

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
MARION COUNTY, INDIANA

July 1, 2011 to June 30, 2013



FILED
02/06/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Donna Hattenbach Calhoun	07-01-11 to 04-27-12
	Michelle Smith	04-28-12 to 06-30-14
Executive Director	Dr. Mary Ann Dewan	07-01-11 to 10-18-13
	Michele Moore (Interim)	10-18-13 to 06-30-14
President of the Board	Dr. Kenneth Hull	07-01-11 to 06-30-12
	Dr. Paul Kaiser	07-01-12 to 06-30-13
	Dr. Robert Taylor	07-01-13 to 06-30-14



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Central Indiana Educational Service Center (Service Center), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Service Center's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Service Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the Service Center prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a 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 the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Service Center for the period of July 1, 2011 to June 30, 2013.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Service Center for the period of July 1, 2011 to June 30, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 11, 2013, on our consideration of the Service Center'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* in considering the Service Center's internal control over financial reporting and compliance.

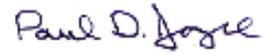
Accompanying Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Service Center'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 records 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming an opinion on the Service Center's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, 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.


Paul D. Joyce, CPA
State Examiner

December 11, 2013



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INDEPENDENT AUDITOR'S 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 CENTRAL INDIANA EDUCATIONAL
SERVICE CENTER, MARION COUNTY, INDIANA

We have audited, 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, the financial statement of the Central Indiana Educational Service Center (Service Center), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement, and have issued our report thereon dated December 11, 2013, wherein we noted the Service Center followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Service Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Service Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Service Center's internal control.

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. A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2013-1 to be significant deficiencies.

INDEPENDENT AUDITOR'S 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 Service Center'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*.

Central Indiana Educational Service Center's Response to Findings

The Service Center's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Service Center's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Service Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Service Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

December 11, 2013

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FINANCIAL STATEMENT

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

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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, 2012 and 2013

	Cash and Investments 07-01-11	Receipts	Disbursements	Financing Sources (Uses)	Cash and Investments 06-30-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13
General	\$ 1,104,534	\$ 4,907,142	\$ 4,887,398	\$ -	\$ 1,124,278	\$ 6,628,084	\$ 6,346,668	\$ (263,716)	\$ 1,141,978
School Transportation	-	1,987,857	2,687,541	-	(699,684)	281,124	8,458	427,018	-
Post-Retirement/Severance Future Benefits	-	-	-	-	-	-	-	20,000	20,000
School Lunch	-	86,518	148,831	-	(62,313)	49,715	8,456	21,054	-
Self-Insurance	-	-	-	-	-	-	-	20,000	20,000
Joint Purchases	72,803	451,063	519,069	-	4,797	180,326	175,615	-	9,508
PATINS Sub-Grant	(7,564)	61,004	25,459	-	27,981	-	810	(7,035)	20,136
Drivers Education Donation	6,469	1,538	457	-	7,550	-	-	-	7,550
IOA Scholarship Donations	-	-	-	-	-	411	-	-	411
Food Services	3,067	-	70	-	2,997	-	-	(2,997)	-
Miscellaneous	264,863	-	-	(198,202)	66,661	-	-	(66,661)	-
Teacher Internship	7,508	-	-	-	7,508	-	-	(7,508)	-
Technology Grants [IC 20-40-15]	6,712	-	-	-	6,712	-	-	(6,712)	-
ISD Program Review	-	-	-	-	-	6,035	6,035	-	-
DOE Math Summit	-	-	-	-	-	3,290	3,290	-	-
Writing Using Computers	26,720	-	12,654	-	14,066	-	-	(14,066)	-
EI Civics Adult Education	18,178	6,585	1,676	-	23,087	-	-	(23,087)	-
Investments	(198,202)	-	-	198,202	-	-	-	-	-
PATINS Project	(1,044,356)	3,139,287	2,377,584	-	(282,653)	2,739,311	2,466,201	9,543	-
PATINS Sub-Grant II	-	2,508	-	-	2,508	56,720	36,556	(2,508)	20,164
Adult Education and Family Literacy, Title II	(128,419)	149,023	20,604	-	-	-	-	-	-
Indiana Educational/CARE	5,637	-	-	-	5,637	-	-	(5,637)	-
TEECA Technical Education	6,627	-	-	-	6,627	-	-	(6,627)	-
CTE Grant	(46,090)	50,875	4,785	-	-	-	-	-	-
Technical Honors Certificate	17,000	-	-	-	17,000	-	-	(17,000)	-
Safe and Drug Free Schools	3,800	-	-	-	3,800	-	-	(3,800)	-
Regional Training	10,266	-	-	-	10,266	-	-	(10,266)	-
FACS Assessment Grant	8,591	-	-	-	8,591	-	-	(8,591)	-
Career Tech Staff/Market	8,874	-	-	-	8,874	-	-	(8,874)	-
SES Program	614,157	867,703	1,009,696	-	472,164	53,529	510,371	-	15,322
Advanced Life Science	13,428	-	-	-	13,428	-	-	(13,428)	-
High Ability Grant	698	-	-	-	698	-	-	(698)	-
Clearing Control	162	1,093,092	1,086,056	-	7,198	833,912	835,074	-	6,036
Totals	\$ 775,463	\$ 12,804,195	\$ 12,781,880	\$ -	\$ 797,778	\$ 10,832,457	\$ 10,397,534	\$ 28,404	\$ 1,261,105

