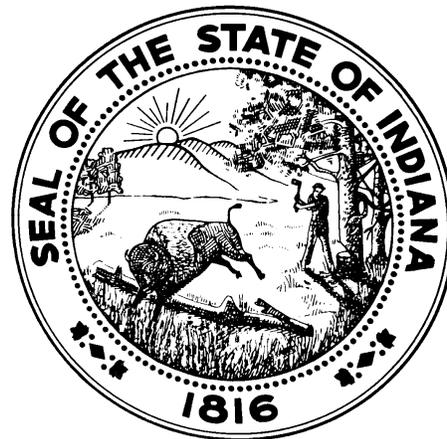


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF

JOINT EDUCATIONAL SERVICES
IN SPECIAL EDUCATION
MARSHALL COUNTY, INDIANA

July 1, 2006 to June 30, 2008



FILED

02/25/2009

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|--------------------------------------|----------------------|----------------------|
| Treasurer | Jennifer E. Connolly | 07-01-06 to 06-30-09 |
| Director | Mary Kay Davis | 07-01-06 to 06-30-08 |
| | Robert Wise | 07-01-08 to 06-30-09 |
| Chairman of the Board of Managers | Peter O'Rourke | 07-01-06 to 06-30-07 |
| | Richard Reese | 07-01-07 to 12-31-08 |



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

TO: THE OFFICIALS OF THE JOINT EDUCATIONAL SERVICES
IN SPECIAL EDUCATION, MARSHALL COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Joint Educational Services in Special Education (School Corporation), as of and for the years ended June 30, 2007 and 2008, 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, 2007 and 2008, 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 December 31, 2008, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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 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.

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 Combining Schedules, as listed in the Table of Contents and Schedule of Capital Assets 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 has 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

December 31, 2008



STATE OF INDIANA
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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 JOINT EDUCATIONAL SERVICES
IN SPECIAL EDUCATION, MARSHALL COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Joint Educational Services in Special Education (School Corporation), as of and for the years ended June 30, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated December 31, 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 School Corporation'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 School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

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.

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)

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.

Compliance and Other Matters

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 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.

This report is intended solely for the information and use of the School Corporation's management, Board of Managers, 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

December 31, 2008

JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
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>Operating Grants and Contributions</u> | <u>Net (Disbursement) Receipts and Changes in Net Assets</u> |
|--|----------------------|---|--|
| | | | <u>Totals</u> |
| Governmental activities: | | | |
| Instruction | \$ 8,863,927 | \$ 330 | \$ (8,863,597) |
| Support services | 2,358,403 | 2,405 | (2,355,998) |
| Community services | 75 | - | (75) |
| Nonprogrammed charges | <u>76,998</u> | <u>-</u> | <u>(76,998)</u> |
| Total Government | <u>\$ 11,299,403</u> | <u>\$ 2,735</u> | <u>(11,296,668)</u> |
| General receipts: | | | |
| Other local sources | | | 8,295,751 |
| Grants and contributions not restricted to specific programs | | | 3,543,319 |
| Investment earnings | | | <u>126,299</u> |
| Total general receipts | | | <u>11,965,369</u> |
| Change in net assets | | | 668,701 |
| Net assets - beginning | | | <u>1,693,412</u> |
| Net assets - ending | | | <u>\$ 2,362,113</u> |
| <u>Assets</u> | | | |
| Cash and investments | | | \$ 2,340,213 |
| Restricted assets: | | | |
| Cash with fiscal agent | | | <u>21,900</u> |
| Total assets | | | <u>\$ 2,362,113</u> |
| <u>Net Assets</u> | | | |
| Restricted for: | | | |
| Other purposes | | | \$ 21,900 |
| Unrestricted | | | <u>2,340,213</u> |
| Total net assets | | | <u>\$ 2,362,113</u> |

