

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

AUDIT REPORT

OF

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER

MARION COUNTY, INDIANA

July 1, 2007 to June 30, 2009



**FILED**

03/26/2010



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#### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Tom Pagen	07-01-07 to 12-31-09
	Tom Pagen (Interim)	01-01-10 to 02-18-10
	Dr. MaryAnn Dewan	02-19-10 to 06-30-10
Treasurer	Donna Hattenbach Calhoun	07-01-07 to 06-30-10
President of the Board	Dr. Michael Cooper	07-01-07 to 06-30-08
	Dr. Mark Keen	07-01-08 to 06-30-09
	Dr. Walter Bourke	07-01-09 to 06-30-10



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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Central Indiana Educational Service Center (CIESC), as of and for the years ended June 30, 2008 and 2009, which collectively comprise the CIESC's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the CIESC's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the CIESC as of June 30, 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 February 25, 2010, on our consideration of the CIESC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CIESC'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.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CIESC's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

February 25, 2010



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Central Indiana Educational Service Center (CIESC), as of and for the years ended June 30, 2008 and 2009, which collectively comprise the CIESC's basic financial statements and have issued our report thereon dated February 25, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

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. We consider the deficiencies described in item 2009-2 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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. However, of the significant deficiencies described above, we consider item 2009-2 to be a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management in a separate letter dated February 25, 2010.

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

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

February 25, 2010

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
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>
		Charges for Services	Totals
Governmental activities:			
Instruction	\$ 1,084,035	\$ -	\$ (1,084,035)
Support services	4,313,733	3,159,558	(1,154,175)
Nonprogrammed charges	<u>95,581</u>	<u>-</u>	<u>(95,581)</u>
Total governmental activities	<u>\$ 5,493,349</u>	<u>\$ 3,159,558</u>	<u>(2,333,791)</u>
General receipts:			
Other local sources			989,286
Grants and contributions not restricted to specific programs			1,018,837
Sale of property			221,650
Investment earnings			(266,001)
Other			<u>2,596</u>
Total general receipts			<u>1,966,368</u>
Change in net assets			(367,423)
Net assets - beginning			<u>2,418,278</u>
Net assets - ending			<u>\$ 2,050,855</u>
<u>Assets</u>			
Cash and investments			<u>\$ 2,050,855</u>
<u>Net Assets</u>			
Unrestricted			<u>\$ 2,050,855</u>

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

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		Charges for Services	Totals
<b>Governmental activities:</b>			
Instruction	\$ 854,471	\$ -	\$ (854,471)
Support services	5,119,283	3,269,315	(1,849,968)
Facilities acquisition and construction	52,754	-	(52,754)
Nonprogrammed charges	65,171	-	(65,171)
<b>Total governmental activities</b>	<b><u>\$ 6,091,679</u></b>	<b><u>\$ 3,269,315</u></b>	<b><u>(2,822,364)</u></b>
<b>General receipts:</b>			
Other local sources			892,346
Grants and contributions not restricted to specific programs			1,176,260
Sale of property			109,818
Investment earnings			133,683
<b>Total general receipts</b>			<b><u>2,312,107</u></b>
<b>Change in net assets</b>			<b>(510,257)</b>
<b>Net assets - beginning</b>			<b><u>2,050,855</u></b>
<b>Net assets - ending</b>			<b><u>\$ 1,540,598</u></b>
<b><u>Assets</u></b>			
Cash and investments			<b><u>\$ 1,540,598</u></b>
<b><u>Net Assets</u></b>			
Unrestricted			<b><u>\$ 1,540,598</u></b>

