

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

AUDIT REPORT

OF

ADAMS-WELLS SPECIAL SERVICES COOPERATIVE

WELLS COUNTY, INDIANA

July 1, 2008 to June 30, 2010



FILED

02/09/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jeanette F. Jena	07-01-08 to 06-30-11
Executive Director	Michele K. Neumann	07-01-08 to 06-30-11
President of the Board of Directors	Cathy C. Egolf James L. Craig Scott A. Mills	07-01-08 to 06-30-09 07-01-09 to 06-30-10 07-01-10 to 06-30-11



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 ADAMS-WELLS SPECIAL
SERVICES COOPERATIVE, WELLS COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Adams-Wells Special Services Cooperative (School Corporation), as of and for the years ended June 30, 2009 and 2010, 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, 2009 and 2010, 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, 2010, 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 integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

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

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

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

STATE BOARD OF ACCOUNTS

December 16, 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 ADAMS-WELLS SPECIAL
SERVICES COOPERATIVE, WELLS COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Adams-Wells Special Services Cooperative (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated December 16, 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 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, board of directors, 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, 2010

ADAMS-WELLS SPECIAL SERVICES COOPERATIVE
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 (Disbursements) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 5,554,490	\$ -	\$ 1,736,301	\$ (3,818,189)
Support services	<u>1,970,989</u>	<u>24,204</u>	<u>-</u>	<u>(1,946,785)</u>
Total governmental activities	<u>\$ 7,525,479</u>	<u>\$ 24,204</u>	<u>\$ 1,736,301</u>	<u>(5,764,974)</u>
General receipts:				
Other local sources				5,383,622
State aid				135,217
Investment earnings				3,441
Other				<u>3,105</u>
Total general receipts				<u>5,525,385</u>
Change in net assets				(239,589)
Net assets - beginning				<u>676,807</u>
Net assets - ending				<u>\$ 437,218</u>
<u>Assets</u>				
Cash and investments				<u>\$ 437,218</u>
<u>Net Assets</u>				
Unrestricted				<u>\$ 437,218</u>

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

ADAMS-WELLS SPECIAL SERVICES COOPERATIVE
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 6,031,023	\$ -	\$ 3,707,771	\$ (2,323,252)
Support services	<u>2,225,423</u>	<u>25,543</u>	<u>-</u>	<u>(2,199,880)</u>
Total governmental activities	<u>\$ 8,256,446</u>	<u>\$ 25,543</u>	<u>\$ 3,707,771</u>	<u>(4,523,132)</u>
General receipts:				
Other local sources				4,973,338
State aid				135,217
Investment earnings				5,081
Other				<u>14,148</u>
Total general receipts				<u>5,127,784</u>
Change in net assets				604,652
Net assets - beginning				<u>437,218</u>
Net assets - ending				<u>\$ 1,041,870</u>
<u>Assets</u>				
Cash and investments				<u>\$ 1,041,870</u>
<u>Net Assets</u>				
Unrestricted				<u>\$ 1,041,870</u>

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

ADAMS-WELLS SPECIAL SERVICES COOPERATIVE
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	Special Education Preschool	Special Education Part B Idea Grant	Other	Totals
Receipts:					
Local sources	\$ 4,995,934	\$ 281,000	\$ -	\$ 134,333	\$ 5,411,267
State sources	135,217	-	-	-	135,217
Federal sources	-	-	1,651,000	85,301	1,736,301
Other	3,105	-	-	-	3,105
	<u>5,134,256</u>	<u>281,000</u>	<u>1,651,000</u>	<u>219,634</u>	<u>7,285,890</u>
Disbursements:					
Current:					
Instruction	3,906,860	258,433	1,181,728	207,469	5,554,490
Support services	1,356,956	-	457,232	156,801	1,970,989
	<u>5,263,816</u>	<u>258,433</u>	<u>1,638,960</u>	<u>364,270</u>	<u>7,525,479</u>
Excess (deficiency) of receipts over disbursements	<u>(129,560)</u>	<u>22,567</u>	<u>12,040</u>	<u>(144,636)</u>	<u>(239,589)</u>
Other financing sources (uses):					
Transfers in	100,000	-	-	159,009	259,009
Transfers out	-	-	(159,009)	(100,000)	(259,009)
	<u>100,000</u>	<u>-</u>	<u>(159,009)</u>	<u>59,009</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(29,560)	22,567	(146,969)	(85,627)	(239,589)
Cash and investments - beginning	<u>330,354</u>	<u>92,832</u>	<u>159,009</u>	<u>94,612</u>	<u>676,807</u>
Cash and investments - ending	<u>\$ 300,794</u>	<u>\$ 115,399</u>	<u>\$ 12,040</u>	<u>\$ 8,985</u>	<u>\$ 437,218</u>
Cash and Investment Assets - Ending					
Cash and investments	<u>\$ 300,794</u>	<u>\$ 115,399</u>	<u>\$ 12,040</u>	<u>\$ 8,985</u>	<u>\$ 437,218</u>
Cash and Investment Fund Balance - Ending					
Unrestricted	<u>\$ 300,794</u>	<u>\$ 115,399</u>	<u>\$ 12,040</u>	<u>\$ 8,985</u>	<u>\$ 437,218</u>

