

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

FINANCIAL STATEMENT EXAMINATION REPORT
OF
ADAMS-WELLS SPECIAL SERVICES COOPERATIVE
WELLS COUNTY, INDIANA
July 1, 2012 to December 31, 2012



FILED
04/02/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Former Treasurer	Jeanette F. Jena	07-01-12 to 12-31-12
Former Executive Director	Michele K. Neumann	07-01-12 to 07-11-12
Director	Nikki Sprunger	07-23-12 to 12-31-12



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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statement of the Adams-Wells Special Services Cooperative (School Corporation), for the period of July 1, 2012 to December 31, 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.

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, 2012 to December 31, 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 for the period of July 1, 2012 to December 31, 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 Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the financial statement. It has not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

February 18, 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.

ADAMS-WELLS SPECIAL SERVICES COOPERATIVE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Period July 1, 2012 to December 31, 2012

	Cash and Investments 07-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
General	\$ 659,607	\$ 46,084	\$ 705,691	\$ -
Capital Projects	34,666	-	34,666	-
Preschool Supplies	2,892	-	2,892	-
Adult and Continuing Education	400	-	400	-
Extra-Curricular Activities	100	-	100	-
Recreational Activities	90	-	90	-
Welfare Activities	3,349	-	3,349	-
School Technology	1,680	-	1,680	-
IDEA Part B 611	(829,213)	853,038	23,825	-
Clearing Accounts	21,762	6,406	28,168	-
Totals	<u>\$ (104,667)</u>	<u>\$ 905,528</u>	<u>\$ 800,861</u>	<u>\$ -</u>

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

ADAMS-WELLS SPECIAL SERVICES COOPERATIVE
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.

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

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

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

The participating school corporations agreed that effective July 1, 2012, Adams-Wells Special Services Cooperative shall be reorganized pursuant to Indiana Code 20-26-10-1. Pursuant to Indiana Code 20-26-10-4, North Adams Community Schools shall administer and supervise this joint program and shall be designated as the Local Educational Agency (LEA). Therefore, effective July 1, 2012, Adams-Wells Special Services Cooperative will no longer exist.

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.

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

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 taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, 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, revenue in lieu of taxes, 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, 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, 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.

Nonprogrammed charges which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, funds held temporarily for an authorized recipient 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.

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

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. Formal approval by the Indiana Department of Local Government Finance is not required.

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.

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.

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.

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

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:

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 Report 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 is 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.

ADAMS-WELLS SPECIAL SERVICES COOPERATIVE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Period July 1, 2012 to December 31, 2012

	General	Capital Projects	Preschool Supplies	Adult and Continuing Education	Extra- Curricular Activities	Recreational Activities
Cash and investments - beginning	\$ 659,607	\$ 34,666	\$ 2,892	\$ 400	\$ 100	\$ 90
Receipts:						
Local sources	607	-	-	-	-	-
State sources	45,114	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Other	363	-	-	-	-	-
Total receipts	46,084	-	-	-	-	-
Disbursements:						
Current:						
Instruction	705,639	34,666	2,892	400	100	90
Nonprogrammed charges	52	-	-	-	-	-
Total disbursements	705,691	34,666	2,892	400	100	90
Excess (deficiency) of receipts over disbursements	(659,607)	(34,666)	(2,892)	(400)	(100)	(90)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

ADAMS-WELLS SPECIAL SERVICES COOPERATIVE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Period July 1, 2012 to December 31, 2012
 (Continued)

	Welfare Activities	School Technology	IDEA Part B 611	Clearing Accounts	Totals
Cash and investments - beginning	\$ 3,349	\$ 1,680	\$ (829,213)	\$ 21,762	\$ (104,667)
Receipts:					
Local sources	-	-	-	-	607
State sources	-	-	-	-	45,114
Federal sources	-	-	853,038	-	853,038
Other	-	-	-	6,406	6,769
Total receipts	-	-	853,038	6,406	905,528
Disbursements:					
Current:					
Instruction	3,349	1,680	23,825	-	772,641
Nonprogrammed charges	-	-	-	28,168	28,220
Total disbursements	3,349	1,680	23,825	28,168	800,861
Excess (deficiency) of receipts over disbursements	(3,349)	(1,680)	829,213	(21,762)	104,667
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -

ADAMS-WELLS SPECIAL SERVICES COOPERATIVE
EXIT CONFERENCE

The contents of this report were discussed on February 18, 2013, with Jeanette F. Jena, former Treasurer, and Nikki Sprunger, Director. Our examination disclosed no material items that warrant comment at this time.