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

JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

| <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 | \$ 10,636,401 | \$ - | \$ (10,636,401) |
| Support services | 3,130,673 | 7,870 | (3,122,803) |
| Nonprogrammed charges | <u>87,397</u> | <u>-</u> | <u>(87,397)</u> |
| Total Government | <u>\$ 13,854,471</u> | <u>\$ 7,870</u> | <u>(13,846,601)</u> |
| General receipts: | | | |
| Other local sources | | | 8,437,021 |
| Grants and contributions not restricted to specific programs | | | 3,524,583 |
| Investment earnings | | | <u>107,260</u> |
| Total general receipts | | | <u>12,068,864</u> |
| Change in net assets | | | (1,777,737) |
| Net assets - beginning | | | <u>2,362,113</u> |
| Net assets - ending | | | <u>\$ 584,376</u> |
| <u>Assets</u> | | | |
| Cash and investments | | | \$ 562,476 |
| Restricted assets: | | | |
| Cash with fiscal agent | | | <u>21,900</u> |
| Total assets | | | <u>\$ 584,376</u> |
| <u>Net Assets</u> | | | |
| Restricted for: | | | |
| Other purposes | | | \$ 21,900 |
| Unrestricted | | | <u>562,476</u> |
| Total net assets | | | <u>\$ 584,376</u> |

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

JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
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 | Special Education Grant '07 | Medicaid Reimbursement | Building and Replacement Fund | Other | Totals |
|--|---------------------|-----------------------------------|---------------------------|-------------------------------------|------------------|---------------------|
| Receipts: | | | | | | |
| Local sources | \$ 8,258,638 | \$ - | \$ - | \$ 84,894 | \$ 2,020 | \$ 8,345,552 |
| State sources | 188,107 | - | - | - | - | 188,107 |
| Federal sources | - | 3,041,540 | 2,405 | - | 314,002 | 3,357,947 |
| Total receipts | 8,446,745 | 3,041,540 | 2,405 | 84,894 | 316,022 | 11,891,606 |
| Disbursements: | | | | | | |
| Current: | | | | | | |
| Instruction | 6,195,204 | 2,475,875 | 15,916 | - | 176,932 | 8,863,927 |
| Support services | 1,729,536 | 579,638 | - | - | 49,229 | 2,358,403 |
| Community services | 75 | - | - | - | - | 75 |
| Nonprogrammed charges | - | - | - | - | 500 | 500 |
| Total disbursements | 7,924,815 | 3,055,513 | 15,916 | - | 226,661 | 11,222,905 |
| Excess (deficiency) of receipts over disbursements | 521,930 | (13,973) | (13,511) | 84,894 | 89,361 | 668,701 |
| Other financing sources (uses): | | | | | | |
| Transfers in | - | - | - | - | 80,172 | 80,172 |
| Transfers out | - | - | - | - | (80,172) | (80,172) |
| Total other financing sources (uses) | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 521,930 | (13,973) | (13,511) | 84,894 | 89,361 | 668,701 |
| Cash and investments - beginning | 1,366,251 | - | 80,881 | 219,371 | 5,009 | 1,671,512 |
| Cash and investments - ending | <u>\$ 1,888,181</u> | <u>\$ (13,973)</u> | <u>\$ 67,370</u> | <u>\$ 304,265</u> | <u>\$ 94,370</u> | <u>\$ 2,340,213</u> |
| Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because: | | | | | | |
| Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis. | | | | | | |
| | | | | | | <u>21,900</u> |
| Net assets of governmental activities | | | | | | <u>\$ 2,362,113</u> |
| Cash and Investment Assets - Ending | | | | | | |
| Cash and Investments | <u>\$ 1,888,181</u> | <u>\$ (13,973)</u> | <u>\$ 67,370</u> | <u>\$ 304,265</u> | <u>\$ 94,370</u> | <u>\$ 2,340,213</u> |
| Cash and Investment Fund Balance - Ending | | | | | | |
| Unrestricted cash and investment fund balance | <u>\$ 1,888,181</u> | <u>\$ (13,973)</u> | <u>\$ 67,370</u> | <u>\$ 304,265</u> | <u>\$ 94,370</u> | <u>\$ 2,340,213</u> |