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

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2008

	General	SEAM 53	SEAM Phase 3	Investment Fund	Adult Education 2007-2008	Other	Totals
<b>Receipts:</b>							
Local sources	\$ 2,734,881	\$ 32,154	\$ 350,000	\$ (346,201)	\$ -	\$ 1,055,220	\$ 3,826,054
Intermediate sources	9,410	-	-	-	-	47,379	56,789
State sources	268,837	-	-	-	-	-	268,837
Federal sources	-	-	-	-	750,000	-	750,000
Other	2,596	-	-	-	-	-	2,596
<b>Total receipts</b>	<b>3,015,724</b>	<b>32,154</b>	<b>350,000</b>	<b>(346,201)</b>	<b>750,000</b>	<b>1,102,599</b>	<b>4,904,276</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	963,437	-	15,845	-	58,649	46,104	1,084,035
Support services	2,127,963	20,822	589,621	-	586,186	989,141	4,313,733
Nonprogrammed charges	-	-	-	-	77,557	18,024	95,581
<b>Total disbursements</b>	<b>3,091,400</b>	<b>20,822</b>	<b>605,466</b>	<b>-</b>	<b>722,392</b>	<b>1,053,269</b>	<b>5,493,349</b>
Excess (deficiency) of receipts over disbursements	(75,676)	11,332	(255,466)	(346,201)	27,608	49,330	(589,073)
<b>Other financing sources (uses):</b>							
Sale of capital assets	221,650	-	-	-	-	-	221,650
<b>Total other financing sources (uses)</b>	<b>221,650</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>221,650</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	145,974	11,332	(255,466)	(346,201)	27,608	49,330	(367,423)
Cash and investments - beginning	650,983	201,418	838,203	172,340	-	555,334	2,418,278
Cash and investments - ending	\$ 796,957	\$ 212,750	\$ 582,737	\$ (173,861)	\$ 27,608	\$ 604,664	\$ 2,050,855
<b><u>Cash and Investment Assets - Ending</u></b>							
Cash and investments	\$ 796,957	\$ 212,750	\$ 582,737	\$ (173,861)	\$ 27,608	\$ 604,664	\$ 2,050,855
<b><u>Cash and Investment Fund Balance - Ending</u></b>							
Unrestricted	796,957	212,750	582,737	(173,861)	27,608	604,664	\$ 2,050,855

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

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2009

	General	SEAM 53	SEAM Phase 3	Investment Fund	Adult Education 2008-2009	Adult Education 2007-2008	Other	Totals
<b>Receipts:</b>								
Local sources	\$ 3,135,847	\$ -	\$ -	\$ 9,997	\$ -	\$ -	\$ 1,127,113	\$ 4,272,957
Intermediate sources	22,387	-	-	-	-	-	-	22,387
State sources	226,406	-	-	-	-	-	-	226,406
Federal sources	-	-	-	-	949,854	-	-	949,854
<b>Total receipts</b>	<b>3,384,640</b>	<b>-</b>	<b>-</b>	<b>9,997</b>	<b>949,854</b>	<b>-</b>	<b>1,127,113</b>	<b>5,471,604</b>
<b>Disbursements:</b>								
<b>Current:</b>								
Instruction	808,376	-	-	-	-	4,562	41,533	854,471
Support services	2,723,956	-	331,159	-	819,394	23,046	1,221,728	5,119,283
Facilities acquisition and construction	23,436	-	-	-	27,492	-	1,826	52,754
Nonprogrammed charges	-	-	-	-	60,508	-	4,663	65,171
<b>Total disbursements</b>	<b>3,555,768</b>	<b>-</b>	<b>331,159</b>	<b>-</b>	<b>907,394</b>	<b>27,608</b>	<b>1,269,750</b>	<b>6,091,679</b>
Excess (deficiency) of receipts over disbursements	(171,128)	-	(331,159)	9,997	42,460	(27,608)	(142,637)	(620,075)
<b>Other financing sources (uses):</b>								
Sale of capital assets	109,818	-	-	-	-	-	-	109,818
Transfers in	153,740	-	-	464,328	-	-	-	618,068
Transfers out	-	(212,750)	(251,578)	(120,000)	-	-	(33,740)	(618,068)
<b>Total other financing sources (uses)</b>	<b>263,558</b>	<b>(212,750)</b>	<b>(251,578)</b>	<b>344,328</b>	<b>-</b>	<b>-</b>	<b>(33,740)</b>	<b>109,818</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	92,430	(212,750)	(582,737)	354,325	42,460	(27,608)	(176,377)	(510,257)
Cash and investments - beginning	796,957	212,750	582,737	(173,861)	-	27,608	604,664	2,050,855
Cash and investments - ending	<u>\$ 889,387</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,464</u>	<u>\$ 42,460</u>	<u>\$ -</u>	<u>\$ 428,287</u>	<u>\$ 1,540,598</u>
<b>Cash and Investment Assets - Ending</b>								
Cash and investments	<u>\$ 889,387</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,464</u>	<u>\$ 42,460</u>	<u>\$ -</u>	<u>\$ 428,287</u>	<u>\$ 1,540,598</u>
<b>Cash and Investment Fund Balance - Ending</b>								
Unrestricted	<u>889,387</u>	<u>-</u>	<u>-</u>	<u>180,464</u>	<u>42,460</u>	<u>-</u>	<u>428,287</u>	<u>1,540,598</u>

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

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUND  
For the Year Ended June 30, 2008

	<u>Agency Fund</u>
Cash and investment fund balance - ending	<u>\$ 30</u>

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

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUND  
For the Year Ended June 30, 2009

	<u>Agency Fund</u>
Cash and investment fund balance - ending	<u>\$ 5,085</u>

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

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

Primary Government: Central Indiana Educational Service Center

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The 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 CIESC has not established any enterprise funds.

