

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

SOUTHSIDE SPECIAL SERVICES OF MARION COUNTY
MARION COUNTY, INDIANA

July 1, 2011 to June 30, 2013



FILED
03/03/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Business Manager/Treasurer	Sally Graybeal	07-01-11 to 06-30-14
Executive Director	Lillian Youngblood	07-11-11 to 06-30-14
President of the School Board	Dr. Paul Kaiser	07-01-11 to 06-30-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE SOUTHSIDE SPECIAL SERVICES
OF MARION COUNTY, MARION COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Southside Special Services of Marion County (School Corporation), 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 the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit 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 School Corporation'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 School Corporation'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 School Corporation 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 School Corporation 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 School Corporation 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 16, 2013, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation'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 School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other 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 School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis, 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 16, 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 SOUTHSIDE SPECIAL SERVICES
OF MARION COUNTY, 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 Southside Special Services of Marion County (School Corporation), 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 16, 2013, wherein we noted the School Corporation 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 School Corporation'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 School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

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

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001 to be material weaknesses.

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

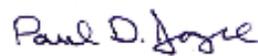
As part of obtaining reasonable assurance about whether the School Corporation's financial statement was free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001.

Southside Special Services of Marion County's Response to Findings

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation'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 School Corporation'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 School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

December 16, 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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SOUTHSIDE SPECIAL SERVICES OF MARION COUNTY
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		Other Financing Sources (Uses)		Cash and Investments 06-30-12		Other Financing Sources (Uses)		Cash and Investments 06-30-13	
	Receipts	Disbursements			Receipts	Disbursements			Receipts	Disbursements
General	\$ -	\$ 4,374,457	\$ 3,192,010	\$ -	\$ 1,182,447	\$ 3,444,924	\$ 3,503,826	\$ -	\$ 1,123,545	
Capital Projects	-	585,785	392,034	-	193,751	428,714	377,091	591	245,965	
Part B Grant IDEA (611) FY11	-	728,885	728,498	-	387	-	387	-	-	
Part B Grant IDEA (611) FY12	-	4,397,141	4,666,468	-	(269,327)	2,445,019	2,174,176	-	1,516	
Part B Grant IDEA (611) FY13	-	-	-	-	-	4,376,677	4,621,001	-	(244,324)	
Part B Preschool Grant IDEA (619) FY11	-	24,150	24,150	-	-	-	-	-	-	
Part B Preschool Grant IDEA (619) FY12	-	135,276	147,199	-	(11,923)	54,614	42,691	-	-	
Part B Preschool Grant IDEA (619) FY13	-	-	-	-	-	159,074	172,500	-	(13,426)	
Payroll Withholdings	-	1,390,261	1,405,964	-	(15,703)	1,596,311	1,579,401	-	1,207	
Totals	\$ -	\$ 11,635,955	\$ 10,556,323	\$ -	\$ 1,079,632	\$ 12,505,333	\$ 12,471,073	\$ 591	\$ 1,114,483	

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

SOUTHSIDE SPECIAL SERVICES OF MARION COUNTY
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 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 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.

SOUTHSIDE SPECIAL SERVICES OF MARION COUNTY
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, sale of securities, and other receipts not listed in another category above.

E. Disbursements

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

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

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

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

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

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

F. Other Financing Sources and Uses

Other financing sources and uses are presented in the aggregate on the face of the financial 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 School Corporation is sold.

G. Fund Accounting

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

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. The general fund and capital projects fund budgets are divided proportionately among the four member districts using the most recent "December 1 Count," or report of special

SOUTHSIDE SPECIAL SERVICES OF MARION COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

education students, for each district. Southside Special Services of Marion County approved general fund and capital budgets then become and are advertised as a part of each of the member districts' budgets.

Note 3. Property Taxes

No property taxes are received by Southside Special Services of Marion County. Monthly invoices are prepared and submitted to each of the local districts for per capital proportionate share of the general and capital funds. Funds are received directly from the member districts at 1/12 of the district's share each month.

Note 4. Deposits and Investments

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

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

Note 5. Risk Management

The School Corporation may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical 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 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through

SOUTHSIDE SPECIAL SERVICES OF MARION COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Cost

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

B. Teachers' Retirement Fund

Plan Description

The Indiana Teachers' Retirement Fund (TRF) is a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and gives the School Corporation authority 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

SOUTHSIDE SPECIAL SERVICES OF MARION COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of the funds being set up for reimbursable grants.

