

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

AUDIT REPORT
OF
PORTER COUNTY EDUCATION SERVICES
PORTER COUNTY, INDIANA
July 1, 2007 to June 30, 2009



FILED
01/27/2010

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Ruth Kenny	07-01-07 to 06-30-10
Executive Director	Dr. Janice Rees (Vacant) Diane Massa	07-01-07 to 01-11-09 01-12-09 to 06-30-09 07-01-09 to 06-30-10
President of the School Board	Dr. Rod Gardin	07-01-07 to 06-30-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE PORTER COUNTY EDUCATION
SERVICES, PORTER COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Porter County Education Services (School Corporation), as of and for the years ended June 30, 2008 and 2009, 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, 2008 and 2009, 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 16, 2009, 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, 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

December 16, 2009



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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 PORTER COUNTY EDUCATION SERVICES, PORTER COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Porter County Education Services (School Corporation), as of and for the years ended June 30, 2008 and 2009, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated December 16, 2009. 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.

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 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, the 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

December 16, 2009

PORTER COUNTY EDUCATION SERVICES
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>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 14,262,748	\$ 15,793	\$ 4,483,245	\$ (9,763,710)
Support services	5,674,364	23,393	1,146,243	(4,504,728)
Noninstructional services	5,000	-	-	(5,000)
Facilities acquisition and construction	525,120	-	-	(525,120)
Debt service	249,070	-	-	(249,070)
Nonprogrammed charges	3,921,836	-	-	(3,921,836)
<u>Total governmental activities</u>	<u>\$ 24,638,138</u>	<u>\$ 39,186</u>	<u>\$ 5,629,488</u>	<u>(18,969,464)</u>
General receipts:				
Other local sources				16,153,194
State aid				1,150,692
Bonds and loans				549,070
Grants and contributions not restricted to specific programs				517,377
Investment earnings				159,521
Other				2,322
<u>Total general receipts</u>				<u>18,532,176</u>
Change in net assets				(437,288)
Net assets - beginning				<u>4,762,761</u>
Net assets - ending				<u>\$ 4,325,473</u>
<u>Assets</u>				
Cash and investments				<u>\$ 4,325,473</u>
<u>Net Assets</u>				
Unrestricted				<u>\$ 4,325,473</u>

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

PORTER COUNTY EDUCATION SERVICES
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

<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>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 13,849,573	\$ 24,874	\$ 3,903,178	\$ (9,921,521)
Support services	6,495,006	26,602	1,807,833	(4,660,571)
Noninstructional services	5,000	-	-	(5,000)
Facilities acquisition and construction	921,078	-	-	(921,078)
Debt service	489,030	-	-	(489,030)
Nonprogrammed charges	3,996,877	-	-	(3,996,877)
 Total governmental activities	 <u>\$ 25,756,564</u>	 <u>\$ 51,476</u>	 <u>\$ 5,711,011</u>	 <u>(19,994,077)</u>
 General receipts:				
Other local sources				17,536,227
State aid				1,129,981
Bonds and loans				484,521
Grants and contributions not restricted to specific programs				394,265
Investment earnings				43,495
Other				3,500
 Total general receipts				 <u>19,591,989</u>
 Change in net assets				 (402,088)
 Net assets - beginning				 <u>4,325,473</u>
 Net assets - ending				 <u>\$ 3,923,385</u>
 <u>Assets</u>				
Cash and investments				<u>\$ 3,923,385</u>
 <u>Net Assets</u>				
Unrestricted				<u>\$ 3,923,385</u>

