

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

PORTER COUNTY EDUCATION SERVICES
PORTER COUNTY, INDIANA

July 1, 2009 to June 30, 2011



FILED
02/15/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Ruth Kenny	07-01-09 to 06-30-12
Chief Financial Officer	Quinnlyn Van Rys	07-01-09 to 06-30-12
Executive Director	Diane Massa	07-01-09 to 06-30-12
President of the Board of Directors	Dr. Rod Gardin	07-01-09 to 06-30-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

We have audited the accompanying financial statement of the Porter County Education Services (School Corporation), for the years ended June 30, 2010 and 2011. The financial statement is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the financial statement 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 statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinion.

As discussed in Note 1, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting noted above is a different basis than that used in the prior year.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the years ended June 30, 2010 and 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated December 6, 2011, 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 THE FINANCIAL STATEMENT
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. 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 financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedule of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the financial statement. The Combining Schedule of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis, 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 financial statement and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the School Corporation's management, Board of Directors, others within the entity, 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 6, 2011



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

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

We have audited the financial statement of the Porter County Education Services (School Corporation), for the years ended June 30, 2010 and 2011, and have issued our report thereon dated December 6, 2011. 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 opinion on the financial statement, 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
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 statement is 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, others within the entity, 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 6, 2011

FINANCIAL STATEMENT

The financial statement and the accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

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PORTER COUNTY EDUCATION SERVICES
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2010 and 2011

	Cash and Investments 07-01-09	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-10	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-11
Retirement Loan	\$ (4,509)	\$ 113,558	\$ 793,007	\$ 683,958	\$ -	\$ 212,027	\$ 212,027	\$ -	\$ -
Capital Projects	594,587	552,703	376,394	-	770,896	467,362	179,030	-	1,059,228
General Fund	1,099,959	13,101,467	11,394,621	(5,000)	2,801,805	13,608,099	11,982,283	(5,000)	4,422,621
Vocational Cooperative	159,504	198,886	441,151	157,107	74,346	457,280	458,566	61,353	134,413
Transfer Vocational Tuition	1,412,226	3,351,325	3,349,367	80,073	1,494,257	3,661,744	3,400,970	(96,891)	1,658,140
Transfer Alternative Tuition	150,906	796,786	905,438	-	42,254	845,075	839,039	-	48,290
Vocational Accum Fund	128,724	-	-	(95,146)	33,578	-	-	35,538	69,116
Summer School	23,724	13,396	21,722	-	15,398	22,992	20,738	-	17,652
Trust Wellness Grant	-	-	-	-	-	30,711	4,235	-	26,476
Tech Prep Grant	-	-	-	-	-	26,116	48,719	-	(22,603)
Adult and Continuing Education	118,172	1,006,348	642,109	-	482,411	1,139,058	1,040,994	-	580,475
School Technology	80,385	59,168	39,665	-	99,888	49,686	31,520	-	118,054
Juvenile Detention	11,926	18,070	14,998	-	14,998	14,998	14,998	-	14,998
Professional Rights Responsibilities	4,674	-	5,623	5,000	4,051	-	5,272	5,000	3,779
County Wide Inservice	7,744	6,093	6,316	-	7,521	5,311	2,861	-	9,971
Preschool 2009-10	-	135,408	135,408	-	-	-	-	-	-
Preschool 2010-11	-	-	-	-	-	136,612	141,060	-	(4,448)
Perkins 2008-09	(17,251)	72,990	55,739	-	-	-	-	-	-
Perkins 2009-10	-	231,742	274,021	-	(42,279)	68,717	26,438	-	-
Perkins 2010-11	-	-	-	-	-	224,757	268,317	-	(43,560)
Carry Over 2007-08	(1,995)	51,704	49,709	-	-	-	-	-	-
Carry Over 2008-09	-	313,938	353,355	49,899	10,482	-	10,482	-	-
Idea Part B 2008-09	154,610	499,152	603,863	(49,899)	-	-	-	-	-
Idea Part B 2009-10	-	4,504,997	4,533,669	-	(28,672)	926,856	958,503	-	(60,319)
Idea Part B 2010-11	-	-	-	-	-	4,475,190	4,794,391	-	(319,201)
Special Education Part B Stimulus	-	2,276,646	3,238,251	-	(961,605)	2,046,745	1,955,796	-	(870,656)
Special Education Part B Preschool Stimulus	-	-	21,686	-	(21,686)	105,652	196,912	-	(112,946)
Payroll Withholdings Clearing	54,464	4,347,481	4,346,996	-	54,949	4,473,649	4,447,970	-	80,628
Totals	\$ 3,977,850	\$ 31,651,858	\$ 31,603,108	\$ 825,992	\$ 4,852,592	\$ 32,998,637	\$ 31,041,121	\$ -	\$ 6,810,108

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

PORTER COUNTY EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

The accompanying financial statement presents the financial information for the School Corporation (primary government).