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

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

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

	General	Capital Projects	Part B Grant IDEA (611) FY11	Part B Grant IDEA (611) FY12	Part B Grant IDEA (611) FY13
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:					
Local sources	4,374,136	585,785	532,593	1,516	-
State sources	321	-	-	-	-
Federal sources	-	-	196,292	4,395,625	-
Other	-	-	-	-	-
Total receipts	<u>4,374,457</u>	<u>585,785</u>	<u>728,885</u>	<u>4,397,141</u>	<u>-</u>
Disbursements:					
Current:					
Instruction	1,823,970	-	307,666	1,966,800	-
Support services	1,363,040	279,895	413,908	2,651,200	-
Noninstructional services	5,000	-	6,924	48,468	-
Facilities acquisition and construction	-	112,139	-	-	-
Nonprogrammed charges	-	-	-	-	-
Total disbursements	<u>3,192,010</u>	<u>392,034</u>	<u>728,498</u>	<u>4,666,468</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>1,182,447</u>	<u>193,751</u>	<u>387</u>	<u>(269,327)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>1,182,447</u>	<u>193,751</u>	<u>387</u>	<u>(269,327)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 1,182,447</u>	<u>\$ 193,751</u>	<u>\$ 387</u>	<u>\$ (269,327)</u>	<u>\$ -</u>

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

	Part B Preschool Grant IDEA (619) FY11	Part B Preschool Grant IDEA (619) FY12	Part B Preschool Grant IDEA (619) FY13	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:					
Local sources	21,778	-	-	-	5,515,808
State sources	-	-	-	-	321
Federal sources	2,372	135,276	-	-	4,729,565
Other	-	-	-	1,390,261	1,390,261
Total receipts	<u>24,150</u>	<u>135,276</u>	<u>-</u>	<u>1,390,261</u>	<u>11,635,955</u>
Disbursements:					
Current:					
Instruction	13,862	147,199	-	-	4,259,497
Support services	10,288	-	-	-	4,718,331
Noninstructional services	-	-	-	-	60,392
Facilities acquisition and construction	-	-	-	-	112,139
Nonprogrammed charges	-	-	-	1,405,964	1,405,964
Total disbursements	<u>24,150</u>	<u>147,199</u>	<u>-</u>	<u>1,405,964</u>	<u>10,556,323</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(11,923)</u>	<u>-</u>	<u>(15,703)</u>	<u>1,079,632</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>(11,923)</u>	<u>-</u>	<u>(15,703)</u>	<u>1,079,632</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ (11,923)</u>	<u>\$ -</u>	<u>\$ (15,703)</u>	<u>\$ 1,079,632</u>

SOUTHSIDE SPECIAL SERVICES OF MARION COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2013

	General	Capital Projects	Part B Grant IDEA (611) FY11	Part B Grant IDEA (611) FY12	Part B Grant IDEA (611) FY13
Cash and investments - beginning	\$ 1,182,447	\$ 193,751	\$ 387	\$ (269,327)	\$ -
Receipts:					
Local sources	3,418,855	428,714	-	-	-
State sources	6,200	-	-	-	-
Federal sources	-	-	-	2,445,019	4,376,677
Other	19,869	-	-	-	-
Total receipts	<u>3,444,924</u>	<u>428,714</u>	<u>-</u>	<u>2,445,019</u>	<u>4,376,677</u>
Disbursements:					
Current:					
Instruction	2,009,795	-	387	706,175	2,264,905
Support services	1,485,708	244,585	-	1,449,675	2,303,890
Noninstructional services	8,323	-	-	18,326	52,206
Facilities acquisition and construction	-	132,506	-	-	-
Nonprogrammed charges	-	-	-	-	-
Total disbursements	<u>3,503,826</u>	<u>377,091</u>	<u>387</u>	<u>2,174,176</u>	<u>4,621,001</u>
Excess (deficiency) of receipts over disbursements	<u>(58,902)</u>	<u>51,623</u>	<u>(387)</u>	<u>270,843</u>	<u>(244,324)</u>
Other financing sources (uses):					
Sale of capital assets	-	591	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>591</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(58,902)</u>	<u>52,214</u>	<u>(387)</u>	<u>270,843</u>	<u>(244,324)</u>
Cash and investments - ending	<u>\$ 1,123,545</u>	<u>\$ 245,965</u>	<u>\$ -</u>	<u>\$ 1,516</u>	<u>\$ (244,324)</u>

SOUTHSIDE SPECIAL SERVICES OF MARION COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Part B Preschool Grant IDEA (619) FY11	Part B Preschool Grant IDEA (619) FY12	Part B Preschool Grant IDEA (619) FY13	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ (11,923)	\$ -	\$ (15,703)	\$ 1,079,632
Receipts:					
Local sources	-	-	-	-	3,847,569
State sources	-	-	-	-	6,200
Federal sources	-	54,614	159,074	-	7,035,384
Other	-	-	-	1,596,311	1,616,180
Total receipts	<u>-</u>	<u>54,614</u>	<u>159,074</u>	<u>1,596,311</u>	<u>12,505,333</u>
Disbursements:					
Current:					
Instruction	-	42,691	89,981	-	5,113,934
Support services	-	-	82,519	-	5,566,377
Noninstructional services	-	-	-	-	78,855
Facilities acquisition and construction	-	-	-	-	132,506
Nonprogrammed charges	-	-	-	1,579,401	1,579,401
Total disbursements	<u>-</u>	<u>42,691</u>	<u>172,500</u>	<u>1,579,401</u>	<u>12,471,073</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>11,923</u>	<u>(13,426)</u>	<u>16,910</u>	<u>34,260</u>
Other financing sources (uses):					
Sale of capital assets	-	-	-	-	591
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>591</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>11,923</u>	<u>(13,426)</u>	<u>16,910</u>	<u>34,851</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (13,426)</u>	<u>\$ 1,207</u>	<u>\$ 1,114,483</u>