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

PORTER COUNTY EDUCATION SERVICES
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 Fund	Vocational Education Tuition/Rent	Flow-Through Grants 2007-2008	Capital Projects	Other	Totals
Receipts:						
Local sources	\$ 11,726,734	\$ 3,205,471	\$ -	\$ 419,361	\$ 984,738	\$ 16,336,304
Intermediate sources	-	-	-	-	14,998	14,998
State sources	513,962	-	-	-	1,154,706	1,668,668
Federal sources	-	-	4,320,000	-	1,309,488	5,629,488
Temporary loans	-	-	-	-	249,070	249,070
Other	-	-	-	2,322	-	2,322
Total receipts	12,240,696	3,205,471	4,320,000	421,683	3,713,000	23,900,850
Disbursements:						
Current:						
Instruction	8,399,387	-	3,367,932	-	2,495,429	14,262,748
Support services	4,209,332	-	981,789	-	483,243	5,674,364
Noninstructional services	5,000	-	-	-	-	5,000
Facilities acquisition and construction	-	-	-	416,653	108,467	525,120
Debt services	-	-	-	-	249,070	249,070
Nonprogrammed charges	-	3,173,341	-	-	748,495	3,921,836
Total disbursements	12,613,719	3,173,341	4,349,721	416,653	4,084,704	24,638,138
Excess (deficiency) of receipts over disbursements	(373,023)	32,130	(29,721)	5,030	(371,704)	(737,288)
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	300,000	300,000
Transfers in	61,353	-	-	-	31,765	93,118
Transfers out	(5,000)	-	-	-	(88,118)	(93,118)
Total other financing sources (uses)	56,353	-	-	-	243,647	300,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(316,670)	32,130	(29,721)	5,030	(128,057)	(437,288)
Cash and investments - beginning	1,784,523	1,592,997	-	849,726	535,515	4,762,761
Cash and investments - ending	<u>\$ 1,467,853</u>	<u>\$ 1,625,127</u>	<u>\$ (29,721)</u>	<u>\$ 854,756</u>	<u>\$ 407,458</u>	<u>\$ 4,325,473</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 1,467,853</u>	<u>\$ 1,625,127</u>	<u>\$ (29,721)</u>	<u>\$ 854,756</u>	<u>\$ 407,458</u>	<u>\$ 4,325,473</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 1,467,853</u>	<u>\$ 1,625,127</u>	<u>\$ (29,721)</u>	<u>\$ 854,756</u>	<u>\$ 407,458</u>	<u>\$ 4,325,473</u>

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

PORTER COUNTY EDUCATION SERVICES
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, 2009

	General Fund	Vocational Education Tuition/Rent	Flow-Through Grants 2007-2008	Flow-Through Grants 2008-2009	Capital Projects	Other	Totals
Receipts:							
Local sources	\$ 12,454,987	\$ 3,266,821	\$ -	\$ -	\$ 469,376	\$ 1,428,088	\$ 17,619,272
Intermediate sources	-	-	-	-	-	11,926	11,926
State sources	394,265	-	-	-	-	1,129,981	1,524,246
Federal sources	-	-	600,180	4,434,925	-	675,906	5,711,011
Temporary loans	-	-	-	-	-	484,521	484,521
Other	3,500	-	-	-	-	-	3,500
Total receipts	12,852,752	3,266,821	600,180	4,434,925	469,376	3,730,422	25,354,476
Disbursements:							
Current:							
Instruction	8,408,648	-	332,343	3,054,994	-	2,053,588	13,849,573
Support services	4,801,998	-	238,116	1,225,321	-	229,571	6,495,006
Noninstructional services	5,000	-	-	-	-	-	5,000
Facilities acquisition and construction	-	-	-	-	729,545	191,533	921,078
Debt services	-	-	-	-	-	489,030	489,030
Nonprogrammed charges	-	3,350,998	-	-	-	645,879	3,996,877
Total disbursements	13,215,646	3,350,998	570,459	4,280,315	729,545	3,609,601	25,756,564
Excess (deficiency) of receipts over disbursements	(362,894)	(84,177)	29,721	154,610	(260,169)	120,821	(402,088)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	133,724	133,724
Transfers out	(5,000)	(128,724)	-	-	-	-	(133,724)
Total other financing sources (uses)	(5,000)	(128,724)	-	-	-	133,724	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(367,894)	(212,901)	29,721	154,610	(260,169)	254,545	(402,088)
Cash and investments - beginning	1,467,853	1,625,127	(29,721)	-	854,756	407,458	4,325,473
Cash and investments - ending	\$ 1,099,959	\$ 1,412,226	\$ -	\$ 154,610	\$ 594,587	\$ 662,003	\$ 3,923,385
Cash and Investment Assets - Ending							
Cash and investments	\$ 1,099,959	\$ 1,412,226	\$ -	\$ 154,610	\$ 594,587	\$ 662,003	\$ 3,923,385
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 1,099,959	\$ 1,412,226	\$ -	\$ 154,610	\$ 594,587	\$ 662,003	\$ 3,923,385

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

PORTER COUNTY EDUCATION SERVICES
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	Pension Trust Funds	Agency Funds
Additions:	\$ -	
Deductions:		
Benefits	6,075	
Deficiency of total additions over total deductions	(6,075)	
Cash and investment fund balance - beginning	6,075	
Cash and investment fund balance - ending	\$ -	\$ 87,899
Net assets:		
Cash and investments	\$ -	

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

PORTER COUNTY EDUCATION SERVICES
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2009

	<u>Agency Funds</u>
Net assets:	
Cash and investments	<u>\$ 54,464</u>

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

PORTER COUNTY EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services. Eight School Corporations are members of the Porter County Education Services, (PCES) (formerly known as the Porter County Education Interlocal). The PCES was created to provide vocational, alternative, adult and special education programs. Each participating School Corporation's Superintendent is a board member and is responsible for the operation of the Interlocal.