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The regulatory 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.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Local sources which include revenue from local governmental units, member school corporations, transfer tuition, transportation fees, investment income, food services, school corporation activities, revenue from community services activities, and other revenue from local sources.

Intermediate sources which include distributions from the County for fees collected for or on behalf of the School Corporation including educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

PORTER COUNTY EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENT
(Continued)

State sources which include distributions from the State of Indiana to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources which include distributions from the federal government to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Temporary loans which include money received from a loan obtained to pay current expenses prior to the receipt of revenue from taxes levied for that purpose. These loans, sometimes designated tax anticipation warrants, must be repaid from the next semiannual distribution of local property taxes levied for such fund.

Other receipts which include amounts received from various sources which include return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Instruction which includes outflows for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services which include outflows for food service operations and community service operations.

Facilities acquisition and construction which includes outflows for the acquisition, development, construction, and improvement of new and existing facilities.

Debt services which include fixed obligations resulting from financial transactions previously entered into by the School Corporation. It includes all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

F. Other financing sources and uses

Other financing sources and uses are presented in the aggregate on the face of the financial statements. The aggregate other financing sources and uses include the following:

Proceeds of long-term debt which includes money received in relation to the issuance of bonds or other long-term debt issues.

PORTER COUNTY EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENT
(Continued)

Sale of capital assets which includes money received when land, buildings, or equipment owned by the School Corporation is sold.

Transfers in which includes money received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

Transfers out which includes money paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the School Corporation. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year.

Note 3. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 4. Risk Management

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

PORTER COUNTY EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENT
(Continued)

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the School Corporation to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the School Corporation by recording as a disbursement and replacement items purchased.

Note 5. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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 this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) 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 members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS 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. That report may be obtained by contacting:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

B. Teachers' Retirement Fund

Plan Description

The Indiana Teachers' Retirement Fund (TRF) is 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 Indiana Public Retirement System (INPRS) Board, most requirements of the system, and gives the School Corporation authority

PORTER COUNTY EDUCATION SERVICES
NOTES TO FINANCIAL STATEMENT
(Continued)

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 members' contributions, set by state statute at 3 percent 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.

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

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 286-3544

Funding Policy and Annual Pension Cost

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.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Report of the School Corporation which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was prepared and/or approved by management of the School Corporation. It is presented as intended by the School Corporation.

PORTER COUNTY EDUCATION SERVICES
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010

	Retirement Loan	Capital Projects	General Fund	Vocational Cooperative	Transfer Vocational Tuition	Transfer Alternative Tuition	Vocational Accum Fund	Summer School	Trust Wellness Grant	Tech Prep Grant
Cash and investments - beginning	\$ (4,509)	\$ 594,587	\$ 1,099,959	\$ 159,504	\$ 1,412,226	\$ 150,906	\$ 128,724	\$ 23,724	\$ -	\$ -
Receipts:										
Local sources	-	552,703	12,707,202	198,886	3,351,325	796,786	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	394,265	-	-	-	-	13,396	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	113,558	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	113,558	552,703	13,101,467	198,886	3,351,325	796,786	-	13,396	-	-
Disbursements:										
Current:										
Instruction	-	-	6,684,309	372,152	-	-	-	20,920	-	-
Support services	-	-	4,705,312	68,999	-	-	-	802	-	-
Noninstructional services	-	-	5,000	-	-	-	-	-	-	-
Facilities acquisition and construction	-	376,394	-	-	-	-	-	-	-	-
Debt services	793,007	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	3,349,367	905,438	-	-	-	-
Total disbursements	793,007	376,394	11,394,621	441,151	3,349,367	905,438	-	21,722	-	-
Excess (deficiency) of receipts over disbursements	(679,449)	176,309	1,706,846	(242,265)	1,958	(108,652)	-	(8,326)	-	-
Other financing sources (uses):										
Proceeds of long-term debt	683,958	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	142,034	-	-	-	-	-	-
Transfers in	-	-	-	50,000	114,927	-	34,854	15,133	-	-
Transfers out	-	-	(5,000)	(34,927)	(34,854)	-	(130,000)	(15,133)	-	-
Total other financing sources (uses)	683,958	-	(5,000)	157,107	80,073	-	(95,146)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,509	176,309	1,701,846	(85,158)	82,031	(108,652)	(95,146)	(8,326)	-	-
Cash and investments - ending	\$ -	\$ 770,896	\$ 2,801,805	\$ 74,346	\$ 1,494,257	\$ 42,254	\$ 33,578	\$ 15,398	\$ -	\$ -