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

ADAMS-WELLS SPECIAL SERVICES COOPERATIVE
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, 2010

	General	Special Education Preschool	Special Education Part B Idea Grant	Part B Stimulus	Other	Totals
Receipts:						
Local sources	\$ 4,886,483	\$ -	\$ -	\$ -	\$ 117,479	\$ 5,003,962
State sources	135,217	-	-	-	-	135,217
Federal sources	-	-	2,312,641	1,272,062	123,068	3,707,771
Other	14,148	-	-	-	-	14,148
Total receipts	5,035,848	-	2,312,641	1,272,062	240,547	8,861,098
Disbursements:						
Current:						
Instruction	3,566,741	-	1,480,899	907,575	75,808	6,031,023
Support services	1,202,844	-	595,146	306,574	120,859	2,225,423
Total disbursements	4,769,585	-	2,076,045	1,214,149	196,667	8,256,446
Excess of receipts over disbursements	266,263	-	236,596	57,913	43,880	604,652
Other financing sources (uses):						
Transfers in	115,399	-	-	-	-	115,399
Transfers out	-	(115,399)	-	-	-	(115,399)
Total other financing sources (uses)	115,399	(115,399)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	381,662	(115,399)	236,596	57,913	43,880	604,652
Cash and investments - beginning	300,794	115,399	12,040	-	8,985	437,218
Cash and investments - ending	<u>\$ 682,456</u>	<u>\$ -</u>	<u>\$ 248,636</u>	<u>\$ 57,913</u>	<u>\$ 52,865</u>	<u>\$ 1,041,870</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 682,456</u>	<u>\$ -</u>	<u>\$ 248,636</u>	<u>\$ 57,913</u>	<u>\$ 52,865</u>	<u>\$ 1,041,870</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 682,456</u>	<u>\$ -</u>	<u>\$ 248,636</u>	<u>\$ 57,913</u>	<u>\$ 52,865</u>	<u>\$ 1,041,870</u>

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

ADAMS-WELLS SPECIAL SERVICES COOPERATIVE
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUND
For the Year Ended June 30, 2009

	<u>Private-Purpose Trust Fund</u>
Additions:	
Contributions:	
Other	\$ <u>483</u>
Deductions:	
Administrative and general	<u>40</u>
Excess of total additions over total deductions	443
Cash and investment fund balance - beginning	<u>-</u>
Cash and investment fund balance - ending	<u>\$ 443</u>
Net assets:	
Cash and investments	\$ <u>443</u>
Total net assets - cash and investment basis held in trust	<u>\$ 443</u>

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

ADAMS-WELLS SPECIAL SERVICES COOPERATIVE
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUND
For the Year Ended June 30, 2010

	Private-Purpose Trust Fund
Additions:	
Contributions:	
Other	\$ <u>5</u>
Deductions:	
Administrative and general	<u>-</u>
Excess of total additions over total deductions	5
Cash and investment fund balance - beginning	<u>443</u>
Cash and investment fund balance - ending	<u><u>\$ 448</u></u>
Net assets:	
Cash and investments	<u>\$ 448</u>
Total net assets - cash and investment basis held in trust	<u><u>\$ 448</u></u>

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

ADAMS-WELLS SPECIAL SERVICES COOPERATIVE
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.

A special services agreement for establishing and operating a special education program for Adams and Wells County Schools was signed and ratified on February 22, 1979, with the effective date of the agreement being July 1, 1979 (revised July 1, 2001). The participating schools are Adams Central Community Schools; South Adams Schools; North Adams Community Schools; Bluffton-Harrison M.S.D.; Northern Wells Community Schools; and Southern Wells Community Schools.

