

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

SPECIAL SERVICES, JOHNSON COUNTY
AND SURROUNDING SCHOOLS
JOHNSON COUNTY, INDIANA

July 1, 2011 to June 30, 2013



FILED
07/10/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Brenda J. Bennett	07-01-11 to 06-30-14
Executive Director	Dr. Pamela T. Wright	07-01-11 to 06-30-14
President of the Governing Board	Dr. David Clendening Dr. Kathy Griffey Paula Maurer	07-01-11 to 06-30-12 07-01-12 to 06-30-13 07-01-13 to 06-30-14



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF SPECIAL SERVICES, JOHNSON COUNTY
AND SURROUNDING SCHOOLS, JOHNSON COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of Special Services, Johnson County and Surrounding Schools (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 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 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 April 16, 2014, 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.

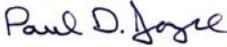
Accompanying Information

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

April 16, 2014



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 SPECIAL SERVICES, JOHNSON COUNTY
AND SURROUNDING SCHOOLS, JOHNSON 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 Special Services, Johnson County and Surrounding Schools (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 April 16, 2014, 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 items 2013-001 and 2013-002 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

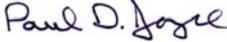
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 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 2013-002.

Special Services, Johnson County and Surrounding Schools' 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

April 16, 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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SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
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	Other Financing Sources (Uses)	Cash and Investments 06-30-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13
General	\$ 602,893	\$ 3,193,843	\$ 3,017,709	\$ (67,450)	\$ 711,577	\$ 3,385,857	\$ 3,324,482	\$ 83,368	\$ 856,320
Capital Projects	(28,875)	57,771	113,253	36,625	(47,732)	58,487	51,969	5,609	(35,605)
School Transportation	107,195	68,368	46,886	15,170	143,847	64,667	80,217	-	128,297
School Bus Replacement	31,632	15,000	10,316	-	36,316	10,000	-	-	46,316
Clark-Pleasant Joint Services	15,597	40,576	33,339	(10,701)	12,133	36,741	27,366	22,866	44,374
Center Grove Joint Services	100,880	8,079	7,089	6,079	107,949	4,551	13,372	1,213	100,341
Edinburgh Joint Services	125,215	41,154	43,225	4,281	127,425	-	35,838	(4,366)	87,221
Franklin Joint Services	24,724	153,126	141,680	16,202	52,372	130,616	146,405	2,565	39,148
Greenwood Joint Services	133,928	3,528	655	(5,462)	131,339	9,102	-	(106,890)	33,551
Nineveh-Hensley-Jackson Joint Services	29,334	13,072	5,717	5,525	42,214	4,551	771	(1,998)	43,996
Flat Rock-Hawcreek Joint Services	18,103	10,802	6,941	3,127	25,091	1,970	1,738	2,134	27,457
Southwestern Joint Services	17,871	14,685	18,463	(3,396)	10,697	30,482	25,350	(4,501)	11,328
Southcentral Indiana School Trust	2,270	65,977	65,887	-	2,360	65,719	65,714	-	2,365
School Technology	-	-	1,060	-	(1,060)	4,707	1,587	-	2,060
ISU/Special Services Agreement SY 10/11 (J/M)	(13,665)	54,121	40,456	-	-	-	-	-	-
ISU/Special Services Agreement #A58-0-10DL-070	(5,529)	22,082	16,553	-	-	-	-	-	-
ISU/Special Services Agreement IUB-4743142-ISU	(2,012)	7,730	5,718	-	-	-	-	-	-
ISU/Special Services Agreement IUB-4743141-ISU	(8,046)	30,922	22,876	-	-	-	-	-	-
IDEA 14212-033-PN01	-	3,459,496	3,751,926	-	(292,430)	1,790,457	1,499,434	-	(1,407)
IDEA 14213-033-PN01	-	-	-	-	-	3,891,551	4,094,754	-	(203,203)
IDEA 14210-033-PN01	-	-	-	-	-	-	-	-	-
IDEA 14211-033-PN01	38,641	1,901,239	1,942,078	-	(2,198)	2,689	491	-	-
Preschool 45711-033-PN01 SY 10/11	4,396	14,560	18,956	-	-	-	-	-	-
Preschool 45713-033-PN01	-	-	-	-	-	130,204	130,599	-	(395)
Preschool 45712-033-PN01	-	97,958	97,958	-	-	679	679	-	-
ISU/Special Services Agreement EDS#A58-0-10DL-071	-	116,162	133,722	-	(17,560)	69,810	52,250	-	-
ISU/Special Services Agreement EDS#A58-0-10DL-070	-	19,211	22,175	-	(2,964)	21,286	18,322	-	-
5970 ISU/Special Services Agreement IUB-4743141	-	6,715	6,715	-	-	-	-	-	-
5980 ISU/Special Services Agreement IUB-4743141	-	746	746	-	-	-	-	-	-
ISU/Special Services Agreement # A58-0-10DL-071	-	-	-	-	-	140,851	158,011	-	(17,160)
ISU/Special Services Agreement # A58-0-10DL-070	-	-	-	-	-	50,978	56,984	-	(6,006)
IDEA Stimulus #33310-033-SN01	13,865	373,303	387,168	-	-	-	-	-	-
Preschool Stimulus #44410-033-SN01	5,377	11,723	17,100	-	-	-	-	-	-
Payroll Withholdings	42,321	2,155,458	2,164,664	-	33,115	2,267,393	2,246,034	-	54,474
Totals	\$ 1,256,115	\$ 11,957,407	\$ 12,141,031	\$ -	\$ 1,072,491	\$ 12,173,348	\$ 12,032,367	\$ -	\$ 1,213,472

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

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
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.