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

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

Service Center, 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 Service Center was established under the laws of the State of Indiana. The Service Center operates under a Board of School Trustees form of government and provides educational services.

The accompanying financial statement presents the financial information for the Service Center.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana 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 include taxes, revenue from local governmental units other than service centers, transfer tuition, transportation fees, investment income, food services, Service Center 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 Service Center 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 Service Center.

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

Federal sources include distributions from the federal government and are to be used by the Service Center 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 Service Center.

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

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.

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, securities purchased, indirect costs, scholarships, and self-insurance payments.

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

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 include the following:

Sale of capital assets which includes money received when land, buildings, or equipment owned by the Service Center 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.

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

G. Fund Accounting

Separate funds are established, maintained, and reported by the Service Center. 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 Service Center. 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 Service Center 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 Service Center submits a proposed operating budget to the governing board for the following fiscal year. Prior to July 1, the governing board approves the budget for the fiscal 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 Service Center 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 Service Center 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 Service Center 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.

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

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 noncertified 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 Service Center 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 Service Center 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 Service Center may elect to make the contributions on behalf of the member.

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

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 Service Center 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 Service Center 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 6. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of either a loss in parental revenues due to students not riding the bus, the fund being set up as a reimbursable School Lunch Fund from the Service Center, or the fund being set up for reimbursable state grants.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Service Center'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 Service Center 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 Service Center 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 Service Center. It is presented as intended by the Service Center.

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	School Transportation	School Lunch	Joint Purchases	PATINS Sub-Grant	Drivers Education Donation	Food Services	Miscellaneous	Teacher Internship	Technology Grants [IC 20-40-15]
Cash and investments - beginning	\$ 1,104,534	\$ -	\$ -	\$ 72,803	\$ (7,564)	\$ 6,469	\$ 3,067	\$ 264,863	\$ 7,508	\$ 6,712
Receipts:										
Local sources	4,906,156	1,987,857	86,518	451,063	61,004	1,538	-	-	-	-
State sources	986	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	<u>4,907,142</u>	<u>1,987,857</u>	<u>86,518</u>	<u>451,063</u>	<u>61,004</u>	<u>1,538</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:										
Current:										
Instruction	922,160	-	-	3,020	-	457	-	-	-	-
Support services	3,785,238	2,687,541	148,831	516,049	25,459	-	70	-	-	-
Facilities acquisition and construction	180,000	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	<u>4,887,398</u>	<u>2,687,541</u>	<u>148,831</u>	<u>519,069</u>	<u>25,459</u>	<u>457</u>	<u>70</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>19,744</u>	<u>(699,684)</u>	<u>(62,313)</u>	<u>(68,006)</u>	<u>35,545</u>	<u>1,081</u>	<u>(70)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(198,202)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(198,202)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>19,744</u>	<u>(699,684)</u>	<u>(62,313)</u>	<u>(68,006)</u>	<u>35,545</u>	<u>1,081</u>	<u>(70)</u>	<u>(198,202)</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 1,124,278</u>	<u>\$ (699,684)</u>	<u>\$ (62,313)</u>	<u>\$ 4,797</u>	<u>\$ 27,981</u>	<u>\$ 7,550</u>	<u>\$ 2,997</u>	<u>\$ 66,661</u>	<u>\$ 7,508</u>	<u>\$ 6,712</u>

