

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

FINANCIAL STATEMENT EXAMINATION REPORT
OF
EAST CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
FAYETTE COUNTY, INDIANA
July 1, 2010 to June 30, 2012



FILED
04/02/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Teresa Amick	07-01-10 to 06-30-13
Executive Director	Walter J. Harrison Larry D. John	07-01-10 to 06-30-12 07-01-12 to 06-30-13
President of the Executive Board of Directors	Dr. David Edds	07-01-10 to 06-30-13



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statement of the East Central Indiana Educational Service Center (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 examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination 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 effects 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 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.

Our examination 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 examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

January 30, 2013

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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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EAST CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
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	\$ 371,705	\$ 558,370	\$ 636,784	\$ -	\$ 293,291	\$ 608,048	\$ 578,759	\$ -	\$ 322,580
Joint Services and Supply	53,073	164,550	176,280	-	41,343	211,598	195,873	-	57,068
Natural Gas Cooperative	7,092	122,246	122,247	-	7,091	113,426	113,886	-	6,631
Repairs	7,100	13,488	13,280	-	7,308	5,650	5,062	-	7,896
Indiana Association of Educational Service Center Directors	13,766	35,701	37,937	-	11,530	25,900	26,627	-	10,803
Insurance Trust	18,688	74,896	74,277	-	19,307	77,356	76,723	-	19,940
Supplemental Educational Services	76,313	313,902	339,364	-	50,851	60,595	101,631	-	9,815
High Ability 2008/2009	372	-	372	-	-	-	-	-	-
National Board	2,004	-	-	-	2,004	-	-	-	2,004
Gifted and Talented 06/07	152	-	152	-	-	-	-	-	-
School Technology	6,637	5,441	8,738	-	3,340	5,816	4,090	-	5,066
Title III, Language Instruction	8,896	-	8,896	-	-	-	-	-	-
Title III, Bilingual Education	-	56,645	56,645	-	-	12,880	12,880	-	-
Payroll Withholdings	-	146,066	146,066	-	-	138,794	138,794	-	-
Totals	<u>\$ 565,798</u>	<u>\$ 1,491,305</u>	<u>\$ 1,621,038</u>	<u>\$ -</u>	<u>\$ 436,065</u>	<u>\$ 1,260,063</u>	<u>\$ 1,254,325</u>	<u>\$ -</u>	<u>\$ 441,803</u>

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

EAST CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
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.

The accompanying financial statement presents the financial information for the School Corporation.

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 include the following sources:

Local sources which includes revenue from regional school corporations, investment income, school corporation activities, revenue from community services activities, 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, and revenue for or on behalf of the School Corporation.

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, and revenue for or on behalf of the School Corporation.

EAST CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL STATEMENT
(Continued)

Other receipts which include amounts received from various sources which include return of petty cash, return of cash change, insurance claims for losses, 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, enrichment programs, and payments to other governmental units.

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

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 indirect costs and self-insurance payments.

F. 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 prepared and approved at the local level.

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.

EAST CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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 statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

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.

EAST CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL STATEMENT
(Continued)

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:

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.

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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 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 examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

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

EAST CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011

	General	Joint Services and Supply	Natural Gas Cooperative	Repairs	Indiana Association of Educational Service Center Directors	Insurance Trust	Supplemental Educational Services	High Ability 2008-2009
Cash and investments - beginning	\$ 371,705	\$ 53,073	\$ 7,092	\$ 7,100	\$ 13,766	\$ 18,688	\$ 76,313	\$ 372
Receipts:								
Local sources	326,710	-	122,246	13,488	-	74,896	313,902	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other	231,660	164,550	-	-	35,701	-	-	-
Total receipts	558,370	164,550	122,246	13,488	35,701	74,896	313,902	-
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	339,364	372
Support services	636,784	176,280	-	13,280	37,937	74,277	-	-
Facilities acquisition and construction	-	-	122,247	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	636,784	176,280	122,247	13,280	37,937	74,277	339,364	372
Excess (deficiency) of receipts over disbursements	(78,414)	(11,730)	(1)	208	(2,236)	619	(25,462)	(372)
Cash and investments - ending	\$ 293,291	\$ 41,343	\$ 7,091	\$ 7,308	\$ 11,530	\$ 19,307	\$ 50,851	\$ -