The Central Indiana Educational Service Center 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.

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

The seam phase 3 fund accounts for grants and distributions received from private sources for the program.

The seam 53 fund accounts for grants and distributions received from private sources for the program.

The adult education 2008-2009 fund accounts for federal grants and distributions for the program.

The adult education 2007-2008 fund accounts for federal grants and distributions for the program.

The investment fund accounts for CIESC's investment activity.

Additionally, the CIESC reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

If the CIESC utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

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

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 CIESC does not have any enterprise funds.

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

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

D. Assets and Cash and Investment Balances

1. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. 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.

3. Property Taxes

The CIESC does not receive any direct property taxes.

4. Capital Assets

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

5. Long-Term Debt

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

6. Equity Classification

Government-Wide Statements

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

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

Fund Financial Statements

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

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

E. Receipts and Disbursements

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.

F. Internal and Interfund 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 in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are 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 is reported as transfers in and out.
4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

Government-Wide Financial Statements

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

1. 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 loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.
2. Primary government and component unit activity – Resource flows between the primary government and the discretely-presented component unit(s) are reported as if they were external transactions and are classified separately from internal activities within the primary government.

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

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.

B. Cash and Investment Balance Deficits

At December 31, 2008, the following fund reported a deficit in cash and investments, which is a violation of the Uniform Compliance Guidelines as authorized by state statute:

Fund	2008
Investment Fund	\$ <u>173,861</u>

The negative balance was due to adjustments for interest income between related funds received in the prior audit periods. The deficits were corrected in the current audit period.

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. IC 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 CIESC does not have a deposit policy for custodial credit risk. At December 31, 2009, the CIESC had deposit balances in the amount of \$1,830,951.

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 December 31, 2008, were as follows:

Transfer From	Transfer To	2008
Investment Fund	General Fund	\$ 120,000
SEAM Phase 3	Investment Fund	251,578
SEAM 53	Investment Fund	212,750
Other governmental funds	General Fund	<u>33,740</u>
Total		<u>\$ 618,068</u>

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

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

IV. Other Information

A. Risk Management

The CIESC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

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

Job Related Illnesses or Injuries to Employees

During 2006, the CIESC joined with other governmental entities to form the Indiana School's Educational Services Center (ISESC) Risk Management Program Self-Insurance Trust, a public entity risk pool currently operating as a common risk management and insurance program for eight member governmental entities. The purpose of the risk pool is to provide a medium for the funding and administration of workers compensation. The CIESC pays an annual premium to the risk pool for its workers compensation coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$250,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$1,300,000 limit.

B. Related Party Transactions

During the period for which financial statements are presented, the CIESC had material transactions with Amie McIntosh in relation to her company, Teachers Tutoring. The CIESC purchased supplies and materials totaling \$34,400 in the Supplemental Education Services (SES) program.

C. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

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

Funding Policy

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the CIESC during the period were \$31,016.

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

Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy

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

The CIESC's contributions to the plan during the period were \$60,295.

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

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 180,273	\$ 182,160	\$ (1,887)	99%	\$ 517,774	0%
07-01-07	220,156	227,168	(7,012)	97%	539,959	1%
07-01-08	271,085	308,065	(36,980)	88%	494,293	7%

