total receipts	<u>323,985</u>	<u>23,800</u>	<u>-</u>	<u>-</u>	<u>22,519</u>	<u>3,667</u>	<u>1,910</u>
Disbursements:							
Current:							
Instruction	5,682	94,664	-	-	-	-	-
Support services	307,151	-	29,034	-	4,936	600	1,269
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>312,833</u>	<u>94,664</u>	<u>29,034</u>	<u>-</u>	<u>4,936</u>	<u>600</u>	<u>1,269</u>
Excess (deficiency) of receipts over disbursements	<u>11,152</u>	<u>(70,864)</u>	<u>(29,034)</u>	<u>-</u>	<u>17,583</u>	<u>3,067</u>	<u>641</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>11,152</u>	<u>(70,864)</u>	<u>(29,034)</u>	<u>-</u>	<u>17,583</u>	<u>3,067</u>	<u>641</u>
Cash and investments - beginning	<u>58,283</u>	<u>79,669</u>	<u>29,034</u>	<u>6,464</u>	<u>-</u>	<u>-</u>	<u>1,319</u>
Cash and investments - ending	<u>\$ 69,435</u>	<u>\$ 8,805</u>	<u>\$ -</u>	<u>\$ 6,464</u>	<u>\$ 17,583</u>	<u>\$ 3,067</u>	<u>\$ 1,960</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 69,435</u>	<u>\$ 8,805</u>	<u>\$ -</u>	<u>\$ 6,464</u>	<u>\$ 17,583</u>	<u>\$ 3,067</u>	<u>\$ 1,960</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 69,435</u>	<u>\$ 8,805</u>	<u>\$ -</u>	<u>\$ 6,464</u>	<u>\$ 17,583</u>	<u>\$ 3,067</u>	<u>\$ 1,960</u>

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

	English Works	Teachers Internship	Economic Education	Technology Grant	Writing Using Computers	Learning Communities Network	SEAM 53
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,762	\$ 100,000
State sources	-	-	-	3,000	-	-	-
Total receipts	-	-	-	3,000	-	6,762	100,000
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	-	-	-	1,888	-	5,427	50,777
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	-	1,888	-	5,427	50,777
Excess (deficiency) of receipts over disbursements	-	-	-	1,112	-	1,335	49,223
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	125,000
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	125,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	1,112	-	1,335	174,223
Cash and investments - beginning	19	7,508	250	5,601	26,720	120	27,195
Cash and investments - ending	<u>\$ 19</u>	<u>\$ 7,508</u>	<u>\$ 250</u>	<u>\$ 6,713</u>	<u>\$ 26,720</u>	<u>\$ 1,455</u>	<u>\$ 201,418</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 19</u>	<u>\$ 7,508</u>	<u>\$ 250</u>	<u>\$ 6,713</u>	<u>\$ 26,720</u>	<u>\$ 1,455</u>	<u>\$ 201,418</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 19</u>	<u>\$ 7,508</u>	<u>\$ 250</u>	<u>\$ 6,713</u>	<u>\$ 26,720</u>	<u>\$ 1,455</u>	<u>\$ 201,418</u>

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

	Buddy 2 Teaching	Even Start FY 1999	Even Start FY 2000	Even Start FY 2001	Investment Fund	Indiana Educational/ CARE	Drug Free Schools
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 2,565	\$ -	\$ -
State sources	-	-	-	-	-	-	-
Total receipts	-	-	-	-	2,565	-	-
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	47,603	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	6,802	-	-
Total disbursements	47,603	-	-	-	6,802	-	-
Excess (deficiency) of receipts over disbursements	(47,603)	-	-	-	(4,237)	-	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(47,603)	-	-	-	(4,237)	-	-
Cash and investments - beginning	79,741	1,302	13,844	7,000	176,577	5,789	122
Cash and investments - ending	<u>\$ 32,138</u>	<u>\$ 1,302</u>	<u>\$ 13,844</u>	<u>\$ 7,000</u>	<u>\$ 172,340</u>	<u>\$ 5,789</u>	<u>\$ 122</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 32,138</u>	<u>\$ 1,302</u>	<u>\$ 13,844</u>	<u>\$ 7,000</u>	<u>\$ 172,340</u>	<u>\$ 5,789</u>	<u>\$ 122</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 32,138</u>	<u>\$ 1,302</u>	<u>\$ 13,844</u>	<u>\$ 7,000</u>	<u>\$ 172,340</u>	<u>\$ 5,789</u>	<u>\$ 122</u>