PORTER COUNTY EDUCATION SERVICES
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010
 (Continued)

	Adult and Continuing Education	School Technology	Juvenile Detention	Professional Rights Responsibilities	County Wide Inservice	Preschool 2009-10	Preschool 2010-11	Perkins 2008-09	Perkins 2009-10	Perkins 2010-11
Cash and investments - beginning	\$ 118,172	\$ 80,385	\$ 11,926	\$ 4,674	\$ 7,744	\$ -	\$ -	\$ (17,251)	\$ -	\$ -
Receipts:										
Local sources	1,104	59,168	-	-	6,093	-	-	-	700	-
Intermediate sources	-	-	18,070	-	-	-	-	-	-	-
State sources	1,005,244	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	135,408	-	72,990	231,042	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	<u>1,006,348</u>	<u>59,168</u>	<u>18,070</u>	<u>-</u>	<u>6,093</u>	<u>135,408</u>	<u>-</u>	<u>72,990</u>	<u>231,742</u>	<u>-</u>
Disbursements:										
Current:										
Instruction	642,109	-	14,998	-	-	135,408	-	55,294	134,710	-
Support services	-	39,665	-	5,623	6,316	-	-	445	139,311	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	<u>642,109</u>	<u>39,665</u>	<u>14,998</u>	<u>5,623</u>	<u>6,316</u>	<u>135,408</u>	<u>-</u>	<u>55,739</u>	<u>274,021</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>364,239</u>	<u>19,503</u>	<u>3,072</u>	<u>(5,623)</u>	<u>(223)</u>	<u>-</u>	<u>-</u>	<u>17,251</u>	<u>(42,279)</u>	<u>-</u>
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	5,000	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</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>364,239</u>	<u>19,503</u>	<u>3,072</u>	<u>(623)</u>	<u>(223)</u>	<u>-</u>	<u>-</u>	<u>17,251</u>	<u>(42,279)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 482,411</u>	<u>\$ 99,888</u>	<u>\$ 14,998</u>	<u>\$ 4,051</u>	<u>\$ 7,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (42,279)</u>	<u>\$ -</u>

PORTER COUNTY EDUCATION SERVICES
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010
 (Continued)

	Carry Over 2007-08	Carry Over 2008-09	Idea Part B 2008-09	Idea Part B 2009-10	Idea Part B 2010-11	Special Education Part B Stimulus	Special Education Part B Preschool Stimulus	Payroll Withholdings Clearing	Totals
Cash and investments - beginning	\$ (1,995)	\$ -	\$ 154,610	\$ -	\$ -	\$ -	\$ -	\$ 54,464	\$ 3,977,850
Receipts:									
Local sources	-	-	-	-	-	-	-	-	17,673,967
Intermediate sources	-	-	-	-	-	-	-	-	18,070
State sources	-	-	-	-	-	-	-	-	1,412,905
Federal sources	51,704	313,938	499,152	4,504,997	-	2,276,646	-	-	8,085,877
Temporary loans	-	-	-	-	-	-	-	-	113,558
Other	-	-	-	-	-	-	-	4,347,481	4,347,481
Total receipts	51,704	313,938	499,152	4,504,997	-	2,276,646	-	4,347,481	31,651,858
Disbursements:									
Current:									
Instruction	49,709	353,355	332,832	3,291,698	-	1,747,069	5,823	-	13,840,386
Support services	-	-	271,031	1,241,971	-	207,012	15,863	-	6,702,350
Noninstructional services	-	-	-	-	-	-	-	-	5,000
Facilities acquisition and construction	-	-	-	-	-	35,134	-	-	411,528
Debt services	-	-	-	-	-	-	-	-	793,007
Nonprogrammed charges	-	-	-	-	-	1,249,036	-	4,346,996	9,850,837
Total disbursements	49,709	353,355	603,863	4,533,669	-	3,238,251	21,686	4,346,996	31,603,108
Excess (deficiency) of receipts over disbursements	1,995	(39,417)	(104,711)	(28,672)	-	(961,605)	(21,686)	485	48,750
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	683,958
Sale of capital assets	-	-	-	-	-	-	-	-	142,034
Transfers in	-	49,899	-	-	-	-	-	-	269,813
Transfers out	-	-	(49,899)	-	-	-	-	-	(269,813)
Total other financing sources (uses)	-	49,899	(49,899)	-	-	-	-	-	825,992
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,995	10,482	(154,610)	(28,672)	-	(961,605)	(21,686)	485	874,742
Cash and investments - ending	\$ -	\$ 10,482	\$ -	\$ (28,672)	\$ -	\$ (961,605)	\$ (21,686)	\$ 54,949	\$ 4,852,592