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2008

	Joint Purchases	Drivers Education	Project Lead The Way	Public School Speaks	Food Services	INDEA	English Works
Receipts:							
Local sources	\$ 447,390	\$ 17,017	\$ -	\$ 16,100	\$ -	\$ 2,020	\$ -
Intermediate sources	-	-	-	-	-	-	-
Total receipts	<u>447,390</u>	<u>17,017</u>	<u>-</u>	<u>16,100</u>	<u>-</u>	<u>2,020</u>	<u>-</u>
Disbursements:							
Current:							
Instruction	18,488	6,029	-	-	-	-	-
Support services	390,135	-	-	25,504	-	1,414	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>408,623</u>	<u>6,029</u>	<u>-</u>	<u>25,504</u>	<u>-</u>	<u>1,414</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	38,767	10,988	-	(9,404)	-	606	-
Cash and investments - beginning	<u>69,435</u>	<u>8,805</u>	<u>6,464</u>	<u>17,583</u>	<u>3,067</u>	<u>1,960</u>	<u>19</u>
Cash and investments - ending	<u>\$ 108,202</u>	<u>\$ 19,793</u>	<u>\$ 6,464</u>	<u>\$ 8,179</u>	<u>\$ 3,067</u>	<u>\$ 2,566</u>	<u>\$ 19</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 108,202</u>	<u>\$ 19,793</u>	<u>\$ 6,464</u>	<u>\$ 8,179</u>	<u>\$ 3,067</u>	<u>\$ 2,566</u>	<u>\$ 19</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 108,202</u>	<u>\$ 19,793</u>	<u>\$ 6,464</u>	<u>\$ 8,179</u>	<u>\$ 3,067</u>	<u>\$ 2,566</u>	<u>\$ 19</u>

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2008  
 (Continued)

	Teachers Internship	Economic Education	Technology Grant	Writing Using Computers	Learning Communities Network	Wireless Consortium	EL Civics Adult Education
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 176,700	\$ 5,000
Intermediate sources	-	-	-	-	-	-	47,379
Total receipts	-	-	-	-	-	176,700	52,379
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	-	-	-	-	644	72,142	38,619
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	644	72,142	38,619
Excess (deficiency) of receipts over disbursements	-	-	-	-	(644)	104,558	13,760
Cash and investments - beginning	7,508	250	6,713	26,720	1,455	-	-
Cash and investments - ending	<u>\$ 7,508</u>	<u>\$ 250</u>	<u>\$ 6,713</u>	<u>\$ 26,720</u>	<u>\$ 811</u>	<u>\$ 104,558</u>	<u>\$ 13,760</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 7,508</u>	<u>\$ 250</u>	<u>\$ 6,713</u>	<u>\$ 26,720</u>	<u>\$ 811</u>	<u>\$ 104,558</u>	<u>\$ 13,760</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 7,508</u>	<u>\$ 250</u>	<u>\$ 6,713</u>	<u>\$ 26,720</u>	<u>\$ 811</u>	<u>\$ 104,558</u>	<u>\$ 13,760</u>

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2008  
 (Continued)

	Lumina Grant	Buddy 2 Teaching	Even Start FY 1999	Even Start FY 2000	Even Start FY 2001	Adult Education 2006-2007	Indiana Educational/ CARE
Receipts:							
Local sources	\$ 70,000	\$ 1,610	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
Total receipts	<u>70,000</u>	<u>1,610</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:							
Current:							
Instruction	-	2,768	-	-	-	14,570	-
Support services	69,000	12,956	1,302	13,844	7,000	33,560	-
Nonprogrammed charges	-	18,024	-	-	-	-	-
Total disbursements	<u>69,000</u>	<u>33,748</u>	<u>1,302</u>	<u>13,844</u>	<u>7,000</u>	<u>48,130</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	1,000	(32,138)	(1,302)	(13,844)	(7,000)	(48,130)	-
Cash and investments - beginning	-	32,138	1,302	13,844	7,000	48,130	5,789
Cash and investments - ending	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,789</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,789</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,789</u>

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2008  
 (Continued)

	Drug Free Schools	TEECA Technical Education	Engineering Seminars	Summer AG Teacher Workshop	Curriculum Development	Leadership Development	Health/ Science Curriculum
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-	-
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	-	2,236	17,882	-	-	-	2,500
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	2,236	17,882	-	-	-	2,500
Excess (deficiency) of receipts over disbursements	-	(2,236)	(17,882)	-	-	-	(2,500)
Cash and investments - beginning	122	8,863	18,590	205	200	800	3,627
Cash and investments - ending	<u>\$ 122</u>	<u>\$ 6,627</u>	<u>\$ 708</u>	<u>\$ 205</u>	<u>\$ 200</u>	<u>\$ 800</u>	<u>\$ 1,127</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 122</u>	<u>\$ 6,627</u>	<u>\$ 708</u>	<u>\$ 205</u>	<u>\$ 200</u>	<u>\$ 800</u>	<u>\$ 1,127</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 122</u>	<u>\$ 6,627</u>	<u>\$ 708</u>	<u>\$ 205</u>	<u>\$ 200</u>	<u>\$ 800</u>	<u>\$ 1,127</u>