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

	TEECA Technical Education	Engineering Seminars	Curriculum Development	Leadership Development	Occupational FACS Project	Family and Consumer Science
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-
Disbursements:						
Current:						
Instruction	-	-	-	-	-	-
Support services	2,500	8,397	-	-	1,160	1,250
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	2,500	8,397	-	-	1,160	1,250
Excess (deficiency) of receipts over disbursements	(2,500)	(8,397)	-	-	(1,160)	(1,250)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,500)	(8,397)	-	-	(1,160)	(1,250)
Cash and investments - beginning	11,363	26,987	200	800	1,160	1,250
Cash and investments - ending	\$ 8,863	\$ 18,590	\$ 200	\$ 800	\$ -	\$ -
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 8,863	\$ 18,590	\$ 200	\$ 800	\$ -	\$ -
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ 8,863	\$ 18,590	\$ 200	\$ 800	\$ -	\$ -

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

	Professional Development	Professional Development Family/ Consumer	Summer AG Teacher Workshop	Health/ Science Curriculum	Advanced Life Science	Technical Honors Certificate
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 15,000	\$ -
State sources	-	-	-	-	-	-
Total receipts	-	-	-	-	15,000	-
Disbursements:						
Current:						
Instruction	-	-	-	-	-	-
Support services	950	1,000	-	1,500	15,000	21,736
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	950	1,000	-	1,500	15,000	21,736
Excess (deficiency) of receipts over disbursements	(950)	(1,000)	-	(1,500)	-	(21,736)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(950)	(1,000)	-	(1,500)	-	(21,736)
Cash and investments - beginning	950	1,000	205	5,127	750	21,628
Cash and investments - ending	\$ -	\$ -	\$ 205	\$ 3,627	\$ 750	\$ (108)
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ -	\$ 205	\$ 3,627	\$ 750	\$ (108)
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ -	\$ -	\$ 205	\$ 3,627	\$ 750	\$ (108)

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

	Safe and Drug Free Schools	Gifted and Talented	Regional Training	2005-2006 End of Course Assessment	FACS Assessment	Project Lead the Way - Summer
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,000
State sources	-	-	-	-	-	-
Total receipts	-	-	-	-	-	15,000
Disbursements:						
Current:						
Instruction	-	-	-	-	-	-
Support services	3,200	6,242	-	-	-	27,900
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	3,200	6,242	-	-	-	27,900
Excess (deficiency) of receipts over disbursements	(3,200)	(6,242)	-	-	-	(12,900)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,200)	(6,242)	-	-	-	(12,900)
Cash and investments - beginning	7,000	6,242	10,266	500	24,000	15,900
Cash and investments - ending	\$ 3,800	\$ -	\$ 10,266	\$ 500	\$ 24,000	\$ 3,000
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 3,800	\$ -	\$ 10,266	\$ 500	\$ 24,000	\$ 3,000
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ 3,800	\$ -	\$ 10,266	\$ 500	\$ 24,000	\$ 3,000

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

	Career Tech Staff/Market	INACCESS	INACCESS Professional Development	Online Science Video	SES Program	Totals
Receipts:						
Local sources	\$ 24,750	\$ 138,224	\$ 20,602	\$ 10,290	\$ 40,338	\$ 749,412
State sources	-	-	-	-	-	3,000
Total receipts	<u>24,750</u>	<u>138,224</u>	<u>20,602</u>	<u>10,290</u>	<u>40,338</u>	<u>752,412</u>
Disbursements:						
Current:						
Instruction	-	-	-	-	-	100,346
Support services	4,157	82,490	20,602	9,800	33,012	689,581
Nonprogrammed charges	-	-	-	-	-	6,802
Total disbursements	<u>4,157</u>	<u>82,490</u>	<u>20,602</u>	<u>9,800</u>	<u>33,012</u>	<u>796,729</u>
Excess (deficiency) of receipts over disbursements	<u>20,593</u>	<u>55,734</u>	<u>-</u>	<u>490</u>	<u>7,326</u>	<u>(44,317)</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	20,000	145,000
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>145,000</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>20,593</u>	<u>55,734</u>	<u>-</u>	<u>490</u>	<u>27,326</u>	<u>100,683</u>
Cash and investments - beginning	<u>33,850</u>	<u>84,544</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>780,279</u>
Cash and investments - ending	<u>\$ 54,443</u>	<u>\$ 140,278</u>	<u>\$ -</u>	<u>\$ 490</u>	<u>\$ 27,326</u>	<u>\$ 880,962</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ 54,443</u>	<u>\$ 140,278</u>	<u>\$ -</u>	<u>\$ 490</u>	<u>\$ 27,326</u>	<u>\$ 880,962</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ 54,443</u>	<u>\$ 140,278</u>	<u>\$ -</u>	<u>\$ 490</u>	<u>\$ 27,326</u>	<u>\$ 880,962</u>

SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended June 30, 2007

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Machinery and equipment	<u>\$ 489,327</u>
Total governmental activities, capital assets not being depreciated	<u><u>\$ 489,327</u></u>

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

Central Indiana Educational Services Center has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
<b>Governmental Activities:</b>		
<b>Capital leases:</b>		
Cannon IR 3200 Color Copier	\$ 8,046	\$ 5,364
Mailing System	42,048	10,512
<b>Total governmental activities debt</b>	<b><u>\$ 50,094</u></b>	<b><u>\$ 15,876</u></b>

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
AUDIT RESULTS AND COMMENTS

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

Six of the eight quarterly reports reviewed for the Adult Education programs reported that the cash balance on hand exceeded 10% of the total cash received. The Cash on Hand balance at the end of both years was less than 10%.

The Indiana Department of Education, Staff Professional Development Disbursement Schedule Request forms stated in part: ". . . Grantees may not maintain a cash balance in excess of 10 percent of the amount received. Balances are monitored on a quarterly basis . . ."

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

ALCOHOL PURCHASES

We observed during a review of credit card purchases that alcohol had been purchased by an employee and paid by CIESC on two different occasions. Reimbursement was made by the employee to CIESC on March 14, 2008, Receipt 12525.

Purchases of alcoholic beverages may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

BANK ACCOUNT RECONCILEMENT

Depository reconciliations of fund balances to the bank account balances were incorrect in that all funds held by CIESC were not reconciled on a monthly basis. CIESC reconciled only the main checking account and did not include all monies in the investment accounts.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
AUDIT RESULTS AND COMMENTS  
(Continued)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OFFICIAL BOND

The proofs of continuance of official bonds for the Treasurer and Deputy Treasurer were not recorded in the Office of the County Recorder for both audit years.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder . . ."

OVERDRAWN CASH BALANCE

The cash balance of the Technical Honors Certificate Fund was overdrawn as of June 30, 2007.

The cash balance of any fund may not be reduced below zero. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
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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 CENTRAL INDIANA EDUCATIONAL  
SERVICE CENTER, MARION COUNTY, INDIANA

Compliance

We have audited the compliance of the Central Indiana Educational Service Center (CIESC) 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, 2006 and 2007. The CIESC'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 CIESC's management. Our responsibility is to express an opinion on the CIESC's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 CIESC'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 CIESC's compliance with those requirements.

In our opinion, the CIESC 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, 2006 and 2007.

Internal Control Over Compliance

The management of the CIESC 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 CIESC'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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the CIESC's internal control over compliance.

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)

A control deficiency in a CIESC's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the CIESC's management, 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 30, 2008

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2006 and 2007

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-06	Total Federal Awards Expended 06-30-07
<u>U. S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education Adult Education - State Grant Program	84.002			
		05-8062	\$ 20,934	\$ -
		06-8062	898,925	15,768
		07-8062	-	781,868
Total for program			<u>919,859</u>	<u>797,636</u>
Career and Technical Education - Basic Grants to States	84.048			
		05-1362	10,315	-
		04/05-1333c	20,654	1,160
		04/05-1333d	23,250	1,250
		04/05-1397	15,700	1,000
		04-1320	528	-
Total for program			<u>70,447</u>	<u>3,410</u>
Total federal awards expended			<u>\$ 990,306</u>	<u>\$ 801,046</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Central Indiana Educational Service Center (CIESC) 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 Educational Service Centers shall be conducted biennially. Such audits shall include both years within the biennial period.

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
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

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

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.002	Adult Education – State Grant Program

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

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
EXIT CONFERENCE

The contents of this report were discussed on April 30, 2008, with Donna J. Hattenbach, Treasurer; and Tom Pagen, Executive Director. The officials concurred with our audit findings.