

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

FINANCIAL STATEMENT EXAMINATION REPORT
OF
EAST CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
FAYETTE COUNTY, INDIANA
July 1, 2012 to June 30, 2014



FILED
05/06/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Teresa Amick	07-01-12 to 06-30-16
Executive Director	Larry D. John	07-01-12 to 06-30-16
President of the Executive Board of Directors	Dr. David Edds Thomas Hunter Stephen Fisher	07-01-12 to 06-30-13 07-01-13 to 06-30-14 07-01-14 to 06-30-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statement of the East Central Indiana Educational Service Center (School Corporation), for the period of July 1, 2012 to June 30, 2014. 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, 2012 to June 30, 2014.

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, 2012 to June 30, 2014, 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, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the 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 24, 2016

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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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EAST CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2013 and 2014

	Cash and Investments 07-01-12	Receipts	Disbursements	Cash and Investments 06-30-13	Receipts	Disbursements	Cash and Investments 06-30-14
General	\$ 322,580	\$ 637,752	\$ 539,852	\$ 420,480	\$ 490,116	\$ 464,721	\$ 445,875
Joint Services and Supply	57,068	250,105	263,490	43,683	183,270	188,274	38,679
Natural Gas Cooperative	6,631	98,007	102,126	2,512	105,721	102,489	5,744
Repairs	7,896	9,136	8,646	8,386	7,112	5,406	10,092
Indiana Association of Educational Service Center Directors	10,803	41,745	32,562	19,986	14,500	26,415	8,071
Insurance Trust	19,940	81,759	80,945	20,754	91,347	93,655	18,446
Supplemental Educational Services	9,815	7,878	17,693	-	-	-	-
Community Program	-	-	-	-	35,000	-	35,000
National Board	2,004	-	-	2,004	-	-	2,004
School Technology	5,066	4,118	4,630	4,554	4,841	4,510	4,885
Title I Migrant	-	-	-	-	272,637	283,640	(11,003)
Payroll Withholdings	-	127,297	127,297	-	124,324	124,362	(38)
Totals	<u>\$ 441,803</u>	<u>\$ 1,257,797</u>	<u>\$ 1,177,241</u>	<u>\$ 522,359</u>	<u>\$ 1,328,868</u>	<u>\$ 1,293,472</u>	<u>\$ 557,755</u>

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

EAST 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 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.

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

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

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

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

F. 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.

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.

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

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 a cost-sharing 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 members.

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
One North Capitol, 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.

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

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
One North Capitol, 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 6. Subsequent Event

The School Corporation received a substantial increase in funding from the Migrant Education - State Grant Program, to be used to support high quality education programs for migratory children. The School Corporation received \$2,216,713 and \$718,029 during the 2014-2015 and 2015-2016 school years, respectively.

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OTHER INFORMATION - UNAUDITED

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. Additionally, some financial information of the School Corporation can be found on the Gateway website: <http://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Report(s) 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 other information presented was approved by management of the School Corporation. It is presented as intended by the School Corporation.

EAST CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013

	General	Joint Services and Supply	Natural Gas Cooperative	Repairs	Indiana Association of Educational Service Center Directors	Insurance Trust	Supplemental Educational Services
Cash and investments - beginning	\$ 322,580	\$ 57,068	\$ 6,631	\$ 7,896	\$ 10,803	\$ 19,940	\$ 9,815
Receipts:							
Local sources	485,652	-	98,007	9,136	-	81,759	7,878
State sources	-	-	-	-	-	-	-
Other	152,100	250,105	-	-	41,745	-	-
Total receipts	<u>637,752</u>	<u>250,105</u>	<u>98,007</u>	<u>9,136</u>	<u>41,745</u>	<u>81,759</u>	<u>7,878</u>
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	17,693
Support services	539,852	263,490	-	8,646	32,562	80,945	-
Facilities acquisition and construction	-	-	102,126	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>539,852</u>	<u>263,490</u>	<u>102,126</u>	<u>8,646</u>	<u>32,562</u>	<u>80,945</u>	<u>17,693</u>
Excess (deficiency) of receipts over disbursements	<u>97,900</u>	<u>(13,385)</u>	<u>(4,119)</u>	<u>490</u>	<u>9,183</u>	<u>814</u>	<u>(9,815)</u>
Cash and investments - ending	<u>\$ 420,480</u>	<u>\$ 43,683</u>	<u>\$ 2,512</u>	<u>\$ 8,386</u>	<u>\$ 19,986</u>	<u>\$ 20,754</u>	<u>\$ -</u>