The School Corporation's financial reporting entity is composed of the primary government.

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through 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 and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major 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 vocational education tuition/rent fund is used to account for joint vocational educational programs provided by the participating school corporations.

The flow-through grant funds (2007-2008 and 2008-2009) are used to account for special education services provided which are funded through federal grants.

PORTER COUNTY EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Additionally, the School Corporation reports the following fund types:

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

Agency funds account for assets held by the School Corporation as an agent for federal, state, and other local governmental entities and payroll withholding remittances.

C. Measurement Focus and Basis of Accounting

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

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

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. 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.

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Capital Assets

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

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

PORTER COUNTY EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS
(Continued)

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts and Disbursements

Program Receipts

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

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of 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 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.
2. 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:

PORTER COUNTY EDUCATION SERVICES
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

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 government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. 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.

The fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following January 1. The governing board approves the budget for the next year.

Appropriations for the budgeted funds of the School Corporation are prepared in detail by expenditure classification.

B. Cash and Investment Balance Deficits

At June 30, 2008 and 2009, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

Fund	2008	2009
Flow-Through Grants 2007-2008	\$ 29,721	\$ -
Perkins Grant 2007-2008	48,888	-
IDEA Flow-Through Carry Over	1,761	-
Perkins Grant 2008-2009	-	17,252
Carry Over 2007-2008	-	1,995
Retirement/Severance Debt Service	-	4,509
Section 125	492	-

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.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

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

PORTER COUNTY EDUCATION SERVICES
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2008, and 2009, the School Corporation had deposit balances in the amount of \$4,413,372 and \$3,977,849, respectively. Of this amount, the following was exposed to custodial credit risk:

	2008	2009
Uninsured and uncollateralized deposits	\$ 1,920,032	\$ 1,937,418

The remaining bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

As of June 30, 2009, the School Corporation had the following investments:

Investment Type	Market Value
Mutual funds	\$ 299,999

Statutory Authorization for Investments

Indiana Code 5-13-9 authorizes the School Corporation to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the School Corporation to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

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

PORTER COUNTY EDUCATION SERVICES
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The School Corporation does not have a formal investment policy for custodial credit risk for investments.

The following investments held by the School Corporation were exposed to custodial credit risks because they are uninsured and unregistered with securities held by the counterparty, or the counterparty's trust department or agent, either in the government's name or not in the government's name:

Investment Type	2008 In the Government's Name	2009 In the Government's Name
Mutual funds	\$ -	\$ 299,999
FICO strips (U.S. government agencies)	952,866	-
Totals	<u>\$ 952,866</u>	<u>\$ 299,999</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School Corporation must follow state statute and limit the stated final maturities of the investments to no more than two years. The School Corporation does not have a formal investment policy for interest rate risk for investments.

Investment Type	Investment Maturities (in Years)	
	Less Than 1	1-2
Mutual bond funds*	<u>\$ -</u>	<u>\$ 299,999</u>

*The mutual bond funds had a weighted average maturity of 1.6 years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below. The School Corporation does not have a formal investment policy for credit risk for investments.

PORTER COUNTY EDUCATION SERVICES
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Standard and Poor's Rating	School Corporation's Investments Mutual Funds
AAA	\$ <u>299,999</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School Corporation does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

The School Corporation held the following investments that were exposed to concentration of credit risk:

Issuer	2009
Certificates of deposit (multiple out of state banks)	\$ 1,450,000
Mutual funds	<u>299,999</u>
Total	<u>\$ 1,749,999</u>

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2008 and 2009, were as follows:

Transfer From	Transfer To	2008	2009
General Fund	Other governmental funds	\$ 5,000	\$ 5,000
Major Fund:			
Vocational Education Tuition/Rent	Other governmental funds	-	128,724
Other governmental funds	General Fund	61,353	-
	Other governmental funds	<u>26,765</u>	<u>-</u>
Totals		<u>\$ 93,118</u>	<u>\$ 133,724</u>

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

PORTER COUNTY EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS
(Continued)

IV. Other Information

A. Risk Management

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

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

Medical Benefits to Employees, Retirees, and Dependents

During 1997, the School Corporation joined with other governmental entities in Porter County to form the Porter County Schools Employees' Insurance Trust, a public entity risk pool currently operating as a common risk management and insurance program for ten member governmental entities. This risk pool was formed in 1997. The purpose of the risk pool is to provide a medium for the funding and administration of medical benefits to employees, retirees, and dependents (excluding postemployment benefits). The School Corporation pays an annual premium to the risk pool for its medical benefits coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$5,000,000 per insured event.