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)

	Writing Using Computers	EI Civics Adult Education	Investments	PATINS Project	PATINS Sub-Grant II	Adult Education and Family Literacy Title II	Indiana Educational/CARE	TEECA Technical Education	CTE Grant	Technical Honors Certificate
Cash and investments - beginning	\$ 26,720	\$ 18,178	\$ (198,202)	\$ (1,044,356)	\$ -	\$ (128,419)	\$ 5,637	\$ 6,627	\$ (46,090)	\$ 17,000
Receipts:										
Local sources	-	-	-	-	2,508	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	6,585	-	3,139,287	-	149,023	-	-	50,875	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	-	6,585	-	3,139,287	2,508	149,023	-	-	50,875	-
Disbursements:										
Current:										
Instruction	-	-	-	-	-	-	-	-	-	-
Support services	12,654	1,676	-	2,377,584	-	20,604	-	-	4,785	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	12,654	1,676	-	2,377,584	-	20,604	-	-	4,785	-
Excess (deficiency) of receipts over disbursements	(12,654)	4,909	-	761,703	2,508	128,419	-	-	46,090	-
Other financing sources (uses):										
Transfers in	-	-	198,202	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	198,202	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(12,654)	4,909	198,202	761,703	2,508	128,419	-	-	46,090	-
Cash and investments - ending	\$ 14,066	\$ 23,087	\$ -	\$ (282,653)	\$ 2,508	\$ -	\$ 5,637	\$ 6,627	\$ -	\$ 17,000

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)

	Safe and Drug Free Schools	Regional Training	FACS Assessment Grant	Career Tech Staff/Market	SES Program	Advanced Life Science	High Ability Grant	Clearing Control	Totals
Cash and investments - beginning	\$ 3,800	\$ 10,266	\$ 8,591	\$ 8,874	\$ 614,157	\$ 13,428	\$ 698	\$ 162	\$ 775,463
Receipts:									
Local sources	-	-	-	-	867,703	-	-	-	8,364,347
State sources	-	-	-	-	-	-	-	-	986
Federal sources	-	-	-	-	-	-	-	-	3,345,770
Other	-	-	-	-	-	-	-	1,093,092	1,093,092
Total receipts	-	-	-	-	867,703	-	-	1,093,092	12,804,195
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	-	925,637
Support services	-	-	-	-	1,009,696	-	-	-	10,590,187
Facilities acquisition and construction	-	-	-	-	-	-	-	-	180,000
Nonprogrammed charges	-	-	-	-	-	-	-	1,086,056	1,086,056
Total disbursements	-	-	-	-	1,009,696	-	-	1,086,056	12,781,880
Excess (deficiency) of receipts over disbursements	-	-	-	-	(141,993)	-	-	7,036	22,315
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	198,202
Transfers out	-	-	-	-	-	-	-	-	(198,202)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	(141,993)	-	-	7,036	22,315
Cash and investments - ending	\$ 3,800	\$ 10,266	\$ 8,591	\$ 8,874	\$ 472,164	\$ 13,428	\$ 698	\$ 7,198	\$ 797,778