PORTER COUNTY EDUCATION SERVICES
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011

	Retirement Loan	Capital Projects	General Fund	Vocational Cooperative	Transfer Vocational Tuition	Transfer Alternative Tuition	Vocational Accum Fund	Summer School	Trust Wellness Grant	Tech Prep Grant
Cash and investments - beginning	\$ -	\$ 770,896	\$ 2,801,805	\$ 74,346	\$ 1,494,257	\$ 42,254	\$ 33,578	\$ 15,398	\$ -	\$ -
Receipts:										
Local sources	-	467,362	13,213,834	418,190	3,661,744	845,075	-	-	30,711	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	394,265	-	-	-	-	22,992	-	12,144
Federal sources	-	-	-	39,090	-	-	-	-	-	13,972
Temporary loans	212,027	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	212,027	467,362	13,608,099	457,280	3,661,744	845,075	-	22,992	30,711	26,116
Disbursements:										
Current:										
Instruction	-	-	6,981,588	389,595	-	-	-	20,018	-	48,719
Support services	-	-	4,992,708	68,971	-	-	-	720	-	-
Noninstructional services	-	-	7,987	-	-	-	-	-	-	-
Facilities acquisition and construction	-	179,030	-	-	-	-	-	-	-	-
Debt services	212,027	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	3,400,970	839,039	-	-	4,235	-
Total disbursements	212,027	179,030	11,982,283	458,566	3,400,970	839,039	-	20,738	4,235	48,719
Excess (deficiency) of receipts over disbursements	-	288,332	1,625,816	(1,286)	260,774	6,036	-	2,254	26,476	(22,603)
Other financing sources (uses):										
Transfers in	-	-	-	61,353	-	-	35,538	-	-	-
Transfers out	-	-	(5,000)	-	(96,891)	-	-	-	-	-
Total other financing sources (uses)	-	-	(5,000)	61,353	(96,891)	-	35,538	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	288,332	1,620,816	60,067	163,883	6,036	35,538	2,254	26,476	(22,603)
Cash and investments - ending	\$ -	\$ 1,059,228	\$ 4,422,621	\$ 134,413	\$ 1,658,140	\$ 48,290	\$ 69,116	\$ 17,652	\$ 26,476	\$ (22,603)

PORTER COUNTY EDUCATION SERVICES
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	Adult and Continuing Education	School Technology	Juvenile Detention	Professional Rights Responsibilities	County Wide Inservice	Preschool 2009-10	Preschool 2010-11	Perkins 2008-09	Perkins 2009-10	Perkins 2010-11
Cash and investments - beginning	\$ 482,411	\$ 99,888	\$ 14,998	\$ 4,051	\$ 7,521	\$ -	\$ -	\$ -	\$ (42,279)	\$ -
Receipts:										
Local sources	38,001	49,686	3,072	-	5,311	-	-	-	-	-
Intermediate sources	-	-	11,067	-	-	-	-	-	-	-
State sources	1,101,057	-	-	-	-	-	-	-	-	-
Federal sources	-	-	859	-	-	-	136,612	-	68,717	224,757
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	<u>1,139,058</u>	<u>49,686</u>	<u>14,998</u>	<u>-</u>	<u>5,311</u>	<u>-</u>	<u>136,612</u>	<u>-</u>	<u>68,717</u>	<u>224,757</u>
Disbursements:										
Current:										
Instruction	1,040,994	-	14,998	-	-	-	141,060	-	26,438	121,274
Support services	-	31,520	-	5,272	2,861	-	-	-	-	147,043
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	<u>1,040,994</u>	<u>31,520</u>	<u>14,998</u>	<u>5,272</u>	<u>2,861</u>	<u>-</u>	<u>141,060</u>	<u>-</u>	<u>26,438</u>	<u>268,317</u>
Excess (deficiency) of receipts over disbursements	<u>98,064</u>	<u>18,166</u>	<u>-</u>	<u>(5,272)</u>	<u>2,450</u>	<u>-</u>	<u>(4,448)</u>	<u>-</u>	<u>42,279</u>	<u>(43,560)</u>
Other financing sources (uses):										
Transfers in	-	-	-	5,000	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</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>98,064</u>	<u>18,166</u>	<u>-</u>	<u>(272)</u>	<u>2,450</u>	<u>-</u>	<u>(4,448)</u>	<u>-</u>	<u>42,279</u>	<u>(43,560)</u>
Cash and investments - ending	<u>\$ 580,475</u>	<u>\$ 118,054</u>	<u>\$ 14,998</u>	<u>\$ 3,779</u>	<u>\$ 9,971</u>	<u>\$ -</u>	<u>\$ (4,448)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (43,560)</u>

