

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

FINANCIAL STATEMENT EXAMINATION REPORT
OF
WEST CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY, INDIANA
July 1, 2011 to June 30, 2013



FILED
04/04/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Debra J. Christy	07-01-11 to 06-30-14
Executive Director	Valerie Buchanan	07-01-11 to 06-30-14
President of the Service Center Executive Board	Dr. Julie Wood Dr. Leonard Orr	07-01-11 to 06-30-12 07-01-12 to 06-30-14



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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statement of the West Central Indiana Educational Service Center (School Corporation), for the period of July 1, 2011 to June 30, 2013. The financial statement is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the financial statement based on our examination.

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

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

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2011 to June 30, 2013.

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, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

February 11, 2014

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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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WEST 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

Fund	Cash and Investments 07-01-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12	Receipts	Disbursements	Cash and Investments 06-30-13
General	\$ 113,169	\$ 474,095	\$ 450,724	\$ 3,728	\$ 140,268	\$ 291,444	\$ 277,459	\$ 154,253
General Emergency	4,188	-	-	-	4,188	-	-	4,188
Instruction Support	55,361	569,043	577,772	-	46,632	483,335	492,553	37,414
Miscellaneous Programs	469	-	-	-	469	-	-	469
Health and Wellness	135	10	-	-	145	500	358	287
Gifted and Talented	5,617	-	779	-	4,838	-	-	4,838
School Technology	9,554	2,160	5,622	540	6,632	2,181	866	7,947
Technology Planning Grant	540	-	-	(540)	-	-	-	-
Drug Education	(3,544)	12,613	5,341	(3,728)	-	-	-	-
Drug Intervention	-	-	346	-	(346)	345	-	(1)
Title II, Part A, Improving Teacher Quality	53,275	32,759	45,896	-	40,138	26,319	18,761	47,696
Title III, Language Instruction	390	-	-	-	390	-	-	390
Payroll Clearing	11,390	207,575	215,124	-	3,841	180,714	183,400	1,155
Totals	<u>\$ 250,544</u>	<u>\$ 1,298,255</u>	<u>\$ 1,301,604</u>	<u>\$ -</u>	<u>\$ 247,195</u>	<u>\$ 984,838</u>	<u>\$ 973,397</u>	<u>\$ 258,636</u>

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

WEST CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

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

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

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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 revenue from school corporations, investment income, food services, School Corporation 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.

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.

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

Other receipts which include amounts received from various sources which include return of petty cash, return of cash change, insurance claims for losses, 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.

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:

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.

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 fiscal year. Prior to July 1, the governing board approves the budget for the next year.

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

Note 3. Deposits and Investments

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

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

Note 4. Risk Management

The School Corporation may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the School Corporation to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 5. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

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

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.

C. Additional Pension Plan

The School Corporation also contributes to an additional pension plan unique to the School Corporation. Information regarding this plan may be obtained from the School Corporation.

Note 6. Cash Balance Deficit

The financial statement shows the Drug Intervention Fund with a \$346 deficit in cash at June 30, 2012. This is a result of Drug Education Fund expenses being paid from the Drug Intervention Fund in 2011. This was corrected in 2012 and at June 30, 2013, the Drug Intervention Fund balance is zero.

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

Note 7. Restatement

For the year ended June 30, 2012, a change has been made to one of the beginning balances of the financial statement to more appropriately reflect financial activity of the School Corporation. The following schedule presents the restated beginning balance.

Balance as of June 30, 2011	New Fund	Prior Period Adjustment	Balance as of July 1, 2011
\$ -	Payroll Clearing	\$ 11,390	\$ 11,390

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's Office.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

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

WEST 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	General Emergency	Instruction Support	Miscellaneous Programs	Health and Wellness	Gifted and Talented	School Technology
Cash and investments - beginning	\$ 113,169	\$ 4,188	\$ 55,361	\$ 469	\$ 135	\$ 5,617	\$ 9,554
Receipts:							
Local sources	460,853	-	-	-	10	-	-
State sources	9,312	-	569,043	-	-	-	2,160
Interfund loans	3,930	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	<u>474,095</u>	<u>-</u>	<u>569,043</u>	<u>-</u>	<u>10</u>	<u>-</u>	<u>2,160</u>
Disbursements:							
Current:							
Instruction	10,475	-	-	-	-	779	-
Support services	439,998	-	577,772	-	-	-	5,622
Facilities acquisition and construction	251	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	<u>450,724</u>	<u>-</u>	<u>577,772</u>	<u>-</u>	<u>-</u>	<u>779</u>	<u>5,622</u>
Excess (deficiency) of receipts over disbursements	<u>23,371</u>	<u>-</u>	<u>(8,729)</u>	<u>-</u>	<u>10</u>	<u>(779)</u>	<u>(3,462)</u>
Other financing sources (uses):							
Transfers in	3,728	-	-	-	-	-	540
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>3,728</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>540</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>27,099</u>	<u>-</u>	<u>(8,729)</u>	<u>-</u>	<u>10</u>	<u>(779)</u>	<u>(2,922)</u>
Cash and investments - ending	<u>\$ 140,268</u>	<u>\$ 4,188</u>	<u>\$ 46,632</u>	<u>\$ 469</u>	<u>\$ 145</u>	<u>\$ 4,838</u>	<u>\$ 6,632</u>