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2008  
 (Continued)

	Advanced Life Science	Technical Honors Certificate	Safe and Drug Free Schools	Regional Training	2005-2006 End of Course Assessment	FACS Assessment	Project Lead the Way - Summer
Receipts:							
Local sources	\$ -	\$ 17,000	\$ -	\$ -	\$ -	\$ -	\$ 7,950
Intermediate sources	-	-	-	-	-	-	-
Total receipts	-	17,000	-	-	-	-	7,950
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	-	(108)	-	-	-	14,379	7,500
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	(108)	-	-	-	14,379	7,500
Excess (deficiency) of receipts over disbursements	-	17,108	-	-	-	(14,379)	450
Cash and investments - beginning	750	(108)	3,800	10,266	500	24,000	3,000
Cash and investments - ending	<u>\$ 750</u>	<u>\$ 17,000</u>	<u>\$ 3,800</u>	<u>\$ 10,266</u>	<u>\$ 500</u>	<u>\$ 9,621</u>	<u>\$ 3,450</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 750</u>	<u>\$ 17,000</u>	<u>\$ 3,800</u>	<u>\$ 10,266</u>	<u>\$ 500</u>	<u>\$ 9,621</u>	<u>\$ 3,450</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 750</u>	<u>\$ 17,000</u>	<u>\$ 3,800</u>	<u>\$ 10,266</u>	<u>\$ 500</u>	<u>\$ 9,621</u>	<u>\$ 3,450</u>

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2008  
 (Continued)

	Career Tech Staff/Market	INACCESS	Online Science Video	SES Program	Advanced Life Science	High Ability Grant	Totals
Receipts:							
Local sources	\$ -	\$ 82,747	\$ -	\$ 174,773	\$ 33,500	\$ 3,413	\$ 1,055,220
Intermediate sources	-	-	-	-	-	-	47,379
Total receipts	-	82,747	-	174,773	33,500	3,413	1,102,599
Disbursements:							
Current:							
Instruction	-	-	-	4,249	-	-	46,104
Support services	17,626	94,854	-	159,688	4,670	1,794	989,141
Nonprogrammed charges	-	-	-	-	-	-	18,024
Total disbursements	17,626	94,854	-	163,937	4,670	1,794	1,053,269
Excess (deficiency) of receipts over disbursements	(17,626)	(12,107)	-	10,836	28,830	1,619	49,330
Cash and investments - beginning	54,443	140,278	490	27,326	-	-	555,334
Cash and investments - ending	<u>\$ 36,817</u>	<u>\$ 128,171</u>	<u>\$ 490</u>	<u>\$ 38,162</u>	<u>\$ 28,830</u>	<u>\$ 1,619</u>	<u>\$ 604,664</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 36,817</u>	<u>\$ 128,171</u>	<u>\$ 490</u>	<u>\$ 38,162</u>	<u>\$ 28,830</u>	<u>\$ 1,619</u>	<u>\$ 604,664</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 36,817</u>	<u>\$ 128,171</u>	<u>\$ 490</u>	<u>\$ 38,162</u>	<u>\$ 28,830</u>	<u>\$ 1,619</u>	<u>\$ 604,664</u>

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2009

	Joint Purchases	Drivers Education	Project Lead The Way	Public School Speaks	Food Services	INDEA	English Works
Receipts:							
Local sources	\$ 439,640	\$ 6,182	\$ 8,422	\$ 858	\$ -	\$ -	\$ -
Total receipts	<u>439,640</u>	<u>6,182</u>	<u>8,422</u>	<u>858</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:							
Current:							
Instruction	25,847	15,686	-	-	-	-	-
Support services	393,791	-	12,000	9,037	-	2,566	-
Facilities acquisition and construction	-	1,826	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>419,638</u>	<u>17,512</u>	<u>12,000</u>	<u>9,037</u>	<u>-</u>	<u>2,566</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>20,002</u>	<u>(11,330)</u>	<u>(3,578)</u>	<u>(8,179)</u>	<u>-</u>	<u>(2,566)</u>	<u>-</u>
Other financing sources (uses):							
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	20,002	(11,330)	(3,578)	(8,179)	-	(2,566)	-
Cash and investments - beginning	<u>108,202</u>	<u>19,793</u>	<u>6,464</u>	<u>8,179</u>	<u>3,067</u>	<u>2,566</u>	<u>19</u>
Cash and investments - ending	<u>\$ 128,204</u>	<u>\$ 8,463</u>	<u>\$ 2,886</u>	<u>\$ -</u>	<u>\$ 3,067</u>	<u>\$ -</u>	<u>\$ 19</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 128,204</u>	<u>\$ 8,463</u>	<u>\$ 2,886</u>	<u>\$ -</u>	<u>\$ 3,067</u>	<u>\$ -</u>	<u>\$ 19</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 128,204</u>	<u>\$ 8,463</u>	<u>\$ 2,886</u>	<u>\$ -</u>	<u>\$ 3,067</u>	<u>\$ -</u>	<u>\$ 19</u>