Special Services, Johnson County and Surrounding Schools was established by an interlocal agreement, dated November 30, 1973. Special Services consists of six Johnson County school corporations, one Shelby County school corporation and one Bartholomew County school corporation to provide a comprehensive program of special education for disabled children in Johnson and surrounding counties. The governing board is composed of the superintendent of each participating school corporation.

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 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.

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Federal sources include distributions from the federal government and are to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Other receipts which include amounts received from various sources which include return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

E. Disbursements

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

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

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.

Debt services which include fixed obligations resulting from financial transactions previously entered into by the School Corporation. It includes all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

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:

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.

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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 prepared and approved at the local level. The Executive Director of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. Prior to July 1, the governing board approves the budget for the next year. The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board.

Note 3. Payment by Joint School Corporation Members

The joint School Corporation members make General fund payments when an invoice is received from Special Services. Some school corporations pay when billed, while other school corporations divide semiannual invoices into six monthly payments. The Capital Projects fund payments are usually paid in a timely manner after Special Services invoices the districts in May and October. This revenue is reported as local sources in the financial statement.

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.

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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 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 Capitol 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

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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 Capitol 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.

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of grant funds for which funding is on a reimbursement basis. The Capital Projects budget for the current calendar years is invoiced to the member school corporations in two installments, May and October. Capital Projects receipts and expenditures balance every calendar year-end. A negative balance in the Capital Projects fund may be reflected at the end of a fiscal year due to the time frame of invoicing and the time frame the revenue is received from the districts.

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.

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
 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	School Transportation	School Bus Replacement	Clark- Pleasant Joint Services	Center Grove Joint Services	Edinburgh Joint Services
Cash and investments - beginning	\$ 602,893	\$ (28,875)	\$ 107,195	\$ 31,632	\$ 15,597	\$ 100,880	\$ 125,215
Receipts:							
Local sources	2,930,540	57,771	68,368	15,000	40,576	8,079	41,154
State sources	263,303	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	<u>3,193,843</u>	<u>57,771</u>	<u>68,368</u>	<u>15,000</u>	<u>40,576</u>	<u>8,079</u>	<u>41,154</u>
Disbursements:							
Current:							
Instruction	678,008	-	-	-	2,417	3,299	40,410
Support services	2,267,411	12,459	46,886	10,316	30,922	3,790	-
Noninstructional services	17,242	-	-	-	-	-	2,815
Facilities acquisition and construction	48,497	91,901	-	-	-	-	-
Debt services	6,551	8,893	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>3,017,709</u>	<u>113,253</u>	<u>46,886</u>	<u>10,316</u>	<u>33,339</u>	<u>7,089</u>	<u>43,225</u>
Excess (deficiency) of receipts over disbursements	<u>176,134</u>	<u>(55,482)</u>	<u>21,482</u>	<u>4,684</u>	<u>7,237</u>	<u>990</u>	<u>(2,071)</u>
Other financing sources (uses):							
Transfers in	24,076	60,701	15,170	-	15,367	20,110	4,281
Transfers out	(91,526)	(24,076)	-	-	(26,068)	(14,031)	-
Total other financing sources (uses)	<u>(67,450)</u>	<u>36,625</u>	<u>15,170</u>	<u>-</u>	<u>(10,701)</u>	<u>6,079</u>	<u>4,281</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>108,684</u>	<u>(18,857)</u>	<u>36,652</u>	<u>4,684</u>	<u>(3,464)</u>	<u>7,069</u>	<u>2,210</u>
Cash and investments - ending	<u>\$ 711,577</u>	<u>\$ (47,732)</u>	<u>\$ 143,847</u>	<u>\$ 36,316</u>	<u>\$ 12,133</u>	<u>\$ 107,949</u>	<u>\$ 127,425</u>