SOUTHSIDE SPECIAL SERVICES OF MARION COUNTY
AUDIT RESULT AND COMMENT

BANK ACCOUNT RECONCILIATIONS

The original bank reconciliation provided for audit for June 30, 2012, did not reconcile to the bank, reporting a \$72,006.70 cash short. Further inquiry indicated that the School Corporation was only reconciling bank transactions to record transactions instead of reconciling the fund balance to the bank balance, which resulted in an unidentified variance. After additional investigation was done by the School Corporation, most of the original unidentified variance was explained, and the June 30, 2012 bank reconciliation reported cash long in the amount of \$496.63. As of June 30, 2013, the School Corporation reported cash long in the amount of \$496.97. This variance was unable to be explained but has remained consistent through October 2013.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE SOUTHSIDE SPECIAL SERVICES
OF MARION COUNTY, MARION COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Southside Special Services of Marion County's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the period of July 1, 2011 to June 30, 2013. The School Corporation's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

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 School Corporation'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 School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the School Corporation 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 School Corporation 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 School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for its 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 School Corporation's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 16, 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 School Corporation. The schedule and note are presented as intended by the School Corporation.

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SOUTHSIDE SPECIAL SERVICES OF MARION COUNTY
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 (IDEA)					
Special Education - Grants to States					
	Indiana Department of Education	84.027			
	Special Education - Grants to States (IDEA, Part B)		14211-053-PN01	\$ 196,464	\$ -
	Special Education - Grants to States (IDEA, Part B)		14212-053-PN01	4,395,625	2,445,019
	Special Education - Grants to States (IDEA, Part B)		14213-053-PN01	-	4,376,677
	Total - Special Education - Grants to States			<u>4,592,089</u>	<u>6,821,696</u>
Special Education - Preschool Grants					
	Indiana Department of Education	84.173			
	Special Education - Preschool Grants (IDEA Preschool)		45711-053-PN01	2,372	-
	Special Education - Preschool Grants (IDEA Preschool)		45712-053-PN01	135,276	54,614
	Special Education - Preschool Grants (IDEA Preschool)		45713-053-PN01	-	159,074
	Total - Special Education - Preschool Grants			<u>137,648</u>	<u>213,688</u>
	Total - Special Education Cluster (IDEA)			<u>4,729,737</u>	<u>7,035,384</u>
Total - Department of Education				<u>4,729,737</u>	<u>7,035,384</u>
Total federal awards expended				<u>\$ 4,729,737</u>	<u>\$ 7,035,384</u>

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

SOUTHSIDE SPECIAL SERVICES OF MARION COUNTY
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 Southside Special Services of Marion County and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1 et seq.), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

SOUTHSIDE SPECIAL SERVICES OF MARION COUNTY
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?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	no

Identification of Major Program:

_____ Name of Federal Program or Cluster _____

Special Education Cluster (IDEA)

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 2013-001 - INTERNAL CONTROLS OVER CASH AND INVESTMENTS

We noted deficiencies in the internal control system of the School Corporation related to cash and investments. Proper segregation of duties does not exist to ensure that cash and investments are properly accounted for. The Treasurer is responsible for comparing checks cleared to disbursements posted, comparing deposits to receipts posted, preparing the bank reconciliation, and approving the bank reconciliation. During the audit period, the reconciliation was not being completed correctly; therefore, the bank reconciliations completed contained unidentified variances that had not been investigated by the School Corporation.

Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the School Corporation to reduce risks to the achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

SOUTHSIDE SPECIAL SERVICES OF MARION COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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)

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.



S O U T H S I D E
SPECIAL SERVICES
OF MARION COUNTY

Franklin Township Community
School Corporation

MSD of Perry Township

Beech Grove City Schools

MSD of Decatur Township

December 31, 2013

BANK ACCOUNT RECONCILIATIONS

CORRECTIVE ACTION PLANNED:

Effective December 2013, SSSMC has established controls regarding bank reconciliation. Corporation Business Manager/Treasurer will reconcile bank statements to bank funds and bank funds to revenue/expenditure funds using model format prescribed by the State Board of Accounts.

These balances will be reviewed and approved by the corporation HR Manager/Deputy Treasurer.

SOUTHSIDE SPECIAL SERVICES OF MARION COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 16, 2013, with Dr. Paul Kaiser, President of the School Board; Lillian Youngblood, Executive Director; and Sally Graybeal, Business Manager/Treasurer. The officials concurred with our audit findings.