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, 2013

	General	School Transportation	Post Retirement/ Severance Future Benefits	School Lunch	Self- Insurance	Joint Purchases	PATINS Sub-Grant	Drivers Education Donation	IOA Scholarship Donations
Cash and investments - beginning	\$ 1,124,278	\$ (699,684)	\$ -	\$ (62,313)	\$ -	\$ 4,797	\$ 27,981	\$ 7,550	\$ -
Receipts:									
Local sources	6,627,098	281,124	-	49,715	-	180,326	-	-	411
State sources	986	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>6,628,084</u>	<u>281,124</u>	<u>-</u>	<u>49,715</u>	<u>-</u>	<u>180,326</u>	<u>-</u>	<u>-</u>	<u>411</u>
Disbursements:									
Current:									
Instruction	1,191,768	-	-	-	-	-	-	-	-
Support services	4,657,877	8,458	-	8,456	-	175,615	810	-	-
Facilities acquisition and construction	187,303	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	309,720	-	-	-	-	-	-	-	-
Total disbursements	<u>6,346,668</u>	<u>8,458</u>	<u>-</u>	<u>8,456</u>	<u>-</u>	<u>175,615</u>	<u>810</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>281,416</u>	<u>272,666</u>	<u>-</u>	<u>41,259</u>	<u>-</u>	<u>4,711</u>	<u>(810)</u>	<u>-</u>	<u>411</u>
Other financing sources (uses):									
Sale of capital assets	28,404	-	-	-	-	-	-	-	-
Transfers in	174,898	427,018	20,000	21,054	20,000	-	-	-	-
Transfers out	(467,018)	-	-	-	-	-	(7,035)	-	-
Total other financing sources (uses)	<u>(263,716)</u>	<u>427,018</u>	<u>20,000</u>	<u>21,054</u>	<u>20,000</u>	<u>-</u>	<u>(7,035)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>17,700</u>	<u>699,684</u>	<u>20,000</u>	<u>62,313</u>	<u>20,000</u>	<u>4,711</u>	<u>(7,845)</u>	<u>-</u>	<u>411</u>
Cash and investments - ending	<u>\$ 1,141,978</u>	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 9,508</u>	<u>\$ 20,136</u>	<u>\$ 7,550</u>	<u>\$ 411</u>

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, 2013
 (Continued)

	Food Services	Miscellaneous	Teacher Internship	Technology Grants [IC 20-40-15]	ISD Program Review	DOE Math Summit	Writing Using Computers	EI Civics Adult Education
Cash and investments - beginning	\$ 2,997	\$ 66,661	\$ 7,508	\$ 6,712	\$ -	\$ -	\$ 14,066	\$ 23,087
Receipts:								
Local sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	6,035	3,290	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	6,035	3,290	-	-
Disbursements:								
Current:								
Instruction	-	-	-	-	6,035	-	-	-
Support services	-	-	-	-	-	3,290	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	6,035	3,290	-	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-	-	-
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	(2,997)	(66,661)	(7,508)	(6,712)	-	-	(14,066)	(23,087)
Total other financing sources (uses)	(2,997)	(66,661)	(7,508)	(6,712)	-	-	(14,066)	(23,087)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,997)	(66,661)	(7,508)	(6,712)	-	-	(14,066)	(23,087)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2013
 (Continued)

	PATINS Project	PATINS Sub-Grant II	Indiana Educational/CARE	TEECA Technical Education	Technical Honors Certificate	Safe and Drug Free Schools	Regional Training
Cash and investments - beginning	\$ (282,653)	\$ 2,508	\$ 5,637	\$ 6,627	\$ 17,000	\$ 3,800	\$ 10,266
Receipts:							
Local sources	-	56,720	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	2,198,916	-	-	-	-	-	-
Interfund loans	540,395	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	<u>2,739,311</u>	<u>56,720</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	2,466,201	36,556	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	<u>2,466,201</u>	<u>36,556</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>273,110</u>	<u>20,164</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	9,543	-	-	-	-	-	-
Transfers out	-	(2,508)	(5,637)	(6,627)	(17,000)	(3,800)	(10,266)
Total other financing sources (uses)	<u>9,543</u>	<u>(2,508)</u>	<u>(5,637)</u>	<u>(6,627)</u>	<u>(17,000)</u>	<u>(3,800)</u>	<u>(10,266)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>282,653</u>	<u>17,656</u>	<u>(5,637)</u>	<u>(6,627)</u>	<u>(17,000)</u>	<u>(3,800)</u>	<u>(10,266)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 20,164</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2013
 (Continued)