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

	Franklin Joint Services	Greenwood Joint Services	Nineveh-Hensley- Jackson Joint Services	Flat Rock- Hawcreek Joint Services	Southwestern Joint Services	Southcentral Indiana School Trust	School Technology
Cash and investments - beginning	\$ 24,724	\$ 133,928	\$ 29,334	\$ 18,103	\$ 17,871	\$ 2,270	\$ -
Receipts:							
Local sources	153,126	3,528	13,072	10,802	14,685	65,977	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	<u>153,126</u>	<u>3,528</u>	<u>13,072</u>	<u>10,802</u>	<u>14,685</u>	<u>65,977</u>	<u>-</u>
Disbursements:							
Current:							
Instruction	96,180	655	3,801	-	-	-	-
Support services	45,500	-	1,916	6,941	18,463	65,887	1,060
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>141,680</u>	<u>655</u>	<u>5,717</u>	<u>6,941</u>	<u>18,463</u>	<u>65,887</u>	<u>1,060</u>
Excess (deficiency) of receipts over disbursements	<u>11,446</u>	<u>2,873</u>	<u>7,355</u>	<u>3,861</u>	<u>(3,778)</u>	<u>90</u>	<u>(1,060)</u>
Other financing sources (uses):							
Transfers in	16,202	11,032	5,525	3,127	2,842	-	-
Transfers out	-	(16,494)	-	-	(6,238)	-	-
Total other financing sources (uses)	<u>16,202</u>	<u>(5,462)</u>	<u>5,525</u>	<u>3,127</u>	<u>(3,396)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>27,648</u>	<u>(2,589)</u>	<u>12,880</u>	<u>6,988</u>	<u>(7,174)</u>	<u>90</u>	<u>(1,060)</u>
Cash and investments - ending	<u>\$ 52,372</u>	<u>\$ 131,339</u>	<u>\$ 42,214</u>	<u>\$ 25,091</u>	<u>\$ 10,697</u>	<u>\$ 2,360</u>	<u>\$ (1,060)</u>

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

	ISU/Special Services Agreement SY 10/11 (J/M)	ISU/Special Services Agreement A58-0-10DL-070	ISU/Special Services Agreement IUB 4743142 - ISU	ISU/Special Services Agreement IUB 4743141 - ISU	IDEA 14212-033-PN01	IDEA 14213-033-PN01	IDEA 14210-033-PN01
Cash and investments - beginning	\$ (13,665)	\$ (5,529)	\$ (2,012)	\$ (8,046)	\$ -	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	7,044	-	-
State sources	54,121	22,082	7,730	30,922	-	-	-
Federal sources	-	-	-	-	3,452,452	-	-
Other	-	-	-	-	-	-	-
Total receipts	54,121	22,082	7,730	30,922	3,459,496	-	-
Disbursements:							
Current:							
Instruction	-	-	-	-	834,920	-	-
Support services	40,456	16,553	5,718	22,876	2,798,703	-	(3,196)
Noninstructional services	-	-	-	-	105,209	-	3,196
Facilities acquisition and construction	-	-	-	-	13,094	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	40,456	16,553	5,718	22,876	3,751,926	-	-
Excess (deficiency) of receipts over disbursements	13,665	5,529	2,012	8,046	(292,430)	-	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	13,665	5,529	2,012	8,046	(292,430)	-	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ (292,430)	\$ -	\$ -

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

	IDEA 14211-033-PN01	Preschool 45711-033-PN01 SY 10/11	Preschool 45713-033-PN01	Preschool 45712-033-PN01	ISU/Special Services Agreement EDS A58-0-10DL-071	ISU/Special Services Agreement EDS A58-0-10DL-070	5970 ISU/Special Services Agreement IUB-47423141
Cash and investments - beginning	\$ 38,641	\$ 4,396	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Local sources	10,620	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	1,890,619	14,560	-	97,958	116,162	19,211	6,715
Other	-	-	-	-	-	-	-
Total receipts	1,901,239	14,560	-	97,958	116,162	19,211	6,715
Disbursements:							
Current:							
Instruction	603,582	15,728	-	97,958	-	-	-
Support services	1,317,214	-	-	-	133,722	22,175	6,715
Noninstructional services	21,282	3,228	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	1,942,078	18,956	-	97,958	133,722	22,175	6,715
Excess (deficiency) of receipts over disbursements	(40,839)	(4,396)	-	-	(17,560)	(2,964)	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(40,839)	(4,396)	-	-	(17,560)	(2,964)	-
Cash and investments - ending	\$ (2,198)	\$ -	\$ -	\$ -	\$ (17,560)	\$ (2,964)	\$ -

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

	5980 ISU/Special Services Agreement IUB 47423141	ISU/Special Services Agreement A58-0-10DL-071	ISU/Special Services Agreement A58-0-10DL-070	IDEA Stimulus #33310-033-SN01	Preschool Stimulus #44410-033-SN01	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 13,865	\$ 5,377	\$ 42,321	\$ 1,256,115
Receipts:							
Local sources	-	-	-	12,422	-	-	3,452,764
State sources	-	-	-	-	-	-	378,158
Federal sources	746	-	-	360,881	11,723	-	5,971,027
Other	-	-	-	-	-	2,155,458	2,155,458
Total receipts	746	-	-	373,303	11,723	2,155,458	11,957,407
Disbursements:							
Current:							
Instruction	-	-	-	295,133	13,036	-	2,685,127
Support services	746	-	-	75,259	67	-	6,948,559
Noninstructional services	-	-	-	16,776	3,997	-	173,745
Facilities acquisition and construction	-	-	-	-	-	-	153,492
Debt services	-	-	-	-	-	-	15,444
Nonprogrammed charges	-	-	-	-	-	2,164,664	2,164,664
Total disbursements	746	-	-	387,168	17,100	2,164,664	12,141,031
Excess (deficiency) of receipts over disbursements	-	-	-	(13,865)	(5,377)	(9,206)	(183,624)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	178,433
Transfers out	-	-	-	-	-	-	(178,433)
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(13,865)	(5,377)	(9,206)	(183,624)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,115	\$ 1,072,491

