

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

JOINT EDUCATIONAL SERVICES
IN SPECIAL EDUCATION
MARSHALL COUNTY, INDIANA

July 1, 2010 to June 30, 2012



FILED
01/23/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	David Hankins Pam Bishop	07-01-10 to 10-09-11 10-10-11 to 06-30-13
Executive Director	Robert Wise Linda Holland	07-01-10 to 06-30-12 07-01-12 to 06-30-15
President of the Board of Managers	Dr. Jennifer Lucht Brad Schuldt Richard Reese A.J. Gappa	01-01-10 to 12-31-10 01-01-11 to 12-31-11 01-01-12 to 06-30-12 07-01-12 to 06-30-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statement of the Joint Educational Services in Special Education (School Corporation), for the period of July 1, 2010 to June 30, 2012. 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 effect on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The basis of accounting noted above is a different basis than that used in the prior period.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2010 to June 30, 2012.

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 period of July 1, 2010 to June 30, 2012, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated December 27, 2012, 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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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.

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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other reports used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards 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 Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They 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.

STATE BOARD OF ACCOUNTS

December 27, 2012



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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 JOINT EDUCATIONAL SERVICES
IN SPECIAL EDUCATION, MARSHALL COUNTY, INDIANA

We have audited the financial statement of the Joint Educational Services in Special Education (School Corporation), for the period of July 1, 2010 to June 30, 2012, and have issued our report thereon dated December 27, 2012. 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

Management of the School Corporation is responsible for establishing and maintaining effective 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 Managers, 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 27, 2012

FINANCIAL STATEMENT

The financial statement and 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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JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2011 and 2012

	Cash and Investments 07-01-10	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12
General	\$ 1,770,992	\$ 8,534,954	\$ 8,846,199	\$ 56,151	\$ 1,515,898	\$ 6,819,204	\$ 8,497,987	\$ 52,259	\$ (110,626)
Self-Insurance	278,993	81,773	53,957	-	306,809	75,098	57,348	(250,000)	74,559
Alternative Education	18,550	-	-	-	18,550	-	14,920	(3,630)	-
Contributions/Scholarships	545	1,157	-	-	1,702	4,427	1,690	-	4,439
Donations, Gifts and Trusts	650	-	-	-	650	-	650	-	-
Construction, Remodeling, and Equipping Buildings	426,357	-	100,000	(56,151)	270,206	-	-	(50,000)	220,206
Miscellaneous Programs	2,260	-	-	-	2,260	-	2,260	-	-
MCCF Grant - Summer Programming	(300)	-	-	-	(300)	300	-	-	-
Special Grant - Autism Resources	3,508	2,414	1,498	-	4,424	2,795	1,799	-	5,420
MCCF Endowment Fund	-	2,000	1,569	-	431	-	431	-	-
Special Education Grant 2010	(68,690)	150,000	81,310	-	-	-	-	-	-
Special Education Grant 2011	-	3,449,993	3,341,422	-	108,571	-	108,571	-	-
Special Education Grant 2012	-	-	-	-	-	1,991,163	2,912,960	-	(921,797)
Special Education Preschool Grant 2011	-	107,856	107,856	-	-	-	-	-	-
Special Education Preschool Grant 2012	-	-	-	-	-	88,151	88,151	-	-
Medicaid Reimbursement - Federal	45,788	2,841	-	-	48,629	-	-	(48,629)	-
Special Education - Part B (Stimulus)	(60,178)	404,280	310,216	-	33,886	209,573	243,459	-	-
Special Education - Part B - Preschool (Stimulus)	27,093	-	31,165	-	(4,072)	13,163	9,091	-	-
Payroll Clearing Accounts	122,495	2,519,053	2,518,524	-	123,024	2,296,908	2,419,932	-	-
Totals	<u>\$ 2,568,063</u>	<u>\$ 15,256,321</u>	<u>\$ 15,393,716</u>	<u>\$ -</u>	<u>\$ 2,430,668</u>	<u>\$ 11,500,782</u>	<u>\$ 14,359,249</u>	<u>\$ (300,000)</u>	<u>\$ (727,799)</u>

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

JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
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.