	FACS Assessment Grant	Career Tech Staff/Market	SES Program	Advanced Life Science	High Ability Grant	Clearing Control	Totals
Cash and investments - beginning	\$ 8,591	\$ 8,874	\$ 472,164	\$ 13,428	\$ 698	\$ 7,198	\$ 797,778
Receipts:							
Local sources	-	-	53,529	-	-	-	7,248,923
State sources	-	-	-	-	-	-	986
Federal sources	-	-	-	-	-	-	2,198,916
Interfund loans	-	-	-	-	-	-	549,720
Other	-	-	-	-	-	833,912	833,912
Total receipts	-	-	53,529	-	-	833,912	10,832,457
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	1,197,803
Support services	-	-	270,371	-	-	-	7,627,634
Facilities acquisition and construction	-	-	-	-	-	-	187,303
Nonprogrammed charges	-	-	-	-	-	835,074	835,074
Interfund loans	-	-	240,000	-	-	-	549,720
Total disbursements	-	-	510,371	-	-	835,074	10,397,534
Excess (deficiency) of receipts over disbursements	-	-	(456,842)	-	-	(1,162)	434,923
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	28,404
Transfers in	-	-	-	-	-	-	672,513
Transfers out	(8,591)	(8,874)	-	(13,428)	(698)	-	(672,513)
Total other financing sources (uses)	(8,591)	(8,874)	-	(13,428)	(698)	-	28,404
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(8,591)	(8,874)	(456,842)	(13,428)	(698)	(1,162)	463,327
Cash and investments - ending	\$ -	\$ -	\$ 15,322	\$ -	\$ -	\$ 6,036	\$ 1,261,105

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2013

<u>Service Center</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 1,161,689</u>	<u>\$ 584,384</u>

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
 SCHEDULE OF LEASES AND DEBT
 June 30, 2013

<u>Lessor</u>	<u>Purpose</u>	<u>Annual Lease Payment</u>	<u>Lease Beginning Date</u>	<u>Lease Ending Date</u>
Governmental activities:				
Copier Lease	Color Copier	\$ 4,428	01-03-13	01-03-17
Copier Lease	B/W Copier	2,676	08-17-10	08-17-15
Copier Lease	B/W Copier	<u>2,148</u>	10-21-08	10-21-13
Total of annual lease payments		<u>\$ 9,252</u>		

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
SCHEDULE OF CAPITAL ASSETS
June 30, 2013

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, equipment, and vehicles	<u>\$ 558,188</u>
Total capital assets	<u><u>\$ 558,188</u></u>

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The financial statement included the following funds with overdrawn cash balances at June 30, 2012:

<u>Fund</u>	<u>Amount Overdrawn</u>
Transportation	\$ 699,684
School Lunch	62,313

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)

COLLECTIONS OF AMOUNTS DUE

Payroll overpayments were made to two separate employees in the amount of \$769.25 and \$1,866.04, respectively, by the Service Center. Refunds have not been received as of the completion of the audit. However, the officials have taken action to resolve the overpayments through signed agreements by the two employees whereby they agree to repayment through payroll deductions by June 30, 2014, and November 30, 2014, respectively.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

TRANSPORTATION FEE CHARGED

The Service Center offered transportation services for a fee to the parents of students enrolled in Franklin Township Community School Corporation for the period of July 1, 2011 through June 30, 2012, and collected fees totaling \$970,527 from parents in payment for these services. The Service Center discontinued this service as of June 30, 2012.

On July 12, 2010, Official Opinion 2010-2 (School Bus Rider Fees) issued by Indiana Attorney General Greg Zoeller in brief stated: "A public school corporation is not authorized to assess and collect a bus rider fee from a student in order for that student to receive transportation to and from the student's school to receive a public education. Such a fee is unconstitutional."