The purpose and intent of this joint venture agreement is to create an administrative entity for the purpose of creating, developing and operating a comprehensive program of special education services for handicapped children in order to comply with the requirements of the laws of the State of Indiana, rules and regulations of the Indiana Department of Education, and all applicable federal rules and regulations, and to provide in a meaningful way for the needs of the community which such a program will serve.

The Board of Directors consists of all the School Superintendents of the participating school corporations. The Executive Director is the principal administrator of the Adams-Wells Special Services Cooperative.

The School Corporation's financial reporting entity is composed of the primary government, Adams-Wells Special Services Cooperative. There are no significant component units which require inclusion.

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

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, and fiduciary funds,

ADAMS-WELLS SPECIAL SERVICES COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The special education preschool fund accounts for financial resources for special education programs for preschool age children.

The special education part B idea grant fund and the part B stimulus grant fund account for financial resources received from federal grants for the education of handicapped children.

Additionally, the School Corporation reports the following fund type:

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the eligible students.

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. Receipts are recorded when received and disbursements are recorded when paid.

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

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

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

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

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

ADAMS-WELLS SPECIAL SERVICES COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

The School Corporation receives no property taxes. Funding for the School Corporation is through assessments from the participating schools.

3. 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.

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."

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. 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.

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.

ADAMS-WELLS SPECIAL SERVICES COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

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

Government-Wide Financial Statements

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

II. Stewardship, Compliance and Accountability

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 operating budget is initially prepared and approved at the local level. Formal approval by the Indiana Department of Local Government Finance is not required.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository 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, 2010, the School Corporation had deposit balances in the amount of \$1,042,318

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.

ADAMS-WELLS SPECIAL SERVICES COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Investments

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 have a stated final maturity of one day.

Additionally, the School Corporation may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the School Corporation's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

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.

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.

ADAMS-WELLS SPECIAL SERVICES COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Credit Risk

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

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.

Foreign Currency Risk

The School Corporation does not have a formal policy in regards to foreign currency risk.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2009 and 2010, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>
Special Education Part B Idea Grant Fund	Other Governmental Funds	\$ 159,009	\$ -
Other Governmental Funds	General Fund	100,000	-
Special Education Preschool Fund	General Fund	-	115,399
Totals		<u>\$ 259,009</u>	<u>\$ 115,399</u>

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

IV. Other Information

A. Risk Management

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

ADAMS-WELLS SPECIAL SERVICES COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Medical Benefits to Employees

During 1980, the School Corporation joined with other governmental entities to form the School Employees' Benefit Trust, a public entity risk pool currently operating as a common risk management and insurance program for fourteen member governmental entities. The purpose of the risk pool is to provide a medium for the funding and administration of medical benefits to employees. The risk pool is considered a self sustaining risk pool that will provide coverage for its members for up to \$300,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$300,000 limit.

B. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy

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 School Corporation during the period were \$304,232.

ADAMS-WELLS SPECIAL SERVICES COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy

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

The School Corporation's contributions to the plan during the period were \$333,232.

ADAMS-WELLS SPECIAL SERVICES COOPERATIVE
 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 AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-07	\$ 852,935	\$ 705,984	\$ 146,951	121%	\$ 1,125,028	13%
07-01-08	914,159	810,323	103,836	113%	1,265,350	8%
07-01-09	1,054,013	907,498	146,515	116%	1,594,698	9%

ADAMS-WELLS SPECIAL SERVICES COOPERATIVE
 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

	Preschool Supplies	Special Education Part B Carryover	Section 619 Preschool	Part B Preschool Stimulus	Capital Projects	Totals
Receipts:						
Local sources	\$ 1,704	\$ -	\$ -	\$ -	\$ 132,629	\$ 134,333
Federal sources	-	-	78,572	6,729	-	85,301
Total receipts	1,704	-	78,572	6,729	132,629	219,634
Disbursements:						
Current:						
Instruction	1,530	122,671	72,971	-	10,297	207,469
Support services	-	36,338	-	-	120,463	156,801
Total disbursements	1,530	159,009	72,971	-	130,760	364,270
Excess (deficiency) of receipts over disbursements	174	(159,009)	5,601	6,729	1,869	(144,636)
Other financing sources (uses):						
Transfers in	-	159,009	-	-	-	159,009
Transfers out	-	-	-	-	(100,000)	(100,000)
Total other financing sources (uses)	-	159,009	-	-	(100,000)	59,009
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	174	-	5,601	6,729	(98,131)	(85,627)
Cash and investments - beginning	1,369	-	(5,601)	-	98,844	94,612
Cash and investments - ending	<u>\$ 1,543</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,729</u>	<u>\$ 713</u>	<u>\$ 8,985</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 1,543</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,729</u>	<u>\$ 713</u>	<u>\$ 8,985</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 1,543</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,729</u>	<u>\$ 713</u>	<u>\$ 8,985</u>

