

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

DAVISS-MARTIN SPECIAL EDUCATION COOPERATIVE
DAVISS COUNTY, INDIANA

July 1, 2011 to June 30, 2013



FILED
03/03/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	C. Elaine Armes	07-01-11 to 06-30-14
Director	Mary Rodimel	07-01-11 to 06-30-14
President of the Cooperative Board	Dr. Bruce Hatton Larry Weitkamp Robert Bell	01-01-11 to 12-31-11 01-01-12 to 09-18-13 09-19-13 to 12-31-14



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE DAVIESS-MARTIN SPECIAL
EDUCATION COOPERATIVE, DAVIESS COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Daviess-Martin Special Education Cooperative (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 January 29, 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, Schedule of Payables and Receivables, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the 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

January 29, 2014



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE DAVIESS-MARTIN SPECIAL
EDUCATION COOPERATIVE, DAVIESS COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Daviess-Martin Special Education Cooperative (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 January 29, 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 2013-001.

Daviess-Martin Special Education Cooperative's Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

January 29, 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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DAVIESS-MARTIN SPECIAL EDUCATION COOPERATIVE
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2012 and 2013

	Cash and Investments 07-01-11		Other Financing Sources (Uses)		Cash and Investments 06-30-12		Other Financing Sources (Uses)		Cash and Investments 06-30-13
	Receipts	Disbursements			Receipts	Disbursements			
General	\$ 288,290	\$ 176,404	\$ 113,630	\$ (227,000)	\$ 124,064	\$ 182,000	\$ 109,875	\$ (120,000)	\$ 76,189
Capital Projects	168,831	111,936	71,406	(150,000)	59,361	145,062	69,507	(100,000)	34,916
School Transportation	169,388	294,412	282,474	(160,000)	21,326	349,041	276,786	-	93,581
Rainy Day	-	-	907,466	1,057,466	150,000	-	1,020,000	1,020,000	150,000
Post-Retirement/Severance Future Benefits	89,111	-	645	(88,466)	-	-	-	-	-
Joint Services and Supply - Special Education Cooperative	1,154,957	3,524,565	3,089,164	(431,937)	1,158,421	3,581,310	3,259,594	(800,000)	680,137
Alternative Education	29,491	141,178	114,942	-	55,727	141,178	95,405	-	101,500
IDEA 2009-2010	63	-	-	(63)	-	-	-	-	-
IDEA 2010-2011	(135,707)	292,584	156,877	-	-	-	-	-	-
Special Education - Part B 2011-2012	-	963,180	1,070,465	-	(107,285)	378,054	270,769	-	-
Special Education - Part B 2012-2013	-	-	-	-	-	913,804	1,016,413	-	(102,609)
Special Education Improvement 2013	-	-	-	-	-	29,876	103,931	-	(74,055)
Federal Assistance Educational Preschool Handicapped	(2,106)	44,389	42,283	-	-	-	-	-	-
Federal Assistance Educational Preschool Handicapped 2012-2013	-	-	-	-	-	47,725	47,725	-	-
ARRA - Special Education - Part B	4,715	162,230	166,945	-	-	-	-	-	-
ARRA - Special Education - Part B - Preschool	47	-	47	-	-	-	-	-	-
Payroll Withholdings	1,189	896,155	894,056	-	3,288	916,269	918,174	-	1,383
Totals	\$ 1,768,269	\$ 6,607,033	\$ 6,910,400	\$ -	\$ 1,464,902	\$ 6,684,319	\$ 7,188,179	\$ -	\$ 961,042

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

DAVIESS-MARTIN SPECIAL EDUCATION COOPERATIVE
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.