This School Corporation was established under the laws of the State of Indiana. This School Corporation operates under a Board of School Managers (Board) form of government and provides special educational services. The Board consists of Superintendents of the participating school corporations.

The accompanying financial statement presents the financial information for the primary government: Joint Educational Services in Special Education, an interlocal cooperative of multiple school corporations. There were ten school corporation members for the 2010-11 school year and nine school corporation members for the 2011-12 school year.

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

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 may include, but are not limited to, the following sources:

Local sources which include revenue from member school corporations, transfer tuition, investment income, and other revenue from local sources.

State sources include distributions from the State of Indiana and are 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.

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

Federal sources include distributions from the federal government and are 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.

Other receipts which include amounts received from various sources which include return of petty cash, return of cash change, insurance claims for losses, payroll activities, 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 may include, but are not limited to, the following uses:

Instruction which includes outflows for regular programs, special programs, 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, and operation and maintenance of plant services.

Noninstructional services which include outflows for non-public school services, and community service operations.

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

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

F. Other Financing Sources and Uses

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses may include, but are not limited to, the following sources and uses:

Transfer to Plymouth Community Schools as the LEA for the newly formed Joint Services and Supply entity.

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.

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

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 annual operating budget is prepared and approved by the Board of Managers of this School Corporation on or before the previous July 1.

Note 3. Property Taxes

This School Corporation receives no property taxes.

Note 4. 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 5. 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, dental and vision benefits to employees, retirees, and dependents; and natural disasters.

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.

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

Note 6. 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. Teacher's Retirement Fund

Plan Description

The Indiana Teacher's 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 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:

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

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.

Note 7. Postemployment Benefits

The School Corporation provided postemployment health and dental/vision benefits, as authorized by Indiana Code 5-10-8, to all employees who retired from the School Corporation on or after attaining age 50 with at least ten years of service. This plan was terminated in 2007. Currently two former employees are receiving benefits under this old plan. It is estimated that the cost for this benefit will be \$14,172 for the year ending June 30, 2013; \$14,172 for the year ending June 30, 2014; and \$8,858 for the year ending June 30, 2015.

Note 8. Deficit Cash Balances

The financial statement contains funds with deficits in cash. Cash and Investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements or funds being set up for reimbursable grants; these deficits are to be repaid from future receipts.

The School Corporation routinely submits reimbursement requests at the end of each month for expenditures made that month.

Note 9. Subsequent Events

Effective July 1, 2012, the nine school corporation members of Joint Educational Services in Special Education (JESSE) have approved the reorganization of JESSE, which was formed in 1975 pursuant to Indiana Code 36-1-7-1 et seq. to a Joint Service and Supply program formed pursuant to Indiana Code 20-26-10 et seq. Plymouth Community School Corporation shall administer and supervise this joint program and shall be designated as the Local Educational Agency (LEA). A majority of the teachers and other employees at JESSE will become employees of the various nine school corporations in the new joint program as of July 2012. As of June 30, 2012, JESSE has transferred \$300,000 to the Plymouth Community School Corporation and before December 31, 2012, JESSE intends to transfer all remaining funds to the LEA.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Annual 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's Treasurer.

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 Reports 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 approved by management of the School Corporation. It is presented as intended by the School Corporation.