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2009  
 (Continued)

	Teachers Internship	Economic Education	Technology Grant	Writing Using Computers	Learning Communities Network	Wireless Consortium	EL Civics Adult Education
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,301
Total receipts	-	-	-	-	-	-	61,301
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	-	-	-	-	-	70,818	46,249
Facilities acquisition and construction	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	4,663
Total disbursements	-	-	-	-	-	70,818	50,912
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	(70,818)	10,389
Other financing sources (uses):							
Transfers out	-	-	-	-	-	(33,740)	-
Total other financing sources (uses)	-	-	-	-	-	(33,740)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	-	(104,558)	10,389
Cash and investments - beginning	7,508	250	6,713	26,720	811	104,558	13,760
Cash and investments - ending	<u>\$ 7,508</u>	<u>\$ 250</u>	<u>\$ 6,713</u>	<u>\$ 26,720</u>	<u>\$ 811</u>	<u>\$ -</u>	<u>\$ 24,149</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 7,508</u>	<u>\$ 250</u>	<u>\$ 6,713</u>	<u>\$ 26,720</u>	<u>\$ 811</u>	<u>\$ -</u>	<u>\$ 24,149</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 7,508</u>	<u>\$ 250</u>	<u>\$ 6,713</u>	<u>\$ 26,720</u>	<u>\$ 811</u>	<u>\$ -</u>	<u>\$ 24,149</u>

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2009  
 (Continued)

	Lumina Grant	Indiana Educational/ CARE	Drug Free Schools	TEECA Technical Education	Engineering Seminars	Summer AG Teacher Workshop	Curriculum Development
Receipts:							
Local sources	\$ 30,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total receipts	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	30,950	-	-	-	160	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>30,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>160</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(950)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(160)</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):							
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(950)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(160)</u>	<u>-</u>	<u>-</u>
Cash and investments - beginning	<u>1,000</u>	<u>5,789</u>	<u>122</u>	<u>6,627</u>	<u>708</u>	<u>205</u>	<u>200</u>
Cash and investments - ending	<u>\$ 50</u>	<u>\$ 5,789</u>	<u>\$ 122</u>	<u>\$ 6,627</u>	<u>\$ 548</u>	<u>\$ 205</u>	<u>\$ 200</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 50</u>	<u>\$ 5,789</u>	<u>\$ 122</u>	<u>\$ 6,627</u>	<u>\$ 548</u>	<u>\$ 205</u>	<u>\$ 200</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 50</u>	<u>\$ 5,789</u>	<u>\$ 122</u>	<u>\$ 6,627</u>	<u>\$ 548</u>	<u>\$ 205</u>	<u>\$ 200</u>

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2009  
 (Continued)

	Leadership Development	Health/ Science Curriculum	Advanced Life Science	Technical Honors Certificate	Safe and Drug Free Schools	Regional Training	2005-2006 End of Course Assessment
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total receipts	-	-	-	-	-	-	-
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-	-
Other financing sources (uses):							
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	-	-	-
Cash and investments - beginning	800	1,127	750	17,000	3,800	10,266	500
Cash and investments - ending	<u>800</u>	<u>1,127</u>	<u>750</u>	<u>17,000</u>	<u>3,800</u>	<u>10,266</u>	<u>500</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>800</u>	<u>1,127</u>	<u>750</u>	<u>17,000</u>	<u>3,800</u>	<u>10,266</u>	<u>500</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>800</u>	<u>1,127</u>	<u>750</u>	<u>17,000</u>	<u>3,800</u>	<u>10,266</u>	<u>500</u>