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

JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
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, 2008

| | General | Special Education Grant '07 | Special Education Grant '08 | Medicaid Reimbursement | Building and Replacement Fund | Other | Totals |
|--|--------------------|-----------------------------------|-----------------------------------|---------------------------|-------------------------------------|------------------|--------------------|
| Receipts: | | | | | | | |
| Local sources | \$ 8,336,145 | \$ - | \$ - | \$ - | \$ 108,666 | \$ 20,443 | \$ 8,465,254 |
| State sources | 187,458 | - | - | - | - | - | 187,458 |
| Federal sources | 141 | 151,000 | 3,072,963 | - | - | 113,021 | 3,337,125 |
| Total receipts | 8,523,744 | 151,000 | 3,072,963 | - | 108,666 | 133,464 | 11,989,837 |
| Disbursements: | | | | | | | |
| Current: | | | | | | | |
| Instruction | 7,942,805 | 70,571 | 2,453,604 | 5,364 | - | 164,057 | 10,636,401 |
| Support services | 2,384,009 | 22,474 | 641,391 | 1,060 | 9,780 | 71,959 | 3,130,673 |
| Nonprogrammed charges | - | - | - | - | - | 500 | 500 |
| Total disbursements | 10,326,814 | 93,045 | 3,094,995 | 6,424 | 9,780 | 236,516 | 13,767,574 |
| Excess (deficiency) of receipts over disbursements | (1,803,070) | 57,955 | (22,032) | (6,424) | 98,886 | (103,052) | (1,777,737) |
| Other financing sources (uses): | | | | | | | |
| Transfers in | - | - | - | - | - | 43,982 | 43,982 |
| Transfers out | - | (43,982) | - | - | - | - | (43,982) |
| Total other financing sources (uses) | - | (43,982) | - | - | - | 43,982 | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (1,803,070) | 13,973 | (22,032) | (6,424) | 98,886 | (59,070) | (1,777,737) |
| Cash and investments - beginning | 1,888,181 | (13,973) | - | 67,370 | 304,265 | 94,370 | 2,340,213 |
| Cash and investments - ending | <u>\$ 85,111</u> | <u>\$ -</u> | <u>\$ (22,032)</u> | <u>\$ 60,946</u> | <u>\$ 403,151</u> | <u>\$ 35,300</u> | <u>\$ 562,476</u> |
| Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because: | | | | | | | |
| Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis. | | | | | | | |
| | | | | | | | 21,900 |
| Net assets of governmental activities | | | | | | | <u>\$ 584,376</u> |
| Cash and Investment Assets - Ending | | | | | | | |
| Cash and Investments | <u>\$ 85,111</u> | <u>\$ -</u> | <u>\$ (22,032)</u> | <u>\$ 60,946</u> | <u>\$ 403,151</u> | <u>\$ 35,300</u> | <u>\$ 562,476</u> |
| Cash and Investment Fund Balance - Ending | | | | | | | |
| Unrestricted cash and investment fund balance | <u>\$ 85,111</u> | <u>\$ -</u> | <u>\$ (22,032)</u> | <u>\$ 60,946</u> | <u>\$ 403,151</u> | <u>\$ 35,300</u> | <u>\$ 562,476</u> |

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

JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
For the Year Ended June 30, 2007

| | <u>Internal Service Fund</u> | <u>Self-Insurance Fund</u> |
|--|--------------------------------------|--------------------------------|
| Operating receipts: | | |
| Charges for services | \$ | <u>76,498</u> |
| Operating disbursements: | | |
| Insurance claims and expense | | <u>76,498</u> |
| Excess (deficiency) of operating receipts over operating disbursements | | - |
| Change in net assets | | - |
| Cash and investment fund balance - beginning | | <u>21,900</u> |
| Cash and investment fund balance - ending | \$ | <u><u>21,900</u></u> |
| <u>Cash and Investment Assets - Ending</u> | | |
| Restricted assets: | | |
| Cash with fiscal agent | \$ | <u><u>21,900</u></u> |
| <u>Cash and Investment Fund Balance - Ending</u> | | |
| Restricted for: | | |
| Other purposes | \$ | <u><u>21,900</u></u> |