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

	General	Self- Insurance	Alternative Education	Contributions/ Scholarships	Donations, Gifts and Trusts	Construction Remodeling and Equipping Buildings	Miscellaneous Programs
Cash and investments - beginning	\$ 1,770,992	\$ 278,993	\$ 18,550	\$ 545	\$ 650	\$ 426,357	\$ 2,260
Receipts:							
Local sources	8,346,668	81,773	-	1,157	-	-	-
State sources	187,248	-	-	-	-	-	-
Federal sources	700	-	-	-	-	-	-
Other	338	-	-	-	-	-	-
Total receipts	<u>8,534,954</u>	<u>81,773</u>	<u>-</u>	<u>1,157</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:							
Current:							
Instruction	6,627,789	-	-	-	-	-	-
Support services	2,218,410	53,957	-	-	-	100,000	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>8,846,199</u>	<u>53,957</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(311,245)</u>	<u>27,816</u>	<u>-</u>	<u>1,157</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>
Other financing sources (uses)							
Transfers in	56,151	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(56,151)	-
Total other financing sources (uses)	<u>56,151</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(56,151)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(255,094)</u>	<u>27,816</u>	<u>-</u>	<u>1,157</u>	<u>-</u>	<u>(156,151)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 1,515,898</u>	<u>\$ 306,809</u>	<u>\$ 18,550</u>	<u>\$ 1,702</u>	<u>\$ 650</u>	<u>\$ 270,206</u>	<u>\$ 2,260</u>

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

	MCCF Grant - Summer Programming	Special Grant - Autism Resources	MCCF Endowment Fund	Special Education Grant 2010	Special Education Grant 2011	Special Education Grant 2012	Special Education Preschool Grant 2011
Cash and investments - beginning	\$ (300)	\$ 3,508	\$ -	\$ (68,690)	\$ -	\$ -	\$ -
Receipts:							
Local sources	-	2,414	2,000	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	150,000	3,449,993	-	107,856
Other	-	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>2,414</u>	<u>2,000</u>	<u>150,000</u>	<u>3,449,993</u>	<u>-</u>	<u>107,856</u>
Disbursements:							
Current:							
Instruction	-	1,498	1,569	61,191	2,417,670	-	107,856
Support services	-	-	-	20,119	876,422	-	-
Noninstructional services	-	-	-	-	47,330	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>1,498</u>	<u>1,569</u>	<u>81,310</u>	<u>3,341,422</u>	<u>-</u>	<u>107,856</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>916</u>	<u>431</u>	<u>68,690</u>	<u>108,571</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>916</u>	<u>431</u>	<u>68,690</u>	<u>108,571</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ (300)</u>	<u>\$ 4,424</u>	<u>\$ 431</u>	<u>\$ -</u>	<u>\$ 108,571</u>	<u>\$ -</u>	<u>\$ -</u>

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

	Special Education Preschool Grant 2012	Medicaid Reimbursement Federal	Special Education - Part B (Stimulus)	Special Education - Part B - Preschool (Stimulus)	Payroll Clearing Accounts	Totals
Cash and investments - beginning	\$ -	\$ 45,788	\$ (60,178)	\$ 27,093	\$ 122,495	\$ 2,568,063
Receipts:						
Local sources	-	-	-	-	-	8,434,012
State sources	-	-	-	-	-	187,248
Federal sources	-	2,841	404,280	-	-	4,115,670
Other	-	-	-	-	2,519,053	2,519,391
Total receipts	-	2,841	404,280	-	2,519,053	15,256,321
Disbursements:						
Current:						
Instruction	-	-	93,503	31,165	-	9,342,241
Support services	-	-	158,207	-	-	3,427,115
Noninstructional services	-	-	-	-	-	47,330
Facilities acquisition and construction	-	-	58,506	-	-	58,506
Nonprogrammed charges	-	-	-	-	2,518,524	2,518,524
Total disbursements	-	-	310,216	31,165	2,518,524	15,393,716
Excess (deficiency) of receipts over disbursements	-	2,841	94,064	(31,165)	529	(137,395)
Other financing sources (uses)						
Transfers in	-	-	-	-	-	56,151
Transfers out	-	-	-	-	-	(56,151)
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	2,841	94,064	(31,165)	529	(137,395)
Cash and investments - ending	\$ -	\$ 48,629	\$ 33,886	\$ (4,072)	\$ 123,024	\$ 2,430,668

JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012

	General	Self- Insurance	Alternative Education	Contributions/ Scholarships	Donations, Gifts and Trusts	Construction Remodeling and Equipping Buildings	Miscellaneous Programs
Cash and investments - beginning	\$ 1,515,898	\$ 306,809	\$ 18,550	\$ 1,702	\$ 650	\$ 270,206	\$ 2,260
Receipts:							
Local sources	6,630,943	75,098	-	4,427	-	-	-
State sources	187,444	-	-	-	-	-	-
Federal sources	817	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	<u>6,819,204</u>	<u>75,098</u>	<u>-</u>	<u>4,427</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:							
Current:							
Instruction	6,494,236	-	-	-	-	-	-
Support services	2,003,751	57,348	14,920	-	650	-	2,260
Facilities acquisition and construction	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	1,690	-	-	-
Total disbursements	<u>8,497,987</u>	<u>57,348</u>	<u>14,920</u>	<u>1,690</u>	<u>650</u>	<u>-</u>	<u>2,260</u>
Excess (deficiency) of receipts over disbursements	<u>(1,678,783)</u>	<u>17,750</u>	<u>(14,920)</u>	<u>2,737</u>	<u>(650)</u>	<u>-</u>	<u>(2,260)</u>
Other financing sources (uses)							
Transfer to Plymouth Community School Corporation	-	(250,000)	-	-	-	(50,000)	-
Transfers in	52,259	-	-	-	-	-	-
Transfers out	-	-	(3,630)	-	-	-	-
Total other financing sources (uses)	<u>52,259</u>	<u>(250,000)</u>	<u>(3,630)</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(1,626,524)</u>	<u>(232,250)</u>	<u>(18,550)</u>	<u>2,737</u>	<u>(650)</u>	<u>(50,000)</u>	<u>(2,260)</u>
Cash and investments - ending	<u>\$ (110,626)</u>	<u>\$ 74,559</u>	<u>\$ -</u>	<u>\$ 4,439</u>	<u>\$ -</u>	<u>\$ 220,206</u>	<u>\$ -</u>

JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	MCCF Grant - Summer Programming	Special Grant - Autism Resources	MCCF Endowment Fund	Special Education Grant 2010	Special Education Grant 2011	Special Education Grant 2012	Special Education Preschool Grant 2011
Cash and investments - beginning	\$ (300)	\$ 4,424	\$ 431	\$ -	\$ 108,571	\$ -	\$ -
Receipts:							
Local sources	300	2,795	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	1,991,163	-
Other	-	-	-	-	-	-	-
Total receipts	<u>300</u>	<u>2,795</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,991,163</u>	<u>-</u>
Disbursements:							
Current:							
Instruction	-	1,799	431	-	78,888	1,832,937	-
Support services	-	-	-	-	29,683	1,080,023	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>1,799</u>	<u>431</u>	<u>-</u>	<u>108,571</u>	<u>2,912,960</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>300</u>	<u>996</u>	<u>(431)</u>	<u>-</u>	<u>(108,571)</u>	<u>(921,797)</u>	<u>-</u>
Other financing sources (uses)							
Transfer to Plymouth Community School Corporation	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>300</u>	<u>996</u>	<u>(431)</u>	<u>-</u>	<u>(108,571)</u>	<u>(921,797)</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 5,420</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (921,797)</u>	<u>\$ -</u>

JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Special Education Preschool Grant 2012	Medicaid Reimbursement Federal	Special Education - Part B (Stimulus)	Special Education - Part B - Preschool (Stimulus)	Payroll Clearing Accounts	Totals
Cash and investments - beginning	\$ -	\$ 48,629	\$ 33,886	\$ (4,072)	\$ 123,024	\$ 2,430,668
Receipts:						
Local sources	-	-	2,607	-	-	6,716,170
State sources	-	-	-	-	-	187,444
Federal sources	88,151	-	206,966	13,163	-	2,300,260
Other	-	-	-	-	2,296,908	2,296,908
Total receipts	<u>88,151</u>	<u>-</u>	<u>209,573</u>	<u>13,163</u>	<u>2,296,908</u>	<u>11,500,782</u>
Disbursements:						
Current:						
Instruction	88,151	-	69,816	9,091	-	8,575,349
Support services	-	-	172,189	-	-	3,360,824
Facilities acquisition and construction	-	-	1,454	-	-	1,454
Nonprogrammed charges	-	-	-	-	2,419,932	2,421,622
Total disbursements	<u>88,151</u>	<u>-</u>	<u>243,459</u>	<u>9,091</u>	<u>2,419,932</u>	<u>14,359,249</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>(33,886)</u>	<u>4,072</u>	<u>(123,024)</u>	<u>(2,858,467)</u>
Other financing sources (uses)						
Transfer to Plymouth Community School Corporation	-	-	-	-	-	(300,000)
Transfers in	-	-	-	-	-	52,259
Transfers out	-	(48,629)	-	-	-	(52,259)
Total other financing sources (uses)	<u>-</u>	<u>(48,629)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(300,000)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>(48,629)</u>	<u>(33,886)</u>	<u>4,072</u>	<u>(123,024)</u>	<u>(3,158,467)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (727,799)</u>