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
 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	School Transportation	School Bus Replacement	Clark- Pleasant Joint Services	Center Grove Joint Services	Edinburgh Joint Services
Cash and investments - beginning	\$ 711,577	\$ (47,732)	\$ 143,847	\$ 36,316	\$ 12,133	\$ 107,949	\$ 127,425
Receipts:							
Local sources	3,115,434	58,487	64,667	10,000	36,741	4,551	-
State sources	263,303	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other	7,120	-	-	-	-	-	-
Total receipts	<u>3,385,857</u>	<u>58,487</u>	<u>64,667</u>	<u>10,000</u>	<u>36,741</u>	<u>4,551</u>	<u>-</u>
Disbursements:							
Current:							
Instruction	594,833	-	-	-	379	-	23,630
Support services	2,378,260	26,924	80,217	-	26,987	13,372	12,017
Noninstructional services	349,849	-	-	-	-	-	191
Facilities acquisition and construction	1,540	23,955	-	-	-	-	-
Debt services	-	1,090	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>3,324,482</u>	<u>51,969</u>	<u>80,217</u>	<u>-</u>	<u>27,366</u>	<u>13,372</u>	<u>35,838</u>
Excess (deficiency) of receipts over disbursements	<u>61,375</u>	<u>6,518</u>	<u>(15,550)</u>	<u>10,000</u>	<u>9,375</u>	<u>(8,821)</u>	<u>(35,838)</u>
Other financing sources (uses):							
Transfers in	349,379	43,978	-	-	22,866	15,244	3,659
Transfers out	(266,011)	(38,369)	-	-	-	(14,031)	(8,025)
Total other financing sources (uses)	<u>83,368</u>	<u>5,609</u>	<u>-</u>	<u>-</u>	<u>22,866</u>	<u>1,213</u>	<u>(4,366)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>144,743</u>	<u>12,127</u>	<u>(15,550)</u>	<u>10,000</u>	<u>32,241</u>	<u>(7,608)</u>	<u>(40,204)</u>
Cash and investments - ending	<u>\$ 856,320</u>	<u>\$ (35,605)</u>	<u>\$ 128,297</u>	<u>\$ 46,316</u>	<u>\$ 44,374</u>	<u>\$ 100,341</u>	<u>\$ 87,221</u>

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

	Franklin Joint Services	Greenwood Joint Services	Nineveh-Hensley- Jackson Joint Services	Flat Rock- Hawcreek Joint Services	Southwestern Joint Services	Southcentral Indiana School Trust	School Technology
Cash and investments - beginning	\$ 52,372	\$ 131,339	\$ 42,214	\$ 25,091	\$ 10,697	\$ 2,360	\$ (1,060)
Receipts:							
Local sources	130,616	9,102	4,551	1,970	30,482	65,719	4,707
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	<u>130,616</u>	<u>9,102</u>	<u>4,551</u>	<u>1,970</u>	<u>30,482</u>	<u>65,719</u>	<u>4,707</u>
Disbursements:							
Current:							
Instruction	99,459	-	771	-	2,135	-	-
Support services	46,946	-	-	1,738	23,215	65,714	1,587
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>146,405</u>	<u>-</u>	<u>771</u>	<u>1,738</u>	<u>25,350</u>	<u>65,714</u>	<u>1,587</u>
Excess (deficiency) of receipts over disbursements	<u>(15,789)</u>	<u>9,102</u>	<u>3,780</u>	<u>232</u>	<u>5,132</u>	<u>5</u>	<u>3,120</u>
Other financing sources (uses):							
Transfers in	13,720	13,110	2,744	2,134	1,524	-	-
Transfers out	<u>(11,155)</u>	<u>(120,000)</u>	<u>(4,742)</u>	<u>-</u>	<u>(6,025)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>2,565</u>	<u>(106,890)</u>	<u>(1,998)</u>	<u>2,134</u>	<u>(4,501)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(13,224)</u>	<u>(97,788)</u>	<u>1,782</u>	<u>2,366</u>	<u>631</u>	<u>5</u>	<u>3,120</u>
Cash and investments - ending	<u>\$ 39,148</u>	<u>\$ 33,551</u>	<u>\$ 43,996</u>	<u>\$ 27,457</u>	<u>\$ 11,328</u>	<u>\$ 2,365</u>	<u>\$ 2,060</u>

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

	ISU/Special Services Agreement SY 10/11 (J/M)	ISU/Special Services Agreement A58-0-10DL-070	ISU/Special Services Agreement IUB 4743142 - ISU	ISU/Special Services Agreement IUB 4743141 - ISU	IDEA 14212-033-PN01	IDEA 14213-033-PN01	IDEA 14210-033-PN01
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ (292,430)	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	1,151	249	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	1,789,306	3,891,302	-
Other	-	-	-	-	-	-	-
Total receipts	-	-	-	-	1,790,457	3,891,551	-
Disbursements:							
Current:							
Instruction	-	-	-	-	533,381	992,457	-
Support services	-	-	-	-	923,546	2,971,675	-
Noninstructional services	-	-	-	-	29,297	130,583	-
Facilities acquisition and construction	-	-	-	-	13,210	39	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	1,499,434	4,094,754	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	291,023	(203,203)	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	291,023	(203,203)	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ (1,407)	\$ (203,203)	\$ -