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

JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
For the Year Ended June 30, 2008

| | <u>Internal Service Fund</u> | <u>Self-Insurance Fund</u> |
|--|--------------------------------------|--------------------------------|
| Operating receipts: | | |
| Charges for services | \$ | <u>86,897</u> |
| Operating disbursements: | | |
| Insurance claims and expense | | <u>86,897</u> |
| Excess (deficiency) of operating receipts over operating disbursements | | - |
| Change in net assets | | - |
| Cash and investment fund balance - beginning | | <u>21,900</u> |
| Cash and investment fund balance - ending | \$ | <u><u>21,900</u></u> |
| <u>Cash and Investment Assets - Ending</u> | | |
| Restricted assets: | | |
| Cash with fiscal agent | \$ | <u><u>21,900</u></u> |
| <u>Cash and Investment Fund Balance - Ending</u> | | |
| Restricted for: | | |
| Other purposes | \$ | <u><u>21,900</u></u> |

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

JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
STATEMENT OF CASH AND INVESTMENT BALANCES
FIDUCIARY FUND
For the Year Ended June 30, 2007

| | Agency Fund |
|----------------------|----------------------|
| | <u>Clearing Fund</u> |
| Net assets: | |
| Cash and investments | \$ 290,399 |

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

JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
STATEMENT OF CASH AND INVESTMENT BALANCES
FIDUCIARY FUND
For the Year Ended June 30, 2008

| | Agency Fund |
|----------------------|----------------------|
| | <u>Clearing Fund</u> |
| Net assets: | |
| Cash and investments | \$ 331,750 |

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

JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
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 Cooperative was established under the laws of the State of Indiana. The School Cooperative operates under a Board of School Managers form of government and provides special educational services. The Board consists of Superintendents of the ten participating school corporations.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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, 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 special education fund receives funds from federal grants. The grants are used to assist the School Corporation in teaching children with physical or mental learning disabilities.

The medicaid reimbursement fund receives funds from school corporations. The funds are to pay for speech therapy.

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

JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for assets set aside for dental and vision claim settlements. Noncertified employees pay for insurance through payroll deductions.

Agency funds account for assets held by the School Corporation as an agent for employees 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. Receipts are recorded when received and disbursements are recorded when paid.

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

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, 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 of January 1, 2008, the Department of Education has mandated a change in the chart of accounts used by the school corporation. These changes have caused expenses to be allocated in a manner that is not consistent with reporting prior to January 1, 2008. This change does not affect the total amount of expenses, only the allocation of the expense.

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.

JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. 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.

3. 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

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 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.

JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Fund Financial Statements

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

Government-Wide Financial Statements

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

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

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted locally 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.

B. Cash and Investment Balance Deficits

At June 30, 2007 and 2008, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

| Fund | 2007 | 2008 |
|-----------------------------|-----------|--------|
| Special Education Grant '07 | \$ 13,973 | \$ - |
| Special Education Grant '08 | - | 22,032 |

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. 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.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2007 and 2008, were as follows:

| Transfer From | Transfer To | 2007 | 2008 |
|--------------------------|--------------------------|------------------|------------------|
| Other Governmental Funds | Other Governmental Funds | \$ 80,172 | \$ - |
| Special Education Grant | Other Governmental Funds | - | 43,982 |
| Totals | | <u>\$ 80,172</u> | <u>\$ 43,982</u> |

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; dental and vision benefits; and natural disasters.

The school corporation has joined with other school corporations to form the Educational Services Centers Risk Funding Trust, a public entity risk pool currently operating as a common risk management and insurance program for 23 member school corporations. The risk pool was formed in 2008. The purpose of the risk pool is to provide a medium for the funding and administration covering 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. The School Corporation pays a premium to the risk pool for its coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$250,000. The risk pool obtains independent coverage for insured events in excess of the \$250,000 limit.

Dental and Vision Benefits

The School Corporation has chosen to establish a risk financing fund for risks associated with dental and vision benefits to employees. The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. The employees are allowed up to \$1,000 per person per year for vision and \$200 per person per year for dental claims. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program.

JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provided postemployment health, dental/vision benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age fifty with at least ten years of service. This plan was terminated and replaced for all employees retiring after the summer of 2007. After the summer of 2007 employees may remain on the insurances until the month they turn age 65, providing they pay 100% of the premium. Employees received VEBA buyout funds in February, 2008 to help fund these costs. Currently five employees receive benefits under the old plan. During the years ended June 30, 2007 and 2008, disbursements of \$15,472 each year were paid for these postemployment benefits. The last payments will run out in 2015.

C. 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.

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.

JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

| | PERF |
|--|---|
| Annual required contribution | \$ 109,614 |
| Interest on net pension obligation | (9,280) |
| Adjustment to annual required contribution | 10,575 |
| Annual pension cost | 110,909 |
| Contributions made | 123,750 |
| Decrease in net pension obligation | (12,841) |
| Net pension obligation, beginning of year | (128,002) |
| Net pension obligation, end of year | \$ (140,843) |
| Contribution rates: | |
| School Corporation | 6.25% |
| Plan members | 3% |
| Actuarial valuation date | 07-01-07 |
| Actuarial cost method | Entry age |
| Amortization method | Level percentage of projected payroll, closed |
| Amortization period | 30 years |
| Amortization period (from date) | 07-01-97 |
| Asset valuation method | 75% of expected actuarial value plus 25% of market value |

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 | 06-30-05 | \$ 89,327 | 140% | \$ (105,293) |
| | 06-30-06 | 93,225 | 124% | (128,002) |
| | 06-30-07 | 110,909 | 112% | (140,843) |

JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

TRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

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

Funding Policy and Annual Pension Costs

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

Plan members are required to contribute 7.25% of their salary and the School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2006, 2007, and 2008, were \$382,128, \$388,903, and \$465,108, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years, respectively.

JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

| 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) |
|--------------------------------|--|---|--|--------------------------|---------------------------|--|
| 07-01-05 | \$ 827,393 | \$ 917,841 | \$ (90,448) | 90% | \$ 1,558,325 | (6%) |
| 07-01-06 | 1,080,621 | 1,001,904 | 78,717 | 108% | 1,758,448 | 4% |
| 07-01-07 | 1,216,926 | 1,067,458 | 149,468 | 114% | 1,715,547 | 9% |

JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
 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

| | Alternative Education | Contributions/ Scholarships | Donations, Gifts and Trusts | Gifts and Donations | Special Grant- Autism Resources | Special Education Grant '06 |
|---|--------------------------|--------------------------------|--------------------------------|------------------------|------------------------------------|-----------------------------------|
| Receipts: | | | | | | |
| Local sources | \$ - | \$ 170 | \$ 350 | \$ - | \$ 1,500 | \$ - |
| Federal sources | - | - | - | - | - | 200,000 |
| Total receipts | <u>-</u> | <u>170</u> | <u>350</u> | <u>-</u> | <u>1,500</u> | <u>200,000</u> |
| Disbursements: | | | | | | |
| Current: | | | | | | |
| Instruction | - | - | 350 | - | - | 62,600 |
| Support services | - | - | - | - | - | 24,993 |
| Nonprogrammed charges | - | 500 | - | - | - | - |
| Total disbursements | <u>-</u> | <u>500</u> | <u>350</u> | <u>-</u> | <u>-</u> | <u>87,593</u> |
| Excess (deficiency) of receipts over disbursements | <u>-</u> | <u>(330)</u> | <u>-</u> | <u>-</u> | <u>1,500</u> | <u>112,407</u> |
| Other financing sources (uses): | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | (80,172) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(80,172)</u> |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>-</u> | <u>(330)</u> | <u>-</u> | <u>-</u> | <u>1,500</u> | <u>32,235</u> |
| Cash and investments - beginning | <u>18,550</u> | <u>465</u> | <u>-</u> | <u>2,260</u> | <u>-</u> | <u>(32,234)</u> |
| Cash and investments - ending | <u>\$ 18,550</u> | <u>\$ 135</u> | <u>\$ -</u> | <u>\$ 2,260</u> | <u>\$ 1,500</u> | <u>\$ 1</u> |
| <u>Cash and Investment Assets - Ending</u> | | | | | | |
| Cash and investments | <u>\$ 18,550</u> | <u>\$ 135</u> | <u>\$ -</u> | <u>\$ 2,260</u> | <u>\$ 1,500</u> | <u>\$ 1</u> |
| <u>Cash and Investment Fund Balance - Ending</u> | | | | | | |
| Unrestricted cash and investment fund balance | <u>\$ 18,550</u> | <u>\$ 135</u> | <u>\$ -</u> | <u>\$ 2,260</u> | <u>\$ 1,500</u> | <u>\$ 1</u> |

JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
 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)

| | Special Education <u>Carryover '05</u> | Special Education <u>Carryover '06</u> | Special Education <u>Silver Grant '06</u> | Special Education <u>Preschool Grant '07</u> | <u>Totals</u> |
|---|--|--|---|--|------------------|
| Receipts: | | | | | |
| Local sources | \$ - | \$ - | \$ - | \$ - | \$ 2,020 |
| Federal sources | - | - | - | 114,002 | 314,002 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>114,002</u> | <u>316,022</u> |
| Total receipts | - | - | - | 114,002 | 316,022 |
| Disbursements: | | | | | |
| Current: | | | | | |
| Instruction | - | - | (20) | 114,002 | 176,932 |
| Support services | 15,288 | 8,248 | 700 | - | 49,229 |
| Nonprogrammed charges | - | - | - | - | 500 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>500</u> |
| Total disbursements | 15,288 | 8,248 | 680 | 114,002 | 226,661 |
| Excess (deficiency) of receipts over disbursements | <u>(15,288)</u> | <u>(8,248)</u> | <u>(680)</u> | <u>-</u> | <u>89,361</u> |
| Other financing sources (uses): | | | | | |
| Transfers in | - | 80,172 | - | - | 80,172 |
| Transfers out | - | - | - | - | (80,172) |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(80,172)</u> |
| Total other financing sources (uses) | - | 80,172 | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (15,288) | 71,924 | (680) | - | 89,361 |
| Cash and investments - beginning | <u>15,288</u> | <u>-</u> | <u>680</u> | <u>-</u> | <u>5,009</u> |
| Cash and investments - ending | <u>\$ -</u> | <u>\$ 71,924</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 94,370</u> |
| <u>Cash and Investment Assets - Ending</u> | | | | | |
| Cash and investments | <u>\$ -</u> | <u>\$ 71,924</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 94,370</u> |
| <u>Cash and Investment Fund Balance - Ending</u> | | | | | |
| Unrestricted cash and investment fund balance | <u>\$ -</u> | <u>\$ 71,924</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 94,370</u> |

JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
 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, 2008

| | Alternative Education | Contributions/ Scholarships | Donations, Gifts and Trusts | Gifts and Donations |
|---|--------------------------|--------------------------------|--------------------------------|------------------------|
| Receipts: | | | | |
| Local sources | \$ - | \$ 1,711 | \$ 1,175 | \$ - |
| Federal sources | - | - | - | - |
| Total receipts | - | 1,711 | 1,175 | - |
| Disbursements: | | | | |
| Current: | | | | |
| Instruction | - | - | - | - |
| Support services | - | - | - | - |
| Nonprogrammed charges | - | 500 | - | - |
| Total disbursements | - | 500 | - | - |
| Excess (deficiency) of receipts over disbursements | - | 1,211 | 1,175 | - |
| Other financing sources (uses): | | | | |
| Transfers in | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | - | 1,211 | 1,175 | - |
| Cash and investments - beginning | 18,550 | 135 | - | 2,260 |
| Cash and investments - ending | <u>\$ 18,550</u> | <u>\$ 1,346</u> | <u>\$ 1,175</u> | <u>\$ 2,260</u> |
| <u>Cash and Investment Assets - Ending</u> | | | | |
| Cash and investments | <u>\$ 18,550</u> | <u>\$ 1,346</u> | <u>\$ 1,175</u> | <u>\$ 2,260</u> |
| <u>Cash and Investment Fund Balance - Ending</u> | | | | |
| Restricted for: | | | | |
| Unrestricted cash and investment fund balance | <u>\$ 18,550</u> | <u>\$ 1,346</u> | <u>\$ 1,175</u> | <u>\$ 2,260</u> |

JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
 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, 2008
 (Continued)

| | Special Grant- Autism Resources | Special Education Carryover '06 | Special Education Preschool Grant '08 | Totals |
|---|------------------------------------|---------------------------------------|---|------------------|
| Receipts: | | | | |
| Local sources | \$ 17,557 | \$ - | \$ - | \$ 20,443 |
| Federal sources | - | - | 113,021 | 113,021 |
| | <u>17,557</u> | <u>-</u> | <u>113,021</u> | <u>133,464</u> |
| Total receipts | | | | |
| Disbursements: | | | | |
| Current: | | | | |
| Instruction | 11,112 | 39,924 | 113,021 | 164,057 |
| Support services | 35 | 71,924 | - | 71,959 |
| Nonprogrammed charges | - | - | - | 500 |
| | <u>11,147</u> | <u>111,848</u> | <u>113,021</u> | <u>236,516</u> |
| Total disbursements | | | | |
| Excess (deficiency) of receipts over disbursements | <u>6,410</u> | <u>(111,848)</u> | <u>-</u> | <u>(103,052)</u> |
| Other financing sources (uses): | | | | |
| Transfers in | <u>-</u> | <u>43,982</u> | <u>-</u> | <u>43,982</u> |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | | | | |
| | 6,410 | (67,866) | - | (59,070) |
| Cash and investments - beginning | <u>1,501</u> | <u>71,924</u> | <u>-</u> | <u>94,370</u> |
| Cash and investments - ending | <u>\$ 7,911</u> | <u>\$ 4,058</u> | <u>\$ -</u> | <u>\$ 35,300</u> |
| <u>Cash and Investment Assets - Ending</u> | | | | |
| Cash and Investments | <u>\$ 7,911</u> | <u>\$ 4,058</u> | <u>\$ -</u> | <u>\$ 35,300</u> |
| <u>Cash and Investment Fund Balance - Ending</u> | | | | |
| Restricted for: | | | | |
| Unrestricted cash and investment fund balance | <u>\$ 7,911</u> | <u>\$ 4,058</u> | <u>\$ -</u> | <u>\$ 35,300</u> |

JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

As Of June 30, 2008

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>Ending Balance</u> |
|--------------------------|---------------------------|
| Governmental activities: | |
| Machinery and equipment | <u>\$ 307,927</u> |

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 JOINT EDUCATIONAL SERVICES
IN SPECIAL EDUCATION, MARSHALL COUNTY, INDIANA

Compliance

We have audited the compliance of the Joint Educational Services in Special Education (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, 2007 and 2008. 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 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 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, 2007 and 2008.

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

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)

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 School Corporation's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency in a School Corporation'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 School Corporation's management, Board of Managers, 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

December 31, 2008

JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2007 and 2008

| 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 06-30-07 | Total Federal Awards Expended 06-30-08 |
|---|---------------------------|--|---|---|
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | | |
| Pass-Through Indiana Department of Education | | | | |
| Special Education Cluster | | | | |
| Special Education-Grant to States | 84.027 | | | |
| Part B, IDEA (P.L. 105-17) FY 05 | | 14205-032-DY01 | \$ 680 | \$ - |
| Part B, IDEIA (P.L. 108-446) FY 06 | | 14206-032-PN01 | 87,593 | - |
| Part B, IDEIA (P.L. 108-446) FY 06 | | 14206-032-PY02 | 8,248 | 71,924 |
| Part B, IDEIA (P.L. 108-446) FY 07 | | 14207-032-PN01 | 3,055,513 | 93,046 |
| Part B, IDEIA (P.L. 108-446) FY 07 | | 14207-032-PY02 | - | 39,924 |
| Part B, IDEIA (P.L. 108-446) FY 08 | | 14208-032-PN01 | - | 3,094,996 |
| Total for program | | | <u>3,152,034</u> | <u>3,299,890</u> |
| Special Education-Preschool Grants | 84.173 | | | |
| P.L. 108-446 Preschool FY 07 | | 45707-032-PN01 | 114,002 | - |
| P.L. 108-446 Preschool FY 08 | | 45708-032-PN01 | - | 113,021 |
| Total federal awards expended | | | <u>\$ 3,266,036</u> | <u>\$ 3,412,911</u> |

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

JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
NOTE 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 Joint Educational Services in Special Education (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.

JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
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 |
| Significant deficiencies 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 |
| Significant deficiencies 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:

Name of Federal Program or Cluster

Special Education Cluster

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
EXIT CONFERENCE

The contents of this report were discussed on December 31, 2008, with Robert Wise, Director; Jennifer E. Connolly, Treasurer; and Richard Reese Chairman of the Board of Managers. Our audit disclosed no material items that warrant comment at this time.