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JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2012

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

	<u>Ending Balance</u>
Governmental activities:	
Machinery and equipment	<u>\$ 172,164</u>

JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
AUDIT RESULTS AND COMMENTS

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were noted:

- (1) There were several posting errors. The financial statement excluded two transfers to Plymouth Community School Corporation in the total amount of \$300,000.
- (2) Some transactions were recorded as negative receipts.

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

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OVERDRAWN CASH BALANCES

The cash balance of the General Fund and the Special Education Grant 2012 Fund (a reimbursable grant fund) were overdrawn in 2012 resulting in the total of all funds being overdrawn at June 30, 2012, in the amount of \$727,799. On July 3, 2012, the bank account was overdrawn in the amount of \$40,447.61 and a check in the amount of \$139,373.67 was returned on July 5, 2012, per a stop payment request.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON ITS MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the Joint Educational Services in Special Education's (School Corporation) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the period of July 1, 2010 to June 30, 2012. 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 are 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 could have a direct and material effect on its major federal program for the period of July 1, 2010 to June 30, 2012.

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 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 THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON ITS MAJOR PROGRAM AND ON
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.

This report is intended solely for the information and use of the School Corporation's management, Board of Managers, 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 27, 2012

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Below is The Schedule of Expenditures of Federal Awards, prepared by management, and the accompanying note, approved by management, of the School Corporation. The schedule and note are presented as intended by the School Corporation.

JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2011 and 2012

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 06-30-11	Total Federal Awards Expended 06-30-12
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education				
Special Education Cluster				
Special Education-Grants to States	84.027			
Part B, IDEA (P.L. 108-446) FY 10		14210-032-PN01	\$ 81,310	\$ -
Part B, IDEA (P.L. 108-446) FY 11		14211-032-PN01	3,341,421	108,575
Part B, IDEA (P.L. 108-446) FY 12		14212-032-PN01	<u>-</u>	<u>2,912,961</u>
Total for program			<u>3,422,731</u>	<u>3,021,536</u>
Special Education-Preschool Grants	84.173			
P.L. 108-446 Preschool FY 11		45711-032-PN11	107,856	-
		45712-032-PN01	<u>-</u>	<u>88,151</u>
Total for program			<u>107,856</u>	<u>88,151</u>
ARRA - Special Education-Grants to States, Recovery Act	84.391	33310-032-SN01	<u>310,216</u>	<u>243,459</u>
ARRA - Special Education-Preschool Grants, Recovery Act	84.392	44410-032-SN01	<u>31,266</u>	<u>9,090</u>
Total federal awards expended			<u>\$ 3,872,069</u>	<u>\$ 3,362,236</u>

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

JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Joint Educational Services in Special Education (School Corporation) and is presented in accordance with the 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 requested.

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.

JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unqualified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for the major program:	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 Program:

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.

JOINT EDUCATIONAL SERVICES IN SPECIAL EDUCATION
EXIT CONFERENCE

The contents of this report were discussed on December 27, 2012, with Pam Bishop, Treasurer; Linda Holland, Executive Director; and A.J. Gappa, President of the Board of Managers. The officials concurred with our audit findings.