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2009  
 (Continued)

	FACS Assessment	Project Lead the Way - Summer	Career Tech Staff/Market	INACCESS	Online Science Video	SES Program	Advanced Life Science
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ (4,020)	\$ -	\$ 417,308	\$ -
Total receipts	-	-	-	(4,020)	-	417,308	-
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	-	680	27,943	124,151	-	346,289	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	680	27,943	124,151	-	346,289	-
Excess (deficiency) of receipts over disbursements	-	(680)	(27,943)	(128,171)	-	71,019	-
Other financing sources (uses):							
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(680)	(27,943)	(128,171)	-	71,019	-
Cash and investments - beginning	9,621	3,450	36,817	128,171	490	38,162	28,830
Cash and investments - ending	<u>\$ 9,621</u>	<u>\$ 2,770</u>	<u>\$ 8,874</u>	<u>\$ -</u>	<u>\$ 490</u>	<u>\$ 109,181</u>	<u>\$ 28,830</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 9,621</u>	<u>\$ 2,770</u>	<u>\$ 8,874</u>	<u>\$ -</u>	<u>\$ 490</u>	<u>\$ 109,181</u>	<u>\$ 28,830</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 9,621</u>	<u>\$ 2,770</u>	<u>\$ 8,874</u>	<u>\$ -</u>	<u>\$ 490</u>	<u>\$ 109,181</u>	<u>\$ 28,830</u>

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2009  
 (Continued)

	Racial Equity	High Ability Grant	INACCESS Moodle Grant	TAS Substance Abuse Program	TAS Juvenile Structured Day Program	Evaluation Educational Policy	Totals
Receipts:							
Local sources	\$ 10,000	\$ -	\$ 10,000	\$ 67,608	\$ 78,914	\$ 900	\$ 1,127,113
Total receipts	10,000	-	10,000	67,608	78,914	900	1,127,113
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	41,533
Support services	-	572	10,000	67,608	78,914	-	1,221,728
Facilities acquisition and construction	-	-	-	-	-	-	1,826
Nonprogrammed charges	-	-	-	-	-	-	4,663
Total disbursements	-	572	10,000	67,608	78,914	-	1,269,750
Excess (deficiency) of receipts over disbursements	10,000	(572)	-	-	-	900	(142,637)
Other financing sources (uses):							
Transfers out	-	-	-	-	-	-	(33,740)
Total other financing sources (uses)	-	-	-	-	-	-	(33,740)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	10,000	(572)	-	-	-	900	(176,377)
Cash and investments - beginning	-	1,619	-	-	-	-	604,664
Cash and investments - ending	\$ 10,000	\$ 1,047	\$ -	\$ -	\$ -	\$ 900	\$ 428,287
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 10,000	\$ 1,047	\$ -	\$ -	\$ -	\$ 900	\$ 428,287
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	\$ 10,000	\$ 1,047	\$ -	\$ -	\$ -	\$ 900	\$ 428,287

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUND  
 For the Year Ended June 30, 2008

	<u>Clearing Control</u>
Additions:	
Agency fund additions	<u>\$ 538,499</u>
Deductions:	
Agency fund deductions	<u>557,952</u>
Deficiency of total additions over total deductions	(19,453)
Cash and investment fund balance - beginning	<u>19,483</u>
Cash and investment fund balance - ending	<u><u>\$ 30</u></u>

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUND  
 For the Year Ended June 30, 2009

	Clearing Control
Additions:	
Agency fund additions	\$ 621,609
Deductions:	
Agency fund deductions	616,554
Excess of total additions over total deductions	5,055
Cash and investment fund balance - beginning	30
Cash and investment fund balance - ending	\$ 5,085

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended 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:	
Machinery and equipment	\$ <u>656,026</u>
Total governmental activities, capital assets not being depreciated	\$ <u><u>656,026</u></u>

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 June 30, 2009

The Educational Service Center has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Cannon Black and White Copier	\$ 4,186	\$ 3,588
Cannon Color Copier	32,916	3,596
Car leases	42,231	-
<b>Total governmental activities debt</b>	<b>\$ 79,333</b>	<b>\$ 7,184</b>

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

Lack of Segregation of Duties: Control activities were not selected and developed at various levels to reduce risks and to achievement of financial reporting objectives. The CIESC has not separated incompatible activities related to receipts, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to be undetected.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (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 THE CENTRAL INDIANA EDUCATIONAL  
SERVICE CENTER, MARION COUNTY, INDIANA

Compliance

We have audited the compliance of the Central Indiana Educational Service Center (CIESC) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2008 and 2009. The CIESC's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the CIESC's management. Our responsibility is to express an opinion on the CIESC's compliance based on our audit.