B. Pension Plans

1. Agent Multiple-Employer and Single-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:

PORTER COUNTY EDUCATION SERVICES
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Public Employees' Retirement Fund
 Harrison Building, Room 800
 143 West Market Street
 Indianapolis, IN 46204
 Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 88,726
Interest on net pension obligation	(3,336)
Adjustment to annual required contribution	3,802
Annual pension cost	89,192
Contributions made	69,439
Increase in net pension obligation	19,753
Net pension obligation, beginning of year	(46,013)
Net pension obligation, end of year	\$ (26,260)
	PERF
Contribution rates:	
School Corporation	6.5%
Plan members	3%
Actuarial valuation date	07-01-08
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

PORTER COUNTY EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-06	\$ 59,294	71%	\$ (82,201)
	06-30-07	89,655	60%	(46,013)
	06-30-08	89,192	78%	(26,260)

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

PORTER COUNTY EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2009, 2008, and 2007, were \$320,817, \$303,113, and \$262,819, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

PORTER COUNTY EDUCATION SERVICES
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	(Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 543,778	\$ 918,840	\$ (375,062)	59%	\$ 969,280	(39%)
07-01-07	647,737	1,012,052	(364,315)	64%	938,371	(39%)
07-01-08	608,600	1,019,385	(410,785)	60%	1,027,135	(40%)

PORTER COUNTY EDUCATION SERVICES
 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

	Vocational Education Co-op	Transfer Alternative Tuition	Adult Education	Technology Fund	Juvenile Detention	Professional Rights and Responsibility
Receipts:						
Local sources	\$ 130,348	\$ 748,495	\$ 40,433	\$ 45,267	\$ -	\$ -
Intermediate sources	-	-	-	-	14,998	-
State sources	4,014	-	1,150,692	-	-	-
Federal sources	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-
Total receipts	134,362	748,495	1,191,125	45,267	14,998	-
Disbursements:						
Current:						
Instruction	233,002	-	1,153,178	-	14,998	-
Support services	172,996	-	-	19,842	-	3,677
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	748,495	-	-	-	-
Total disbursements	405,998	748,495	1,153,178	19,842	14,998	3,677
Excess (deficiency) of receipts over disbursements	(271,636)	-	37,947	25,425	-	(3,677)
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	-
Transfers in	-	-	-	-	-	5,000
Transfers out	(61,353)	-	-	-	-	-
Total other financing sources (uses)	(61,353)	-	-	-	-	5,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(332,989)	-	37,947	25,425	-	1,323
Cash and investments - beginning	359,265	-	95,433	30,211	14,998	2,109
Cash and investments - ending	\$ 26,276	\$ -	\$ 133,380	\$ 55,636	\$ 14,998	\$ 3,432
Cash and Investment Assets - Ending						
Cash and investments	\$ 26,276	\$ -	\$ 133,380	\$ 55,636	\$ 14,998	\$ 3,432
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 26,276	\$ -	\$ 133,380	\$ 55,636	\$ 14,998	\$ 3,432

PORTER COUNTY EDUCATION SERVICES
 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)

	County Wide Inservice	Preschool Grant 2006-2007	Preschool Grant 2007-2008	Summer School 2007	Summer School 2008	Perkins Grant 2006-2007
Receipts:						
Local sources	\$ 4,999	\$ -	\$ -	\$ 824	\$ 14,372	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	135,072	-	-	60,993
Temporary loans	-	-	-	-	-	-
Total receipts	4,999	-	135,072	824	14,372	60,993
Disbursements:						
Current:						
Instruction	-	929	135,072	9,441	8,589	13,030
Support services	7,481	-	-	-	-	5,356
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	7,481	929	135,072	9,441	8,589	18,386
Excess (deficiency) of receipts over disbursements	(2,482)	(929)	-	(8,617)	5,783	42,607
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	-
Transfers in	-	-	-	-	20,583	-
Transfers out	-	-	-	(20,583)	-	-
Total other financing sources (uses)	-	-	-	(20,583)	20,583	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,482)	(929)	-	(29,200)	26,366	42,607
Cash and investments - beginning	8,968	929	-	29,200	-	(42,607)
Cash and investments - ending	\$ 6,486	\$ -	\$ -	\$ -	\$ 26,366	\$ -
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 6,486	\$ -	\$ -	\$ -	\$ 26,366	\$ -
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ 6,486	\$ -	\$ -	\$ -	\$ 26,366	\$ -