PORTER COUNTY EDUCATION SERVICES
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	Carry Over 2007-08	Carry Over 2008-09	Idea Part B 2008-09	Idea Part B 2009-10	Idea Part B 2010-11	Special Education Part B Stimulus	Special Education Part B Preschool Stimulus	Payroll Withholdings Clearing	Totals
Cash and investments - beginning	\$ -	\$ 10,482	\$ -	\$ (28,672)	\$ -	\$ (961,605)	\$ (21,686)	\$ 54,949	\$ 4,852,592
Receipts:									
Local sources	-	-	-	-	-	-	-	-	18,732,986
Intermediate sources	-	-	-	-	-	-	-	-	11,067
State sources	-	-	-	-	-	-	-	-	1,530,458
Federal sources	-	-	-	926,856	4,475,190	2,046,745	105,652	-	8,038,450
Temporary loans	-	-	-	-	-	-	-	-	212,027
Other	-	-	-	-	-	-	-	4,473,649	4,473,649
Total receipts	-	-	-	926,856	4,475,190	2,046,745	105,652	4,473,649	32,998,637
Disbursements:									
Current:									
Instruction	-	10,482	-	684,786	3,446,448	1,358,101	196,912	-	14,481,413
Support services	-	-	-	273,717	1,347,943	75,057	-	-	6,945,812
Noninstructional services	-	-	-	-	-	-	-	-	7,987
Facilities acquisition and construction	-	-	-	-	-	15,215	-	-	194,245
Debt services	-	-	-	-	-	-	-	-	212,027
Nonprogrammed charges	-	-	-	-	-	507,423	-	4,447,970	9,199,637
Total disbursements	-	10,482	-	958,503	4,794,391	1,955,796	196,912	4,447,970	31,041,121
Excess (deficiency) of receipts over disbursements	-	(10,482)	-	(31,647)	(319,201)	90,949	(91,260)	25,679	1,957,516
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	101,891
Transfers out	-	-	-	-	-	-	-	-	(101,891)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(10,482)	-	(31,647)	(319,201)	90,949	(91,260)	25,679	1,957,516
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (60,319)	\$ (319,201)	\$ (870,656)	\$ (112,946)	\$ 80,628	\$ 6,810,108

PORTER COUNTY EDUCATION SERVICES
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2011

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

	<u>Ending Balance</u>
Capital assets, not being depreciated:	
Land	\$ 130,000
Buildings	5,475,782
Improvements other than buildings	345,141
Machinery and equipment	<u>582,830</u>
Total capital assets not being depreciated	<u>\$ 6,533,753</u>

PORTER COUNTY EDUCATION SERVICES
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2011

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year	Fund
Notes and loans payable:			
Retirement buyout loan	\$ 105,630	\$ 109,093	Retirement Loan
Commercial bank note - improvements	<u>40,110</u>	<u>40,900</u>	Capital Projects
Total debt	<u>\$ 145,740</u>	<u>\$ 149,993</u>	

PORTER COUNTY EDUCATION SERVICES
AUDIT RESULT AND COMMENT

EXTRA-CURRICULAR ACCOUNT FUNDS (Applies to Special Education Learning Facility)

The Special Education Learning Facility (SELF) extra-curricular funds include funds that are not extra-curricular in nature. This included the following funds:

1. Materials and Supplies Fund
2. Summer School Material and Supplies Fund
3. Assistant Child Care

The three funds listed above received material and supply fees and lab fees collected at registration and disbursements were for classroom supplies. This activity should have been included in the School Corporation records.