WEST 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)

	Technology Planning Grant	Drug Education	Drug Intervention	Title II, Part A, Improving Teaching Quality	Title III Language Instruction	Payroll Clearing	Totals
Cash and investments - beginning	\$ 540	\$ (3,544)	\$ -	\$ 53,275	\$ 390	\$ 11,390	\$ 250,544
Receipts:							
Local sources	-	9,069	-	32,759	-	-	502,691
State sources	-	-	-	-	-	-	580,515
Interfund loans	-	3,544	-	-	-	-	7,474
Other	-	-	-	-	-	207,575	207,575
Total receipts	-	12,613	-	32,759	-	207,575	1,298,255
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	11,254
Support services	-	1,411	346	45,896	-	-	1,071,045
Facilities acquisition and construction	-	-	-	-	-	-	251
Interfund loans	-	3,930	-	-	-	215,124	219,054
Total disbursements	-	5,341	346	45,896	-	215,124	1,301,604
Excess (deficiency) of receipts over disbursements	-	7,272	(346)	(13,137)	-	(7,549)	(3,349)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	4,268
Transfers out	(540)	(3,728)	-	-	-	-	(4,268)
Total other financing sources (uses)	(540)	(3,728)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(540)	3,544	(346)	(13,137)	-	(7,549)	(3,349)
Cash and investments - ending	\$ -	\$ -	\$ (346)	\$ 40,138	\$ 390	\$ 3,841	\$ 247,195

WEST 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	General Emergency	Instruction Support	Miscellaneous Programs	Health and Wellness	Gifted and Talented	School Technology
Cash and investments - beginning	\$ 140,268	\$ 4,188	\$ 46,632	\$ 469	\$ 145	\$ 4,838	\$ 6,632
Receipts:							
Local sources	277,644	-	-	-	500	-	-
State sources	9,312	-	483,335	-	-	-	2,181
Interfund loans	4,488	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	<u>291,444</u>	<u>-</u>	<u>483,335</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>2,181</u>
Disbursements:							
Current:							
Support services	254,794	-	492,553	-	358	-	866
Facilities acquisition and construction	22,665	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	<u>277,459</u>	<u>-</u>	<u>492,553</u>	<u>-</u>	<u>358</u>	<u>-</u>	<u>866</u>
Excess (deficiency) of receipts over disbursements	<u>13,985</u>	<u>-</u>	<u>(9,218)</u>	<u>-</u>	<u>142</u>	<u>-</u>	<u>1,315</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>13,985</u>	<u>-</u>	<u>(9,218)</u>	<u>-</u>	<u>142</u>	<u>-</u>	<u>1,315</u>
Cash and investments - ending	<u>\$ 154,253</u>	<u>\$ 4,188</u>	<u>\$ 37,414</u>	<u>\$ 469</u>	<u>\$ 287</u>	<u>\$ 4,838</u>	<u>\$ 7,947</u>

WEST 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)

	Technology Planning Grant	Drug Education	Drug Intervention	Title II, Part A Improving Teacher Quality	Title III Language Instruction	Payroll Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ (346)	\$ 40,138	\$ 390	\$ 3,841	\$ 247,195
Receipts:							
Local sources	-	-	-	26,319	-	-	304,463
State sources	-	-	-	-	-	-	494,828
Interfund loans	-	-	345	-	-	-	4,833
Other	-	-	-	-	-	180,714	180,714
Total receipts	-	-	345	26,319	-	180,714	984,838
Disbursements:							
Current:							
Support services	-	(510)	-	18,761	-	-	766,822
Facilities acquisition and construction	-	-	-	-	-	-	22,665
Interfund loans	-	510	-	-	-	183,400	183,910
Total disbursements	-	-	-	18,761	-	183,400	973,397
Excess (deficiency) of receipts over disbursements	-	-	345	7,558	-	(2,686)	11,441
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	345	7,558	-	(2,686)	11,441
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ 47,696</u>	<u>\$ 390</u>	<u>\$ 1,155</u>	<u>\$ 258,636</u>

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

<u>School Corporation</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ -</u>	<u>\$ 17,889</u>

WEST CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
SUPPLEMENTARY INFORMATION
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>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Furnishings and equipment	<u>\$ 82,717</u>

WEST CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
EXAMINATION RESULT AND COMMENT

PENALTY AND INTEREST

The Service Center paid penalty and interest to Workforce Development in the amount of \$138.60, because the Service Center did not remit their August 2011 unemployment benefit charges in a timely manner.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

WEST CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
EXIT CONFERENCE

The contents of this report were discussed on February 11, 2014, with Valerie Buchanan, Executive Director; Debra J. Christy, Treasurer; and Roberta Smiley, Deputy Treasurer.