PORTER COUNTY EDUCATION SERVICES
 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)

	Perkins Grant 2007-2008	Construction Fund	IDEA Flow-Through Carry Over	Flow-Through Grants 2006-2007	Retirement/ Severance Debt Service	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 984,738
Intermediate sources	-	-	-	-	-	14,998
State sources	-	-	-	-	-	1,154,706
Federal sources	200,884	-	480,748	431,791	-	1,309,488
Temporary loans	-	-	-	-	249,070	249,070
Total receipts	<u>200,884</u>	<u>-</u>	<u>480,748</u>	<u>431,791</u>	<u>249,070</u>	<u>3,713,000</u>
Disbursements:						
Current:						
Instruction	144,587	-	488,691	293,912	-	2,495,429
Support services	105,185	-	-	168,706	-	483,243
Facilities acquisition and construction	-	108,467	-	-	-	108,467
Debt services	-	-	-	-	249,070	249,070
Nonprogrammed charges	-	-	-	-	-	748,495
Total disbursements	<u>249,772</u>	<u>108,467</u>	<u>488,691</u>	<u>462,618</u>	<u>249,070</u>	<u>4,084,704</u>
Excess (deficiency) of receipts over disbursements	<u>(48,888)</u>	<u>(108,467)</u>	<u>(7,943)</u>	<u>(30,827)</u>	<u>-</u>	<u>(371,704)</u>
Other financing sources (uses):						
Proceeds of long-term debt	-	300,000	-	-	-	300,000
Transfers in	-	-	6,182	-	-	31,765
Transfers out	-	-	-	(6,182)	-	(88,118)
Total other financing sources (uses)	<u>-</u>	<u>300,000</u>	<u>6,182</u>	<u>(6,182)</u>	<u>-</u>	<u>243,647</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(48,888)</u>	<u>191,533</u>	<u>(1,761)</u>	<u>(37,009)</u>	<u>-</u>	<u>(128,057)</u>
Cash and investments - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,009</u>	<u>-</u>	<u>535,515</u>
Cash and investments - ending	<u>\$ (48,888)</u>	<u>\$ 191,533</u>	<u>\$ (1,761)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 407,458</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ (48,888)</u>	<u>\$ 191,533</u>	<u>\$ (1,761)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 407,458</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ (48,888)</u>	<u>\$ 191,533</u>	<u>\$ (1,761)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 407,458</u>

PORTER COUNTY EDUCATION SERVICES
 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, 2009

	Vocational Education Co-op	Transfer Alternative Tuition	Vocational Accumulation	Adult Education	Technology Fund	Juvenile Detention
Receipts:						
Local sources	\$ 520,308	\$ 796,785	\$ -	\$ 29,133	\$ 48,751	\$ -
Intermediate sources	-	-	-	-	-	11,926
State sources	-	-	-	1,129,981	-	-
Federal sources	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-
Total receipts	520,308	796,785	-	1,159,114	48,751	11,926
Disbursements:						
Current:						
Instruction	320,677	-	-	1,174,322	-	14,998
Support services	66,403	-	-	-	24,002	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	645,879	-	-	-	-
Total disbursements	387,080	645,879	-	1,174,322	24,002	14,998
Excess (deficiency) of receipts over disbursements	133,228	150,906	-	(15,208)	24,749	(3,072)
Other financing sources (uses):						
Transfers in	-	-	128,724	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	133,228	150,906	128,724	(15,208)	24,749	(3,072)
Cash and investments - beginning	26,276	-	-	133,380	55,636	14,998
Cash and investments - ending	<u>\$ 159,504</u>	<u>\$ 150,906</u>	<u>\$ 128,724</u>	<u>\$ 118,172</u>	<u>\$ 80,385</u>	<u>\$ 11,926</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 159,504</u>	<u>\$ 150,906</u>	<u>\$ 128,724</u>	<u>\$ 118,172</u>	<u>\$ 80,385</u>	<u>\$ 11,926</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 159,504</u>	<u>\$ 150,906</u>	<u>\$ 128,724</u>	<u>\$ 118,172</u>	<u>\$ 80,385</u>	<u>\$ 11,926</u>