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

In our opinion, the CIESC complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2008 and 2009. However the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2009-1.

Internal Control Over Compliance

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

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)

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

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

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

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

The major program report should only relate to the major program(s). Nothing in the cash management finding indicated the noncompliance was a result of any control deficiencies. After discussion w/ QC (Sommer was unavailable), we concluded the insertion above was appropriate.

The CIESC's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the CIESC's response and, accordingly, we express no opinion on it.

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

February 25, 2010

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2008 and 2009

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-08	Total Federal Awards Expended 06-30-09
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Pass-Through Indiana Criminal Justice Institute				
Juvenile Justice Delinquency Prevention-Allocation to States	16.540			
Substance Abuse Program		OB-JF-026	\$ -	\$ 67,608
Juvenile Structured Day Program		OB-JF-025	-	78,914
			<u>-</u>	<u>146,522</u>
Total for federal grantor agency			<u>-</u>	<u>146,522</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Adult Education - State Grant Program	84.002			
EL Civics			38,619	50,912
Adult Education 2009			-	907,394
Adult Education 2008			48,130	-
Adult Education 2007-2008			<u>722,392</u>	<u>27,608</u>
			<u>809,141</u>	<u>985,914</u>
Total for program			<u>809,141</u>	<u>985,914</u>
Career and Technical Education Basic Grant to States	84.048		-	-
Family and Consumer Sciences			<u>17,625</u>	<u>27,943</u>
			<u>17,625</u>	<u>27,943</u>
Total for federal grantor agency			<u>826,766</u>	<u>1,013,857</u>
Total federal awards expended			<u>\$ 826,766</u>	<u>\$ 1,160,379</u>

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

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

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Central Indiana Educational Services Center (CIESC) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	no
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?	no

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?	yes
--	-----

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.002	Adult Education – State Grant Program

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

Auditee qualified as low-risk auditee?	yes
--	-----

Section II – Financial Statement Findings

FEDERAL FINDING 2009-2. INTERNAL CONTROLS OVER  
FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system related to financial transaction and reporting, due to lack of segregation of duties. We believe the lack of segregation of duties constitutes a material weakness.

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Section III – Federal Award Findings and Questioned Costs

Federal Agency: U.S. Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Pass-Through Entity: Indiana Department of Education

FINDING 2009-01, CASH MANAGEMENT

We noted that for eight of the months ending balances reviewed for the Title I program, the cash balance was greater than 10% of the total approved grant award.

EDGAR80.20(b)(7) states:

"Cash management. Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

Surplus cash indicates noncompliance with the cash management requirement as set forth by the grant agreement. Additionally, failure to minimize the cash on hand may cause future funding to be reduced by the pass-through agency.

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

Federal Finding 2009-2, Internal Controls Over Financial Transactions and Reporting

Control activities will be selected and identified at various levels to ensure achievement of the financial reporting objectives. A review of our current control activities and business/finance organizational processes will be conducted by our financial consultant at 5/3 Bank. This review will be conducted in March and April of 2010. The end result will be the development and implementation of procedures and processes that provide for the separation of activities related to receipts, disbursements, payroll, and related liabilities, and cash and investment balances.

Corrective Action Plan

FINDING 2009-1

Federal Agency: U.S. Department of Education  
Federal Program: Adult Education – State Grant Program  
CFDA Number: 84.002  
Auditee Contact Person: Donna Hattenbach Calhoun / Denise Cox  
Title of Contact Person: Treasurer / Director of Adult Education  
Expected Completion Date: July 1, 2010 changes to policy and procedures will be implemented

Distribution of Adult Education Funds will be requested on reasonable prediction of expenditure for the 2010-2011 fiscal year, so that we do not have more than 10% of the Federal Grant Amount as cash balance for any quarter.

  
Donna Hattenbach Calhoun, Treasurer of CIESC

February 3, 2010  
Date

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
EXIT CONFERENCE

The contents of this report were discussed on February 25, 2010, with Donna Hattenbach Calhoun, Treasurer; and Dr. MaryAnn Dewan, Executive Director.