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

	IDEA 14211-033-PN01	Preschool 45711-033-PN01 SY 10/11	Preschool 45713-033-PN01	Preschool 45712-033-PN01	ISU/Special Services Agreement EDS A58-0-10DL-071	ISU/Special Services Agreement EDS A58-0-10DL-070	5970 ISU/Special Services Agreement IUB-47423141
Cash and investments - beginning	\$ (2,198)	\$ -	\$ -	\$ -	\$ (17,560)	\$ (2,964)	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	2,689	-	130,204	679	69,810	21,286	-
Other	-	-	-	-	-	-	-
Total receipts	2,689	-	130,204	679	69,810	21,286	-
Disbursements:							
Current:							
Instruction	-	-	78,366	31	-	-	-
Support services	491	-	50,581	-	52,250	18,322	-
Noninstructional services	-	-	1,652	648	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	491	-	130,599	679	52,250	18,322	-
Excess (deficiency) of receipts over disbursements	2,198	-	(395)	-	17,560	2,964	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,198	-	(395)	-	17,560	2,964	-
Cash and investments - ending	\$ -	\$ -	\$ (395)	\$ -	\$ -	\$ -	\$ -

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

	5980 ISU/Special Services Agreement IUB 47423141	ISU/Special Services Agreement A58-0-10DL-071	ISU/Special Services Agreement A58-0-10DL-070	IDEA Stimulus #33310-033-SN01	Preschool Stimulus #44410-033-SN01	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,115	\$ 1,072,491
Receipts:							
Local sources	-	-	-	-	-	-	3,538,427
State sources	-	-	-	-	-	-	263,303
Federal sources	-	140,851	50,978	-	-	-	6,097,105
Other	-	-	-	-	-	2,267,393	2,274,513
Total receipts	-	140,851	50,978	-	-	2,267,393	12,173,348
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	2,325,442
Support services	-	158,011	56,984	-	-	-	6,908,837
Noninstructional services	-	-	-	-	-	-	512,220
Facilities acquisition and construction	-	-	-	-	-	-	38,744
Debt services	-	-	-	-	-	-	1,090
Nonprogrammed charges	-	-	-	-	-	2,246,034	2,246,034
Total disbursements	-	158,011	56,984	-	-	2,246,034	12,032,367
Excess (deficiency) of receipts over disbursements	-	(17,160)	(6,006)	-	-	21,359	140,981
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	468,358
Transfers out	-	-	-	-	-	-	(468,358)
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(17,160)	(6,006)	-	-	21,359	140,981
Cash and investments - ending	\$ -	\$ (17,160)	\$ (6,006)	\$ -	\$ -	\$ 54,474	\$ 1,213,472

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCE

The financial statement presented in this report included the following fund with an overdrawn cash balance at June 30, 2013:

<u>Fund</u>	<u>Amount Overdrawn</u>
Capital Projects	<u>\$ 35,605</u>

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)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

TO: THE OFFICIALS OF SPECIAL SERVICES, JOHNSON COUNTY
AND SURROUNDING SCHOOLS, JOHNSON COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited Special Services, Johnson County and Surrounding Schools' (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)

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-004. Our opinion on the major federal program is not modified with respect to these matters.

The School Corporation's response to the noncompliance 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 compliance and, accordingly, we express no opinion on the response.

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 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 School Corporation'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 items 2013-003 and 2013-004 to be material weaknesses.

The School Corporation's response to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the response.

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

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

April 16, 2014

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

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SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
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>U.S. Department of Education</u>					
Special Education Cluster					
Special Education - Grants to States	Pass-Through Indiana Department of Education	84.027			
Department of Education - IDEA			14211-033-PN01	\$ 1,927,767	\$ 2,689
Department of Education - IDEA			14212-033-PN01	3,452,452	1,789,306
Department of Education - IDEA			14213-033-PN01	-	3,891,302
Subtotal - Special Education - Grants to States				<u>5,380,219</u>	<u>5,683,297</u>
Special Education - Grants to States	Pass-Through Indiana State University	84.027			
			EDS A58-0-10DL-071 F3900	40,456	-
			EDS A58-0-10DL-070 F3910	16,552	-
			#IUB-4743142-ISU F3920	5,718	-
			#IUB-4743141-ISU F3930	22,875	-
			EDS-A58-0-10DL-070 F5960	19,211	21,286
			EDS-A58-0-10DL-071 F5950	116,162	69,810
			#IUB-4743141-ISU F5970	6,715	-
			#IUB-4743141-ISU F5980	746	-
			EDS-A58-0-10DL-071 F5990	-	140,851
			EDS-A58-0-10DL-070 F6000	-	50,977
Subtotal - Special Education - Grants to States				<u>228,435</u>	<u>282,924</u>
Total - Special Education - Grants to States				<u>5,608,654</u>	<u>5,966,221</u>
Special Education Preschool Grants	Pass-Through Indiana Department of Education	84.173			
			45711-033-PN01	18,957	-
			45712-033-PN01	97,958	679
			45713-033-PN01	-	130,204
Total - Special Education Preschool Grants				<u>116,915</u>	<u>130,883</u>
ARRA - Special Education - Grants to States, Recovery Act	Pass-Through Indiana Department of Education	84.391			
			33310-033-PN01	360,736	-
ARRA - Special Education - Preschool Grants, Recovery Act	Pass-Through Indiana Department of Education	84.392			
			44410-033-PN01	17,100	-
Total - U.S. Department of Education				<u>6,103,405</u>	<u>6,097,104</u>
Total federal awards expended				<u>\$ 6,103,405</u>	<u>\$ 6,097,104</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the School Corporation 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.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the School Corporation provided federal awards to subrecipients as follows for the years ended June 30, 2012 and 2013:

Program Title	Federal CFDA Number	2012	2013
ARRA - Special Education - Grants to States, Recovery Act	84.391	\$ 211,615	\$ -

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
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?	yes
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?	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: \$366,015

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

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 receipts and deposits of the member schools billings and payments, and disbursements that are made without purchase orders. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

The billings to the member schools of the School Corporation were prepared and tracked by the Treasurer; payments were generally receipted, posted, and deposited by the Treasurer. No other person was involved.

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Disbursements were not always reviewed and approved by someone other than the business office staff who was also responsible for auditing and processing those disbursements. Generally, these were disbursements made without a purchase order. Examples included utility payments, contractual payments for services, staff mileage claims, and payroll withholdings and employer provided benefits. All disbursements should be reviewed and approved by a person who would have sufficient knowledge concerning the specific service or goods received.

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)

***FINDING 2013-002 - INTERNAL CONTROLS OVER THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The Schedule of Expenditures of Federal Awards (SEFA) is required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations for entities expending federal funds in excess of \$500,000 in order to summarize the use of federal monies. The School Corporation did not have proper procedures in place to ensure that the SEFA was prepared correctly.

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the SEFA. The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: federal expenditures were understated by \$227,793. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section.310."

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards: The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2013-003 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO THE SPECIAL EDUCATION CLUSTER

Federal Agency: U.S. Department of Education

Federal Programs: Special Education - Grants to States; Special Education Preschool Grants;
ARRA - Special Education - Grants to States, Recovery Grants;
ARRA - Special Education - Preschool Grants, Recovery Grants

CFDA Numbers: 84.027; 84.173; 84.391; 84.392

Federal Award Number and Year (or Other Identifying Number): 14211-033-PN01; 14212-033-PN01;
14213-033-PN01; EDS A58-0-10DL-071
F3900; EDS A58-0-10DL-070 F3910;
#IUB-4743142-ISU F3920;
#IUB-4743141-ISU F3930;
EDS-A58-0-10DL-070 F5960;
EDS-A58-0-10DL-071 F5950;
#IUB-4743141-ISU F5970;
#IUB-4743141-ISU F5980;
EDS-A58-0-10DL-071 F5990;
EDS-A58-0-10DL-070 F6000;
45711-033-PN01; 45712-033-PN01;
45713-033-PN01; 33310-033-PN01;
44410-033-PN01

Pass-Through Entities: Indiana Department of Education; Indiana State University

Management of the School Corporation has not established effective internal control systems which would include segregation of duties, related to the grant agreements and the compliance requirements that have a direct and material effect on the Special Education grant programs. This includes the compliance requirements for Allowable Costs/Cost Principles; Cash Management; Period of Availability; Procurement and Suspension and Debarment; and Reporting. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreements 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 programs.

Allowable Costs/Cost Principles: The Treasurer or the Deputy Treasurer determined the appropriate fund and appropriation for all disbursements based on the grant budgets and other information available. There was no documentation that the determination was reviewed by another person.

Period of Availability: The Treasurer was aware of the period of availability compliance requirement and there was an e-mail as evidence that this had been communicated with the other business office staff; however, there was no evidence that the expenditures had been reviewed for compliance prior to payment.

Cash Management; Reporting: The Treasurer prepared the cash reimbursement reports from the financial ledger, reconciled the reports to the financial ledger, and retained those reports in the grant files. However, there was no segregation of duties which would include documentation of review of the reports to the supporting documentation.

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Procurement, Suspension and Debarment: School officials do not have a policy or procedure in place to determine what purchases were subject to procurement laws and regulations. They also did not have a policy or procedure in place to ensure that any covered transactions were in accordance with Suspension and Debarment regulations.

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 agreements or the compliance requirements that have a direct and material effect to the programs could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements noted above that have a direct and material effect to the programs.

FINDING 2013-004 - INTERNAL CONTROLS/NONCOMPLIANCE OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO SPECIAL EDUCATION - GRANTS TO STATES

Federal Agency: U.S. Department of Education

Federal Program: Special Education - Grants to States

CFDA Number: 84.027

Federal Award Number and Year (or Other Identifying Number): 14211-033-PN01; 14212-033-PN01;
14213-033-PN01

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreements and the Level of Effort (Maintenance of Effort) compliance requirement that has a direct and material effect to the program. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. 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 programs.

Each school corporation in the special education cooperative was required to complete the Excess Costs Calculator and Maintenance of Effort worksheets as part of the application process for the Special Education - Grants to States.