PORTER COUNTY EDUCATION SERVICES
 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, 2009
 (Continued)

	Professional Rights and Responsibility	County Wide Inservice	Preschool Grant 2008-2009	Summer School 2008	Perkins Grant 2007-2008	Perkins Grant 2008-2009
Receipts:						
Local sources	\$ -	\$ 8,238	\$ -	\$ 24,873	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	137,209	-	66,277	258,501
Temporary loans	-	-	-	-	-	-
Total receipts	-	8,238	137,209	24,873	66,277	258,501
Disbursements:						
Current:						
Instruction	-	-	137,209	27,515	17,180	147,534
Support services	3,758	6,980	-	-	209	128,219
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	3,758	6,980	137,209	27,515	17,389	275,753
Excess (deficiency) of receipts over disbursements	(3,758)	1,258	-	(2,642)	48,888	(17,252)
Other financing sources (uses):						
Transfers in	5,000	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,242	1,258	-	(2,642)	48,888	(17,252)
Cash and investments - beginning	3,432	6,486	-	26,366	(48,888)	-
Cash and investments - ending	\$ 4,674	\$ 7,744	\$ -	\$ 23,724	\$ -	\$ (17,252)
Cash and Investment Assets - Ending						
Cash and investments	\$ 4,674	\$ 7,744	\$ -	\$ 23,724	\$ -	\$ (17,252)
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 4,674	\$ 7,744	\$ -	\$ 23,724	\$ -	\$ (17,252)

PORTER COUNTY EDUCATION SERVICES
 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, 2009
 (Continued)

	Construction Fund	IDEA Flow-Through Carry Over	Carry Over 2007-2008	Retirement/ Severance Debt Service	Totals
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 1,428,088
Intermediate sources	-	-	-	-	11,926
State sources	-	-	-	-	1,129,981
Federal sources	-	48,693	165,226	-	675,906
Temporary loans	-	-	-	484,521	484,521
Total receipts	<u>-</u>	<u>48,693</u>	<u>165,226</u>	<u>484,521</u>	<u>3,730,422</u>
Disbursements:					
Current:					
Instruction	-	46,932	167,221	-	2,053,588
Support services	-	-	-	-	229,571
Facilities acquisition and construction	191,533	-	-	-	191,533
Debt services	-	-	-	489,030	489,030
Nonprogrammed charges	-	-	-	-	645,879
Total disbursements	<u>191,533</u>	<u>46,932</u>	<u>167,221</u>	<u>489,030</u>	<u>3,609,601</u>
Excess (deficiency) of receipts over disbursements	<u>(191,533)</u>	<u>1,761</u>	<u>(1,995)</u>	<u>(4,509)</u>	<u>120,821</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	133,724
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(191,533)</u>	<u>1,761</u>	<u>(1,995)</u>	<u>(4,509)</u>	<u>254,545</u>
Cash and investments - beginning	<u>191,533</u>	<u>(1,761)</u>	<u>-</u>	<u>-</u>	<u>407,458</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,995)</u>	<u>\$ (4,509)</u>	<u>\$ 662,003</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,995)</u>	<u>\$ (4,509)</u>	<u>\$ 662,003</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Unrestricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,995)</u>	<u>\$ (4,509)</u>	<u>\$ 662,003</u>

PORTER COUNTY EDUCATION SERVICES
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2008

	Holding Account Miscellaneous	Federal Tax	Social Security	State Tax	CAGIT	Blue Cross Health & Dental	Annuities
Additions:							
Agency fund additions	\$ 287,887	\$ 1,378,305	\$ 1,001,353	\$ 408,804	\$ 62,873	\$ 436,008	\$ 792,003
Deductions:							
Agency fund deductions	293,159	1,378,305	1,001,353	407,543	62,601	435,993	793,211
Excess (deficiency) of total additions over total deductions	(5,272)	-	-	1,261	272	15	(1,208)
Cash and investment fund balance - beginning	39,364	-	-	30,602	4,660	-	1,208
Cash and investment fund balance - ending	<u>\$ 34,092</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,863</u>	<u>\$ 4,932</u>	<u>\$ 15</u>	<u>\$ -</u>