ADAMS-WELLS SPECIAL SERVICES COOPERATIVE
 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, 2010

	Preschool Supplies	Section 619 Preschool	Part B Preschool Stimulus	Capital Projects	Totals
Receipts:					
Local sources	\$ 1,968	\$ -	\$ -	\$ 115,511	\$ 117,479
Federal sources	-	75,965	47,103	-	123,068
Total receipts	<u>1,968</u>	<u>75,965</u>	<u>47,103</u>	<u>115,511</u>	<u>240,547</u>
Disbursements:					
Current:					
Instruction	1,259	57,368	9,429	7,752	75,808
Support services	-	-	20,945	99,914	120,859
Total disbursements	<u>1,259</u>	<u>57,368</u>	<u>30,374</u>	<u>107,666</u>	<u>196,667</u>
Excess of receipts over disbursements	<u>709</u>	<u>18,597</u>	<u>16,729</u>	<u>7,845</u>	<u>43,880</u>
Cash and investments - beginning	1,543	-	6,729	713	8,985
Cash and investments - ending	<u>\$ 2,252</u>	<u>\$ 18,597</u>	<u>\$ 23,458</u>	<u>\$ 8,558</u>	<u>\$ 52,865</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	<u>\$ 2,252</u>	<u>\$ 18,597</u>	<u>\$ 23,458</u>	<u>\$ 8,558</u>	<u>\$ 52,865</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Unrestricted	<u>\$ 2,252</u>	<u>\$ 18,597</u>	<u>\$ 23,458</u>	<u>\$ 8,558</u>	<u>\$ 52,865</u>

ADAMS-WELLS SPECIAL SERVICES COOPERATIVE
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2010

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Machinery and equipment	<u>\$ 479,392</u>

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF THE ADAMS-WELLS SPECIAL
SERVICES COOPERATIVE, WELLS COUNTY, INDIANA

Compliance

We have audited the compliance of the Adams-Wells Special Services Cooperative (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 its major federal program for the years ended June 30, 2009 and 2010. The School Corporation's major federal program is 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 its major federal program 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 its major federal program for the years ended June 30, 2009 and 2010.

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, board of directors, 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, 2010

ADAMS-WELLS SPECIAL SERVICES COOPERATIVE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2009 and 2010

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 06-30-09	Total Federal Awards Expended 06-30-10
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Special Education Cluster				
Special Education - Grants to States	84.027			
		14208-001-PN01	\$ 159,009	\$ -
		14209-001-PN01	1,638,960	280,305
		14210-001-PN01	-	1,795,741
			<u>1,797,969</u>	<u>2,076,046</u>
Total for program				
Special Education - Preschool Grants	84.173			
		45708-001-PN01	72,971	-
		45710-001-PN01	-	57,368
			<u>72,971</u>	<u>57,368</u>
Total for program				
ARRA - Special Education - Grants to States, Recovery Act	84.391			
		33310-001-SN01	-	1,214,149
Total for federal grantor agency				
ARRA - Special Education - Preschool Grants, Recovery Act	84.392			
		44410-001-SN01	-	30,374
Total for federal grantor agency				
			<u>1,870,940</u>	<u>3,377,937</u>
Total federal awards expended			<u>\$ 1,870,940</u>	<u>\$ 3,377,937</u>

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

ADAMS-WELLS SPECIAL SERVICES COOPERATIVE
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 Adams-Wells Special Services Cooperative (School Corporation) 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 school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

ADAMS-WELLS SPECIAL SERVICES COOPERATIVE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

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

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

Identification of Major Programs:

Name of Federal Program or Cluster

Special Education Cluster

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

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

ADAMS-WELLS SPECIAL SERVICES COOPERATIVE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

ADAMS-WELLS SPECIAL SERVICES COOPERATIVE
EXIT CONFERENCE

The contents of this report were discussed on December 16, 2010, with Jeanette F. Jena, Treasurer; Michele K. Neumann, Executive Director; and Scott A. Mills, President of the Board of Directors. Our audit disclosed no material items that warrant comment at this time.