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

For one of the school corporations selected for testing, supporting documentation that agreed to the reports was not provided. Further information provided included expenditures that were not excess costs. Those costs included a portion of the elementary principal's salary and fuel and repairs for all school buses. The amount of the principal's salary was calculated based on the percentage of special education students at the school.

For the FY2013 Part B 611 application, the instruction on the "Excess Cost Calculator" worksheet under Step 2 #6 states: "Enter the amount of state and local funds spent on programs or services for students with special needs during SY 2010-11. These costs must be excess costs associated with the management and implementation of special education & related services."

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.

34 CFR 300.203 Maintenance of effort states:

"(a) *General.* Except as provided in §§300.204 and 300.205, funds provided to an LEA under Part B of the Act must not be used to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds below the level of those expenditures for the preceding fiscal year.

(b) *Standard.*

- (1) Except as provided in paragraph (b)(2) of this section, the SEA must determine that an LEA complies with paragraph (a) of this section for purposes of establishing the LEA's eligibility for an award for a fiscal year if the LEA budgets, for the education of children with disabilities, at least the same total or per capita amount from either of the following sources as the LEA spent for that purpose from the same source for the most recent prior year for which information is available:
 - (i) Local funds only.
 - (ii) The combination of State and local funds.
- (2) An LEA that relies on paragraph (b)(1)(i) of this section for any fiscal year must ensure that the amount of local funds it budgets for the education of children with disabilities in that year is at least the same, either in total or per capita, as the amount it spent for that purpose in the most recent fiscal year for which information is available and the standard in paragraph (b)(1)(i) of this section was used to establish its compliance with this section.
- (3) The SEA may not consider any expenditures made from funds provided by the Federal Government for which the SEA is required to account to the Federal Government or for which the LEA is required to account to the Federal Government directly or through the SEA in determining an LEA's compliance with the requirement in paragraph (a) of this section."

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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. Non-compliance 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 School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirement noted above that has a direct and material effect to the program.



Special Services Johnson County and Surrounding Schools

500 Earlywood Drive, Franklin, Indiana 46131

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Section III. FINDING 2011-2. INTERNAL CONTROLS - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: U. S. Department of Education

Federal Program: Special Education Cluster

CFDA Number: 84.027

Pass-through Entity: Indiana Department of Education

Federal Award Numbers: 14208-033-PN01; 14209-033-PN01; 14209-033-PY02; 14210-033-PN01;
14211-033-PN01; 14208-040-DY04; 14209-032-DY02; 45710-033-PN01; 45711-033-PN01; 33310-033-
SN01; 44410-033-PN01;

Pass-through Entity: Indiana State University

Federal Award Numbers: EDS A58-0-10DL-070; EDS A58-0-10DL-071; EDS A58-0-10DL-072; EDS A58-0-
10DL-073;

Contact Person: Brenda J. Bennett
Phone Number: (317) 738-7009
E-mail Address: bbennett@ssjcs.k12.in.us
Date to be completed:

Spreadsheets have been implemented for the payroll clerk to cross-check gross wages with total wages on the payroll trial journal. Payroll deduction/distribution change forms are being utilized for necessitated changes within payroll. Proofing of payroll documents are completed by the deputy treasurer and treasurer. E-mails are sent to the payroll clerk documenting corrections and/or items that are being questioned. All documented changes are maintained within each payroll.

FINDING 2011-3. INTERNAL CONTROL OVER SUBRECIPIENT MONITORING

Federal Agency: U. S. Department of Education
Federal Program: ARRA - Special Education - Grants to States, Recovery Act
CFDA Number: 84.391
Pass-Through Entity: Indiana Department of Education
Award Numbers: 33310-033-SN01

Contact Person: Brenda J. Bennett
Phone Number: (317) 738-7009
E-mail Address: bbennett@ssjcs.k12.in.us
Date to be Completed:

We currently do not have any sub recipient agreements in place. In the future if the need arises, Special Services will provide the following and request information to the sub recipient as follows:

Federal mandated guidelines the sub recipient must follow in order to stay compliant with the agreement.

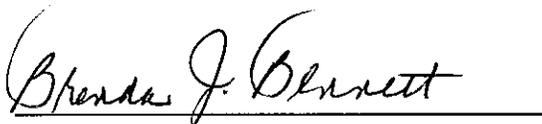
A Signed Agreement between Special Services and the sub recipient will include CFDA number, term of agreement federal project number and expectations of the sub recipient.

Schedule of Review Dates that the sub recipient's records will be monitored by a Special Services officer

Quarterly expenditure reports will be provided by the sub recipient for Special Services' review.

At the end of the grant term, the sub recipient will provide fund, budget and revenue history reports.

The sub recipient will provide a letter stating no findings were evident within their audit review.



Date: 1-13-14

Brenda J. Bennett



*Special Services Johnson County and Surrounding Schools
500 Earlywood Drive, Franklin, Indiana 46131*

Corrective Action Plan

Section II - Financial Statement Findings

Finding 2013-001 - Internal Controls Over Financial Transactions and Reporting

Contact Person: Brenda J. Bennett
Phone Number: (317) 738-7009
E-Mail Address: bbennett@ssjcs.k12.in.us
Date to be Completed: 4-1-14

Segregation of duties was addressed in business office meetings on March 19/20, 2014. The office has separated among the three business office employees incompatible activities related to receipts and deposits; school corporation billings, and disbursements. The business office will be alternating work duties on an ongoing monthly and/or every two month schedule to allow each business office employee to acquire the skills and hands-on experience of a co-worker's job responsibilities.