PORTER COUNTY EDUCATION SERVICES
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	<u>COBRA Payments</u>	<u>Group Life Insurance</u>	<u>Disability Insurance</u>	<u>Extra TRF Withholding</u>	<u>Extra PERF Withholding</u>	<u>Texas/AFA Life Withholding</u>	<u>Cancer Insurance Withholding</u>
Additions:							
Agency fund additions	\$ 33,785	\$ 231	\$ 231	\$ 53,875	\$ 3,937	\$ 1,104	\$ 10,353
Deductions:							
Agency fund deductions	33,561	231	230	65,312	6,445	1,261	10,298
Excess (deficiency) of total additions over total deductions	224	-	1	(11,437)	(2,508)	(157)	55
Cash and investment fund balance - beginning	1,758	3	2	11,437	2,508	328	1,249
Cash and investment fund balance - ending	<u>\$ 1,982</u>	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 171</u>	<u>\$ 1,304</u>

PORTER COUNTY EDUCATION SERVICES
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Long Term Care Withholding	United Way	Section 125	Colonial 125	Garnishment	Totals
Additions:						
Agency fund additions	\$ 601	\$ 16,061	\$ -	\$ 2,218	\$ 11,059	\$ 4,500,688
Deductions:						
Agency fund deductions	600	5,470	-	2,353	11,059	4,508,985
Excess (deficiency) of total additions over total deductions	1	10,591	-	(135)	-	(8,297)
Cash and investment fund balance - beginning	63	3,343	(492)	163	-	96,196
Cash and investment fund balance - ending	<u>\$ 64</u>	<u>\$ 13,934</u>	<u>\$ (492)</u>	<u>\$ 28</u>	<u>\$ -</u>	<u>\$ 87,899</u>

PORTER COUNTY EDUCATION SERVICES
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2009

	Holding Account						
	Miscellaneous	Federal Tax	Social Security	State Tax	CAGIT	Blue Cross Health & Dental	Annuities
Additions:							
Agency fund additions	\$ 2,257	\$ 1,370,230	\$ 1,023,952	\$ 424,046	\$ 65,902	\$ 456,994	\$ 677,533
Deductions:							
Agency fund deductions	36,349	1,370,230	1,023,952	422,153	65,587	456,957	676,783
Excess (deficiency) of total additions over total deductions	(34,092)	-	-	1,893	315	37	750
Cash and investment fund balance - beginning	34,092	-	-	31,863	4,932	15	-
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,756</u>	<u>\$ 5,247</u>	<u>\$ 52</u>	<u>\$ 750</u>

PORTER COUNTY EDUCATION SERVICES
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	<u>COBRA Payments</u>	<u>Group Life Insurance</u>	<u>Disability Insurance</u>	<u>Extra TRF Withholding</u>	<u>Extra PERF Withholding</u>	<u>Texas/AFA Life Withholding</u>	<u>Cancer Insurance Withholding</u>
Additions:							
Agency fund additions	\$ 29,890	\$ 233	\$ 233	\$ 48,401	\$ 8,394	\$ 2,733	\$ 18,443
Deductions:							
Agency fund deductions	31,652	235	235	48,401	8,394	2,281	15,598
Excess (deficiency) of total additions over total deductions	(1,762)	(2)	(2)	-	-	452	2,845
Cash and investment fund balance - beginning	1,982	3	3	-	-	171	1,304
Cash and investment fund balance - ending	<u>\$ 220</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 623</u>	<u>\$ 4,149</u>

PORTER COUNTY EDUCATION SERVICES
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Long Term Care Withholding	United Way	Section 125	Colonial 125	Garnishment	ISTA Section 125	Totals
Additions:							
Agency fund additions	\$ 136	\$ 11,690	\$ 492	\$ 1,514	\$ 15,744	\$ 85,931	\$ 4,244,748
Deductions:							
Agency fund deductions	200	16,395	-	1,406	15,744	85,631	4,278,183
Excess (deficiency) of total additions over total deductions	(64)	(4,705)	492	108	-	300	(33,435)
Cash and investment fund balance - beginning	64	13,934	(492)	28	-	-	87,899
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 9,229</u>	<u>\$ -</u>	<u>\$ 136</u>	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ 54,464</u>

PORTER COUNTY EDUCATION SERVICES
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2009

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 130,000
Buildings	5,389,282
Improvements other than buildings	146,025
Machinery and equipment	<u>392,351</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 6,057,658</u>

PORTER COUNTY EDUCATION SERVICES
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2009

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Notes and loans payable:		
Retirement buyout loan	\$ 1,070,692	\$ 466,725
Commercial bank note - improvements	<u>229,331</u>	<u>81,800</u>
Total governmental activities debt	<u>\$ 1,300,023</u>	<u>\$ 548,525</u>

PORTER COUNTY EDUCATION SERVICES
AUDIT RESULTS AND COMMENTS

INVESTMENTS NOT AUTHORIZED BY STATUTE

The School Corporation at June 30, 2009, had deposits and investments of \$1,937,418, in money market mutual funds, certificates of deposits, and mutual bond funds held by a brokerage firm that is not listed as an approved depository.