4. Challenge Education - This fund maintained a "Challenge Education" course that is offered to teachers. Receipts were for course fees from PCES teachers and other school corporations. Disbursements were for the purchase of a trailer, repair and maintenance to the course, mileage reimbursement for the presenter, and class materials. The balance in this fund at June 30, 2011, was \$42,510.12. This fund does not appear to be extra-curricular in nature.
5. Cancer/Relay for Life - This fund collected donations and receipts from the "Guinea Pig" workshop and workshop fees were from teachers and other school corporations. Disbursements were for class materials. The intention of the fund was to remit the proceeds to the Cancer fund or other charitable causes. However, during the two year audit period, there were no disbursements to the Cancer fund or charitable organizations. The balance in this fund at June 30, 2011, was \$8,281.07. This fund does not appear to be extra-curricular in nature.

Extra-curricular activities are defined as athletic, social or other school functions, the cost of which is not paid from public funds. These activities do not include functions conducted solely by any organization of parents and/or teachers (IC 20-41-1-7). Note that this statutory definition does not include any curricular or educational functions. All educational functions are the specific responsibility of the governing body (board of school trustees, etc.) of the school corporation acting on its behalf (IC 20-26-5-4), including providing the facilities and equipment therefore. All monies received for educational purposes, including those related to educational programs or facilities must be receipted to school corporation funds. The following items erroneously appear in funds of the extra-curricular account. Accounting for them should be in the general fund of the school corporation. Examples are:

Adult Education Fees	Rent of School Facilities
Apples in Education	Science Fees
Art Fees	Special Education
Distributive Education	Driver Education Fees
Equipment Sale or Rental	Summer School Fees
Facilities Rental	Supplies
Grants (State, Federal and Other)	Towel Fees (when towels are purchased from corporation funds)
Kindergarten Fees	Typing Fees
Library Fines and Fees	Visual Education Fees
Visual Education Fees	Vocational Education Fees
Locker Fees	Vocational Evening School Fees
Night School Fees	

PORTER COUNTY EDUCATION SERVICES
AUDIT RESULT AND COMMENT
(Continued)

All authorized educational fees (the School Board should be able to justify any educational fees (non-payroll positions) and ensure Constitutional problems do not exist) must be receipted to the General Fund of the school corporation and included as miscellaneous revenues when preparing the school corporation budget. IC 20-33-10-4(c) provides that an official recruiting representative may be required to pay a fee for copying and mailing the high school student directory information described in an amount that is not more than the actual cost incurred by the high school. The anticipated expenditure of these fees for educational materials and supplies shall be included in the appropriation for that purpose. If done in this manner, provisions will be made for the furnishing of the materials and supplies by the board of school trustees in the prescribed manner and will not affect the tax rate if the collections are sufficient to offset the expenditures as estimated. Textbook rental funds maintained at a school building may be used to temporarily record proper fees collected (as a convenience during the collection process of textbook rental). However, proper educational fees belong in the school corporation general fund and should be transferred timely.

Any dues collected for the support of classes or social organizations shall be receipted to the extra-curricular fund for that organization to support the activities. If a student in a vocational (shop, home economics, etc.) class, voluntarily begins a project for which special materials are necessary and which will result in a product which the student will take home for personal use, an amount equal to the actual cost of the special materials may be collected from the student and receipted to a fund in the extracurricular account for the specific purpose of providing the special materials. Any extra-curricular fund established for this purpose should contain no balance at the end of the school year since the collections from students equals the expenditures for the materials.

Accordingly, with the above references to receipts, all disbursements for educational purposes must be made from school corporation funds and not from extra-curricular funds. (See General Fund, Student Activity Fund and Investments and Investment Income Fund) These include disbursements for building equipment, repairs and maintenance; educational and library materials, supplies and equipment; meeting and conference expense of employees; copiers; and, the repair and maintenance of same. Curricular and extra-curricular, though associated, are totally separate functions and each has a purpose and authorizing statute and must be treated separately. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

IC 20-41-1-7 states in part: "The treasurer has charge of the custody and disbursement of any funds . . . incurred in conducting any athletic, social, or other school function (other than functions conducted solely by any organization of parents and teachers) . . ." Therefore, activities and organizations which are not extra-curricular in nature should be responsible for their own accounting and cash handling systems. The extra-curricular account should not collect, receipt, remit, or disburse outside organization's monies. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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 PORTER COUNTY EDUCATION SERVICES, PORTER COUNTY, INDIANA

Compliance

We have audited the compliance of the Porter County Education Services (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2010 and 2011. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2010 and 2011. The results of our auditing procedures also disclosed other 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 items 2011-1 and 2011-2.