A list of utility claims for any given month will be provided to the Building Maintenance Supervisor to review for accuracy. Also employee mileage claims will be reviewed by their designated supervisors for approval before being processed by the accounts payable clerk. All claims are currently being reviewed by the Treasurer. Any claims that need approval per a student IEP, etc. will be reviewed by the appropriate personnel initiating the approval for such claims.

Other claims, receipts, invoices, payroll, etc. that currently pertain to the Business Office are being reviewed by another Business Office employee that did not prepare the initial transaction. Purchase orders are being processed by a business office employee due to their knowledge of budget accounts. The purchases are being checked in by a non-business office employee. The employee that checks in the purchases provides a copy of the purchase order signed by the employee that purchased the materials to the accounts payable clerk for payment of the invoice.



*Special Services Johnson County and Surrounding Schools
500 Earlywood Drive, Franklin, Indiana 46131*

Corrective Action Plan

Finding 2013-002 - Internal Controls Over the Schedule of Expenditures of Federal Awards

The SEFA (Schedule of Expenditures of Federal Awards) report will be completed by utilizing the spreadsheet maintained by the Treasurer for each audit period on each federal grant award. The treasurer will have another Business Office employee review the spreadsheet and the completed SEFA report for accuracy prior to the next audit review.

Section III – Federal Award Findings and Questioned Costs

FINDING 2013-003 INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO THE SPECIAL EDUCATION CLUSTER

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): 14211-033-PN01;14212-033-PN01;14213-033-PN01; EDS A58-0-10DL-071 F3900; EDS A58-0-10DL-070 F3910; #IUB-4743142-ISU F3920; #IUB-4743141-ISU F3930; EDS-A58-0-10DL-070 F5960; EDS-A58-0-10DL-071 F5950; #IUB-4743141-ISU F5970; #IUB-4743141-ISU F5980; EDS-A58-0-10DL-071 F5990; EDS-A58-0-10DL-070 F6000; 45711-033-PN01; 45712-033-PN01; 45713-033-PN01; 33310-033-PN01; 44410-033-PN01

Pass-Through Entity: Indiana Department of Education

Contact Person: Brenda J. Bennett

Phone Number: (317) 738-7009

E-Mail Address: bbennett@ssjcs.k12.in.us

Date to be Completed: 4-1-14

Segregation of Duties: The Business Office has already implemented procedures for cross-checking assigned duties in managing the federal grant awards. The deputy treasurer has assumed the responsibility of two grant awards. All grant award documentation such as cash requests, modifications, period of availability, etc. will be reviewed by another business office



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employee that is familiar with the budget accounts. The review will be completed before finalizing the transaction at hand.

In order to comply with allowable costs, procurement, suspension and debarment rules, the Business Office will reference OMB Circular A-133 for guidance and implement policies directly applied for purchases as a way of avoiding the use of a vendor that has been suspended and disbarred from the federal government list of vendors. OMB Circular A-133 will be used to reference compliance requirements, allowable costs and other activities associated with transaction at hand. Documentation of the decided reference will be attached to the information such as a requisition to order, etc. for another Special Services employee to review prior to proceeding a purchase to insure interpretation of the OMB Circular A-133 guidelines are the same from one individual to another.

FINDING 2013-004 - INTERNAL CONTROLS/NONCOMPLIANCE OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO SPECIAL EDUCATION - GRANTS TO STATES

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): 14211-033-PN01; 14212-033-PN01; 14213-033-PN01
Pass-Through Entity: Indiana Department of Education

Contact Person: Brenda J. Bennett
Phone Number: (317) 738-7009
E-Mail Address: bbennett@ssjcs.k12.in.us
Date to be Completed: 4-1-14

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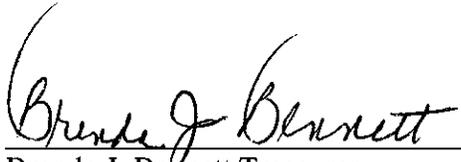
Special Services will be working with the local districts (LEA) to implement a consistent reference dialogue on calculating maintenance of effort. This dialogue would be used by all districts within the inter-local to insure that all maintenance of effort calculations are presented and maintained within the OMB Circular A-133 guidelines. Each district (LEA) will establish



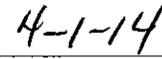
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internal controls by maintaining all supporting documentation used to calculate the maintenance of effort. Easy interpretation charts will also be maintained by the district(s) of how the calculations were derived. Proof of an internal review of the maintenance of effort calculation must be provided by the district(s) to Special Services in written format. This acknowledgement of internal review must be provided at the same time the Maintenance of Effort report is submitted to Special Services. The internal review received from the district(s) will be signed and dated by those district's employees confirming the maintenance of effort report is true and accurate to the best of their knowledge as presented to Special Services.



Brenda J. Bennett Treasurer



4-1-14

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on April 16, 2014, with Brenda J. Bennett, Treasurer; Dr. Pamela T. Wright, Executive Director; and Paula Maurer, President of the Governing Board.