Pursuant to IC 36-1-3-8, a unit may only invest funds as expressly provided in the statutes. Investments should only be made in accordance with statute. Expenses related to any unauthorized investments may be the personal obligation of the responsible official or employee. Losses related to investments and investment procedures which are not authorized by statute may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 14)

FUNDS WITH DEFICIT CASH BALANCES

The School Corporation at June 30, 2008 and 2009, had the following funds with overdrawn cash balances:

Fund	2008	2009
Flow-Through Grants 2007-2008	\$ 29,721	\$ -
Perkins Grant 2007-2008	48,888	-
IDEA Flow-Through Carry Over	1,761	-
Perkins Grant 2008-2009	-	17,252
Carry Over 2007-2008	-	1,995
Retirement/Severance Debt Service	-	4,509
Section 125	492	-

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (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
AN EQUAL OPPORTUNITY EMPLOYER

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

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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 PORTER COUNTY EDUCATION SERVICES, PORTER COUNTY, INDIANA

Compliance

We have audited the compliance of the Porter County Education Services (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, 2008 and 2009. 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, 2008 and 2009.

Internal Control Over Compliance

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

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 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, the 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

December 16, 2009

PORTER COUNTY EDUCATION SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2008 and 2009

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 06-30-08	Total Federal Awards Expended 06-30-09
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Special Education Cluster				
Special Education - Grants to States				
	84.027			
		14207-050-PN01	\$ 468,799	\$ -
		14208-050-PN01	4,349,721	570,459
		14209-050-PN01	-	4,280,316
		14207-050-PY02	488,691	46,932
		14208-050-PY02	-	166,221
Total for program			<u>5,307,211</u>	<u>5,063,928</u>
Special Education - Preschool Grants				
	84.173			
		45707-050-PN01	929	-
		45708-050-PN01	135,072	-
		45709-050-PN01	-	137,209
Total for program			<u>136,001</u>	<u>137,209</u>
Total for cluster			<u>5,443,212</u>	<u>5,201,137</u>
Pass-Through Indiana Department of Education				
Vocational Education - Basic Grants to States				
	84.048			
		07-4700-6455	17,753	-
		08-4700-6455	249,772	17,179
		09-4700-6455	-	275,753
Total for program			<u>267,525</u>	<u>292,932</u>
Total federal awards expended			<u>\$ 5,710,737</u>	<u>\$ 5,494,069</u>

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

PORTER COUNTY EDUCATION SERVICES
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 Porter County Education Services (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.

PORTER COUNTY EDUCATION SERVICES
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:

CFDA Number	Name of Federal Program or Cluster
84.048	Special Education Cluster Vocational Education – Grants to States

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

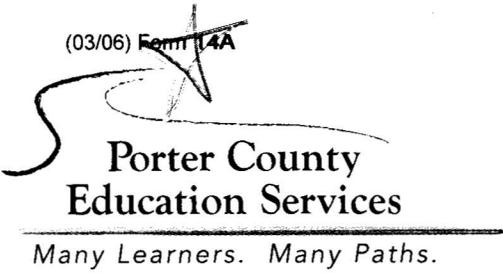
Auditee qualified as low-risk auditee?	no
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Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2007-1, Period of Availability

Original SBA Audit Report Number:	B31551
Fiscal Year	July 1, 2005 to June 30, 2007
Auditee Contact Person	Diane Massa
Title of Contact Person	Executive Director
Phone Number	(219) 464-9607
Status of Finding:	Corrected

Signed *Diane Massa*

Date 12-16-09

PORTER COUNTY EDUCATION SERVICES
EXIT CONFERENCE

The contents of this report were discussed on December 16, 2009, with Diane Massa, Executive Director; Quinn Van Rys, Chief Financial Officer; and Dr. Rod Gardin, President of the School Board. The officials concurred with our audit findings.