Internal Control Over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items 2011-1 and 2011-2. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report is intended solely for the information and use of the School Corporation's management, Board of Directors, others within the entity, 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 6, 2011

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

PORTER COUNTY EDUCATION SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2010 and 2011

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 06-30-10	Total Federal Awards Expended 06-30-11
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Special Education Cluster				
Special Education - Grants to States (IDEA, Part B)	84.027	14209-050-PN01	\$ 967,703	\$ -
		14210-050-PN01	4,533,671	958,501
		14211-050-PN01	-	4,794,414
		14208-050-PY02	50,711	-
		14209-050-PY02	<u>353,355</u>	<u>10,481</u>
Total for program			<u>5,905,440</u>	<u>5,763,396</u>
Special Education - Preschool Grants (IDEA, Preschool)	84.173	45710-050-PN01	135,408	-
		45711-050-PN01	-	<u>141,061</u>
Total for program			<u>135,408</u>	<u>141,061</u>
ARRA - Special Education - Grants to States (IDEA, Part B), Recovery Act	84.391	33310-050-SN01	<u>3,238,251</u>	<u>1,955,793</u>
ARRA - Special Education - Preschool Grants (IDEA, Preschool), Recovery Act	84.392	44410-050-SN01	<u>21,686</u>	<u>196,913</u>
Total for cluster			<u>9,300,785</u>	<u>8,057,163</u>
Career and Technical Education - Basic Grants to States (Perkins IV)	84.048	09-4700-6455	58,409	-
		10-4700-6455	274,024	26,438
		11-4700-6455	-	<u>268,319</u>
Total for program			<u>332,433</u>	<u>294,757</u>
Projects With Industry Indiana Tech Prep Grant	84.234	FY 2011	-	<u>26,115</u>
Total federal awards expended			<u>\$ 9,633,218</u>	<u>\$ 8,378,035</u>

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

PORTER COUNTY EDUCATION SERVICES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Porter County Education Services (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. 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 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.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the School Corporation provided federal awards to subrecipients as follows for the years ended June 30, 2010 and 2011:

Program Title	Federal CFDA Number	2010	2011
ARRA – Special Education Grants to States (IDEA, Part B), Recovery Act	84.391	<u>\$ 1,205,037</u>	<u>\$ 468,220</u>

PORTER COUNTY EDUCATION SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	yes
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.027	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$540,338

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

FINDING 2011-1 - EQUIPMENT MANAGEMENT, ARRA - SPECIAL EDUCATION

Federal Agency: U.S. Department of Education
 Federal Program: ARRA - Special Education - Grants to States (IDEA, Part B), Recovery Act
 CFDA Number: 84.391
 Pass-Through Entity: Indiana Department of Education
 Award Number: 33310-050-SN01

PORTER COUNTY EDUCATION SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The Porter County Education Services (PCES) expended \$1,430,604 of ARRA Special Education funds for equipment during the audit period. This represents 27.5 percent of the \$5,194,044 in federal expenditures for this program (fund 7953). Officials maintained excel spreadsheets listing the equipment description, unit cost, quantity, total cost, and location. However, these records did not include a serial number or another identification number, the source of the property (vendor), who holds title to the property, acquisition date, and type of use. PCES did maintain copies of equipment invoices as supporting documentation for the purchases. A physical inventory was not conducted during the audit period.

34 CFR 80.32 (d) states in part:

- "(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years. . . ."

Failure to maintain detailed and accurate equipment and property records could result in assets being lost, stolen, misappropriated, or disposed of improperly and not detected within a reasonable time.

We recommended that the PCES design and properly monitor procedures that would ensure accurate detailed capital asset records are maintained. Inventories of property and equipment should be conducted at least once every two years and reconciled to the detailed capital asset ledger. Any significant differences should be investigated and the appropriate adjustments made to the records. Also assets acquired with federal funds must be designated as such so that they are not disposed of improperly.