On November 11, 2011, Official Opinion 2011-1 (School Bus Fees via Third Party Provider) issued by Indiana Attorney General Greg Zoeller in brief stated: "Schools may utilize private parties for provision of student transportation services, but neither the school nor the private party may charge fees to parents for the provision of such services."

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Central Indiana Educational Service Center's (Service Center) 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, 2011 to June 30, 2013. The Service Center's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Service Center's major federal program based on our audit of the types of compliance requirements referred to above. 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 Service Center'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 on compliance for the major federal program. However, our audit does not provide a legal determination of the Service Center's compliance.

Opinion on Each Major Federal Program

In our opinion, the Service Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the period of July 1, 2011 to June 30, 2013.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Report on Internal Control Over Compliance

Management of the Service Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Service Center's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program 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 Service Center's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2013-2 to be material weaknesses.

The Service Center's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Service Center's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

December 11, 2013

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying note presented were approved by management of the Service Center. The schedule and note are presented as intended by the Service Center.

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CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2012 and 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 06-30-13
<u>Department of Education</u>					
Special Education Cluster					
Special Education - Grants to States	Indiana Department of Education	84.027			
PATINS Discretionary			EDS #A58-1-11DL-001	\$ 2,094,931	\$ 2,198,916
Total - Special Education Cluster				<u>2,094,931</u>	<u>2,198,916</u>
Career and Technical Education - Basic Grants to States	Indiana Department of Education	84.048			
CTE Grant			A58-0-11CI-236	<u>4,785</u>	<u>-</u>
Total - CTE Grant - Basic Grants to States				<u>4,785</u>	<u>-</u>
Adult Education - Basic Grants to States	Indiana Department of Education	84.002			
EICivics			A58-0-10CI-143	1,676	-
Adult Education			2011-2012	<u>20,604</u>	<u>-</u>
Total - Adult Education - Basic Grants to States				<u>22,280</u>	<u>-</u>
Total Federal Awards Expended				<u><u>\$ 2,121,996</u></u>	<u><u>\$ 2,198,916</u></u>

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

CENTRAL INDIANA EDUCATION SERVICE CENTER
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 Central Indiana Education Service Center 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 service centers shall be conducted biennially. Such audits shall include both years within the biennial period.

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
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; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	yes
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none noted
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

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? no

Section II – Financial Statement Findings

FINDING 2013-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING – BANK RECONCILIATIONS AND PAYROLL OVERPAYMENTS

We noted several deficiencies in the internal control system of the Service Center related to financial transactions and reporting. We believe the following deficiencies constitute significant deficiencies but not material weaknesses:

1. Bank Reconciliation oversight is an effective tool in monitoring and detecting errors in the recording of the cash financial transactions and the resulting financial reporting. The Service Center prepared monthly bank reconciliations of the bank balance with the record balance which were reviewed by another individual. However, both the June 30, 2012 and June 30, 2013 outstanding check lists contained checks that had cleared prior to those dates. Six checks included on the on the June 30, 2012 outstanding check list actually cleared the bank

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

before that date. Additionally, seven checks included on the June 30, 2013 outstanding check list actually cleared the bank before that date. After corrections were made to the outstanding check lists, the adjusted bank reconciliations indicated cash long at June 30, 2012 and 2013 of \$846.37 and \$806.84, respectively.

2. Payroll oversight is an effective tool in monitoring and detecting errors in the payment of employees. The Service Center incorrectly entered the gross pay of two employees which was not caught by the reviewing individual. This resulted in a total overpayment to these individuals of \$2,635 for the audit period.

Due to the errors identified in the bank reconciliations and payroll, the controls were determined to be ineffective and considered significant deficiencies.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

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)

Section III – Federal Award Findings and Questioned Costs

FINDING 2013-2 - INTERNAL CONTROLS OVER CASH MANAGEMENT AND REPORTING

Federal Agency: Department of Education

Federal Program: Special Education - Grants to States

CFDA Number: 84.027

Federal Award Number and Year (or Other Identifying Number): EDS #A58-1-11DL-001

Pass-Through Entity: Indiana Department of Education

Management of the Service Center has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect to the program.