EAST CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Community Program	National Board	School Technology	Title I Migrant	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ 2,004	\$ 5,066	\$ -	\$ -	\$ 441,803
Receipts:						
Local sources	-	-	-	-	-	682,432
State sources	-	-	4,118	-	-	4,118
Other	-	-	-	-	127,297	571,247
Total receipts	-	-	4,118	-	127,297	1,257,797
Disbursements:						
Current:						
Instruction	-	-	-	-	-	17,693
Support services	-	-	4,630	-	-	930,125
Facilities acquisition and construction	-	-	-	-	-	102,126
Nonprogrammed charges	-	-	-	-	127,297	127,297
Total disbursements	-	-	4,630	-	127,297	1,177,241
Excess (deficiency) of receipts over disbursements	-	-	(512)	-	-	80,556
Cash and investments - ending	\$ -	\$ 2,004	\$ 4,554	\$ -	\$ -	\$ 522,359

EAST CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014

	General	Joint Services and Supply	Natural Gas Cooperative	Repairs	Indiana Association of Educational Service Center Directors	Insurance Trust	Supplemental Educational Services
Cash and investments - beginning	\$ 420,480	\$ 43,683	\$ 2,512	\$ 8,386	\$ 19,986	\$ 20,754	\$ -
Receipts:							
Local sources	359,766	-	105,721	7,112	-	91,347	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other	130,350	183,270	-	-	14,500	-	-
Total receipts	<u>490,116</u>	<u>183,270</u>	<u>105,721</u>	<u>7,112</u>	<u>14,500</u>	<u>91,347</u>	<u>-</u>
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	464,721	188,274	-	5,406	26,415	93,655	-
Facilities acquisition and construction	-	-	102,489	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>464,721</u>	<u>188,274</u>	<u>102,489</u>	<u>5,406</u>	<u>26,415</u>	<u>93,655</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>25,395</u>	<u>(5,004)</u>	<u>3,232</u>	<u>1,706</u>	<u>(11,915)</u>	<u>(2,308)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 445,875</u>	<u>\$ 38,679</u>	<u>\$ 5,744</u>	<u>\$ 10,092</u>	<u>\$ 8,071</u>	<u>\$ 18,446</u>	<u>\$ -</u>

EAST CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Community Program	National Board	School Technology	Title I Migrant	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ 2,004	\$ 4,554	\$ -	\$ -	\$ 522,359
Receipts:						
Local sources	35,000	-	-	-	-	598,946
State sources	-	-	4,841	-	-	4,841
Federal sources	-	-	-	272,637	-	272,637
Other	-	-	-	-	124,324	452,444
Total receipts	<u>35,000</u>	<u>-</u>	<u>4,841</u>	<u>272,637</u>	<u>124,324</u>	<u>1,328,868</u>
Disbursements:						
Current:						
Instruction	-	-	-	283,640	-	283,640
Support services	-	-	4,510	-	-	782,981
Facilities acquisition and construction	-	-	-	-	-	102,489
Nonprogrammed charges	-	-	-	-	124,362	124,362
Total disbursements	<u>-</u>	<u>-</u>	<u>4,510</u>	<u>283,640</u>	<u>124,362</u>	<u>1,293,472</u>
Excess (deficiency) of receipts over disbursements	<u>35,000</u>	<u>-</u>	<u>331</u>	<u>(11,003)</u>	<u>(38)</u>	<u>35,396</u>
Cash and investments - ending	<u>\$ 35,000</u>	<u>\$ 2,004</u>	<u>\$ 4,885</u>	<u>\$ (11,003)</u>	<u>\$ (38)</u>	<u>\$ 557,755</u>

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EAST CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2014

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 9,750</u>	<u>\$ 150,209</u>

EAST CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
 SCHEDULE OF LEASES AND DEBT
 June 30, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Fayette County School Corporation	Facility Lease	\$ 5,000	7/1/2009	6/30/2014
Pitney Bowes	Postage Meter	1,716	12/1/2010	11/30/2015
Ricoh	Copier Rental	<u>3,337</u>	12/1/2013	11/30/2018
Total of annual lease payments		<u>\$ 10,053</u>		

EAST CENTRAL INDIANA EDUCATIONAL SERVICE CENTER
SCHEDULE OF CAPITAL ASSETS
June 30, 2014

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	<u>Ending Balance</u>
Governmental activities:	
Machinery, equipment, and vehicles	\$ 365,129
Books and other	<u>500</u>
Total capital assets	<u>\$ 365,629</u>

OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.