EAST CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	National Board	Gifted and Talented 2006-2007	School Technology	Title III Language Instruction	Title III Bilingual Education	Payroll Withholdings	Totals
Cash and investments - beginning	\$ 2,004	\$ 152	\$ 6,637	\$ 8,896	\$ -	\$ -	\$ 565,798
Receipts:							
Local sources	-	-	-	-	-	-	851,242
State sources	-	-	5,441	-	-	-	5,441
Federal sources	-	-	-	-	56,645	-	56,645
Other	-	-	-	-	-	146,066	577,977
Total receipts	-	-	5,441	-	56,645	146,066	1,491,305
Disbursements:							
Current:							
Instruction	-	152	-	-	-	-	339,888
Support services	-	-	8,738	8,896	56,645	-	1,012,837
Facilities acquisition and construction	-	-	-	-	-	-	122,247
Nonprogrammed charges	-	-	-	-	-	146,066	146,066
Total disbursements	-	152	8,738	8,896	56,645	146,066	1,621,038
Excess (deficiency) of receipts over disbursements	-	(152)	(3,297)	(8,896)	-	-	(129,733)
Cash and investments - ending	\$ 2,004	\$ -	\$ 3,340	\$ -	\$ -	\$ -	\$ 436,065

EAST CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012

	General	Joint Services and Supply	Natural Gas Cooperative	Repairs	Indiana Association of Educational Service Center Directors	Insurance Trust
Cash and investments - beginning	\$ 293,291	\$ 41,343	\$ 7,091	\$ 7,308	\$ 11,530	\$ 19,307
Receipts:						
Local sources	404,163	-	113,426	5,650	-	77,356
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Other	203,885	211,598	-	-	25,900	-
Total receipts	<u>608,048</u>	<u>211,598</u>	<u>113,426</u>	<u>5,650</u>	<u>25,900</u>	<u>77,356</u>
Disbursements:						
Current:						
Instruction	-	-	-	-	-	-
Support services	578,759	195,873	-	5,062	26,627	76,723
Facilities acquisition and construction	-	-	113,886	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	<u>578,759</u>	<u>195,873</u>	<u>113,886</u>	<u>5,062</u>	<u>26,627</u>	<u>76,723</u>
Excess (deficiency) of receipts over disbursements	<u>29,289</u>	<u>15,725</u>	<u>(460)</u>	<u>588</u>	<u>(727)</u>	<u>633</u>
Cash and investments - ending	<u>\$ 322,580</u>	<u>\$ 57,068</u>	<u>\$ 6,631</u>	<u>\$ 7,896</u>	<u>\$ 10,803</u>	<u>\$ 19,940</u>

EAST CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Supplemental Educational Services	National Board	School Technology	Title III Bilingual Education	Payroll Withholdings	Totals
Cash and investments - beginning	\$ 50,851	\$ 2,004	\$ 3,340	\$ -	\$ -	\$ 436,065
Receipts:						
Local sources	60,595	-	-	-	-	661,190
State sources	-	-	5,816	-	-	5,816
Federal sources	-	-	-	12,880	-	12,880
Other	-	-	-	-	138,794	580,177
Total receipts	60,595	-	5,816	12,880	138,794	1,260,063
Disbursements:						
Current:						
Instruction	101,631	-	-	-	-	101,631
Support services	-	-	4,090	12,880	-	900,014
Facilities acquisition and construction	-	-	-	-	-	113,886
Nonprogrammed charges	-	-	-	-	138,794	138,794
Total disbursements	101,631	-	4,090	12,880	138,794	1,254,325
Excess (deficiency) of receipts over disbursements	(41,036)	-	1,726	-	-	5,738
Cash and investments - ending	\$ 9,815	\$ 2,004	\$ 5,066	\$ -	\$ -	\$ 441,803

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EAST CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
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>
Capital assets, not being depreciated:	
Machinery and equipment	<u>\$ 369,854</u>

EAST CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
EXAMINATION RESULT AND COMMENT

TRAVEL POLICY

We noted credit card activity for meals in local restaurants. A travel policy was not presented for examination to determine if the meals were for legitimate travel activity related expenditures.

Each governmental unit should adopt a written travel policy in conformity with applicable statutes. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

EAST CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
EXIT CONFERENCE

The contents of this report were discussed on January 28, 2013, with Larry D. John, Executive Director, and Teresa Amick, Treasurer.

The contents of this report were discussed, by telephone, on January 30, 2013, with Dr. David Edds, President of the Executive Board of Directors.