A control deficiency was identified for the cash management and reporting compliance requirements for the Special Education grant. Request for reimbursement reports were required to be submitted to receive grant funding. Request for reimbursement reports were prepared by the grant's project coordinator then submitted without review by another individual with knowledge of the grant requirements.

The failure to establish an effective internal control system places the Service Center at risk of non-compliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the Service Center.

We recommended that the Service Center's management establish controls, including segregation of duties, related to the cash management and reporting requirements that have a direct and material effect to the program.



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Summary of Prior Audit Findings

Federal Agency: U.S. Department of Education
Federal Program: Adult Education - State Grant Program
CFDA Number: 84.002
Pass-through Entity: Indiana Department of Education

FINDING 2011-02, CASH MANAGEMENT

Previous to the 2011-12 and 2012-13 fiscal years, the service center did not consistently and timely request reimbursements for its grants. Since July 1, 2012, the service center has implemented a policy to request reimbursement on grants every 15 days to ensure that cash is managed in a better method. Cash management of grants is monitored through adequate internal controls that include a monthly review of both cash flows and expenditures in all funds to rectify this finding.

Federal Agency: U. S. Department of Education
Federal Program: Adult Education - State Grant Program
CFDA Number: 84.002
Pass-through Entity: Indiana Department of Education

Federal Agency: U.S. Department of Education
Federal Program: Special Education Grants to States
CFDA Number: 84.027
Pass-through Entity: Indiana Department of Education

FEDERAL FINDING 2011-03, ACTIVITIES ALLOWED

Previous to the 2011-12 and 2012-13 fiscal years, every claim was not always placed on the claims docket and approved by the board. Since July 1, 2012, all claims are submitted in a monthly claims report to the board and approved by the board at its monthly meetings.

Previous to the 2011-12 and 2012-13 fiscal years, the service center did not have an approved credit card policy. As of February 22, 2012, the service center has adopted an approved credit card policy that requires that all credit cards be maintained in the office of the treasurer and no individual employees have credit cards available for use, but must be checked out through the business office. All credit card expenditures are approved monthly on the board approved claims docket and all credit card purchases are in compliance with the credit card policy and are supported by itemized invoices from vendors.

Sincerely,

Dr. Michele Moore
CFO

CORRECTIVE ACTION PLAN- RESPONSE TO FINDINGS

FEDERAL AWARDS

JULY 1, 2011- JUNE 30, 2013

Federal Finding 2013-1 Internal Controls over Financial Transactions and Reporting- Bank Reconciliations and Payroll Overpayments

The service center has cleared the seven checks in question from its records. The governing board will recognize the cash long at its next regular scheduled board meeting. Please note that the service center has always balanced each month from July 2012 to present with all receipts and disbursements. The difference due to outstanding checks was a consistent amount and dated to prior to May 2012. Records in the last year of the audit period have substantially improved in both internal control procedures and financial accountability. This issue has been corrected as of the audit exit.

A second issue in the finding was related to payroll overpayments. The service center, beginning in July 1, 2013, has transitioned all affected employees from a contracted salary schedule to a bi-weekly salary schedule to correct this issue and ensure it does not happen again.

All internal control findings over financial transactions and reporting have been corrected and are no longer internal control weaknesses for future audit periods.

Federal Finding: Internal Controls over Special Education Compliance Requirements- Cash Management and Reporting

Federal Agency: US Department of Education

Federal Program: Special Education Cluster

CFDA Number: 84.027

Federal Awards Number and Year: EDS A#58-1-1DL-001

Pass-through Entity: Indiana Department of Education

The service center now requires all claims for reimbursement to be approved by both the State Director of the PATINS Grant as well as the CFO or Executive Director. This issue has been corrected as of November 16, 2013 and is no longer an internal control weakness.

Sincerely,



Michele D. Moore, Ed.D.

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
EXIT CONFERENCE

The contents of this report were discussed on December 11, 2013, with Michelle Smith, Treasurer; and Michele Moore, Interim Executive Director.