FINDING 2011-2 - SUBRECIPIENT MONITORING - ARRA - SPECIAL EDUCATION EQUIPMENT

Federal Agency: U.S. Department of Education

Federal Program: ARRA - Special Education - Grants to States (IDEA, Part B), Recovery Act

CFDA Number: 84.391

Pass-Through Entity: Indiana Department of Education

Award Number: 33310-050-SN01

The Porter County Education Services (PCES) expended \$1,430,604 of ARRA Special Education funds for equipment during the audit period. Of this amount, \$996,030 (70%) was paid to member school corporations (subrecipients) for reimbursements for the purchase of special education equipment. PCES officials maintained excel spreadsheets listing the equipment description, unit cost, quantity, total cost, and location of ARRA equipment. However, these records did not include a serial number or another identification number (tag number of the receiving member school corporation), the source of the property (vendor), who holds title to the property, acquisition date, and the type of use at the building location. PCES did maintain copies of the equipment invoices as supporting documentation for the purchases. PCES did not initiate any additional monitoring controls for the ARRA equipment purchased and located at the member school corporations. As a pass-through entity, PCES is responsible for ensuring that member schools comply with federal equipment management guidelines.

PORTER COUNTY EDUCATION SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

34 CFR § 300.144 Property, equipment, and supplies, states in part:

"(a) A public agency must control and administer the funds used to provide special education and related services under §§ 300.137 through 300.139, and hold title to and administer materials, equipment, and property purchased with those funds for the uses and purposes provided in the Act. . . ."

34 CFR 80.32 (d) states in part:

"(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

(2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years. . . ."

Failure to maintain detailed and accurate equipment and property records, and failure to monitor equipment located at other member School Corporations, could result in assets being lost, stolen, misappropriated, or disposed of improperly and not detected within a reasonable time.

We recommended that the PCES design and properly monitor procedures that would ensure accurate detailed capital asset records for ARRA equipment located at member school corporations. Inventories of property and equipment should be conducted at least once every two years and reconciled to the detailed capital asset ledger. Any significant differences should be investigated and the appropriate adjustments made to the records. Also, assets acquired with federal funds must be designated as such so that they are not disposed of improperly.

PORTER COUNTY EDUCATION SERVICES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CORRECTIVE ACTION PLAN

Section III – Federal Awards Findings and Questioned Costs

FINDING 2011-1, EQUIPMENT MANAGEMENT, ARRA SPECIAL EDUCATION

Federal Agency: U.S. Department of Education
Federal Program: ARRA – Special Education – Grants to States (IDEA, Part B)
CFDA Number: 84.391
Award No. 33310-050-SN01
Auditee Contact Person: Quinnlyn Van Rys
Title of Contact Person: Chief Financial Officer
Phone Number: (219) 464-9607

Porter County Education Services will conduct a complete physical inventory of all fixed assets and equipment purchased with federal ARRA Special Education funds and designate each as such. We will design and monitor procedures to ensure accurate records are maintained. These records will be reviewed at least every two years. Adjustments will be made as necessary.

Signed



Date

12/6/2011

CORRECTIVE ACTION PLAN

Section III – Federal Awards Findings and Questioned Costs

FINDING 2011- 2, SUBRECIPIENT MONITORING, ARRA SPECIAL EDUCATION EQUIPMENT

Federal Agency: U.S. Department of Education
Federal Program: ARRA – Special Education – Grants to States (IDEA, Part B)
CFDA Number: 84.391
Award No. 33310-050-SN01
Auditee Contact Person: Quinnlyn Van Rys
Title of Contact Person: Chief Financial Officer
Phone Number: (219) 464-9607

Porter County Education Services will conduct a complete physical inventory of all fixed assets and equipment purchased by member school corporations with ARRA Special Education funds. We will design and monitor procedures to ensure accurate records are maintained. These records will be reviewed and reconciled at least every two years. Adjustments will be made as necessary. All assets acquired with federal funds will be designated as such.

Signed *Debra Maria*

Date 12/6/2011

PORTER COUNTY EDUCATION SERVICES
EXIT CONFERENCE

The contents of this report were discussed on December 6, 2011, with Dr. Rod Gardin, President of the Board of Directors; Diane Massa, Executive Director; Quinnlyn Van Rys, Chief Financial Officer; Ruth Kenny, Treasurer; and Luann Hernandez, Payroll and Accounts Payable Clerk. The officials concurred with our audit findings.