DAVIESS-MARTIN SPECIAL EDUCATION COOPERATIVE
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. Other Financing Sources and Uses

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses include the following:

Transfers in which includes money received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

Transfers out which includes money paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

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

DAVIESS-MARTIN SPECIAL EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 2. 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 3. 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 4. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

DAVIESS-MARTIN SPECIAL EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

B. Teachers' Retirement Fund

Plan Description

The Indiana Teachers' Retirement Fund (TRF) is a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

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

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 286-3544

Funding Policy and Annual Pension Cost

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

Note 5. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of the funds being set up for reimbursable grants. The reimbursement for expenditures made by the School Corporation was not received by June 30.

DAVIESS-MARTIN SPECIAL EDUCATION COOPERATIVE
 NOTES TO FINANCIAL STATEMENT
 (Continued)

Note 6. Restatements

For the year ended June 30, 2012, certain changes have been made to some of the beginning balances of the financial statement to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning balances.

<u>Fund Name</u>	<u>Balance as of June 30, 2011</u>	<u>Prior Period Adjustment</u>	<u>Balance as of July 1, 2011</u>
Payroll Withholdings	\$ -	\$ 1,189	\$ 1,189

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.

DAVIESS-MARTIN SPECIAL EDUCATION COOPERATIVE
 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	Rainy Day	Post Retirement/ Severance Future Benefits	Joint Services and Supply Special Education Cooperative	Alternative Education	IDEA 2009-2010	IDEA 2010-2011
Cash and investments - beginning	\$ 288,290	\$ 168,831	\$ 169,388	\$ -	\$ 89,111	\$ 1,154,957	\$ 29,491	\$ 63	\$ (135,707)
Receipts:									
Local sources	-	111,936	294,412	-	-	3,360,039	141,178	-	-
State sources	176,404	-	-	-	-	163,676	-	-	-
Federal sources	-	-	-	-	-	770	-	-	292,584
Other	-	-	-	-	-	80	-	-	-
Total receipts	176,404	111,936	294,412	-	-	3,524,565	141,178	-	292,584
Disbursements:									
Current:									
Instruction	113,630	-	-	-	-	3,040,346	114,942	-	41,102
Support services	-	18,109	282,474	907,466	645	48,818	-	-	115,775
Facilities acquisition and construction	-	53,297	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	113,630	71,406	282,474	907,466	645	3,089,164	114,942	-	156,877
Excess (deficiency) of receipts over disbursements	62,774	40,530	11,938	(907,466)	(645)	435,401	26,236	-	135,707
Other financing sources (uses):									
Transfers in	-	-	-	1,057,466	-	63	-	-	-
Transfers out	(227,000)	(150,000)	(160,000)	-	(88,466)	(432,000)	-	(63)	-
Total other financing sources (uses)	(227,000)	(150,000)	(160,000)	1,057,466	(88,466)	(431,937)	-	(63)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(164,226)	(109,470)	(148,062)	150,000	(89,111)	3,464	26,236	(63)	135,707
Cash and investments - ending	\$ 124,064	\$ 59,361	\$ 21,326	\$ 150,000	\$ -	\$ 1,158,421	\$ 55,727	\$ -	\$ -

DAVISS-MARTIN SPECIAL EDUCATION COOPERATIVE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Special Education Part B 2011-2012	Special Education Part B 2012-2013	Special Education Improvement 2013	Federal Assistance Educational Preschool Handicapped	Federal Assistance Educational Preschool Handicapped 2012-2013	ARRA Special Education Part B	ARRA Special Education Part B Preschool	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ (2,106)	\$ -	\$ 4,715	\$ 47	\$ 1,189	\$ 1,768,269
Receipts:									
Local sources	-	-	-	-	-	-	-	-	3,907,565
State sources	-	-	-	-	-	-	-	-	340,080
Federal sources	963,180	-	-	44,389	-	162,230	-	-	1,463,153
Other	-	-	-	-	-	-	-	896,155	896,235
Total receipts	963,180	-	-	44,389	-	162,230	-	896,155	6,607,033
Disbursements:									
Current:									
Instruction	495,941	-	-	42,283	-	25,922	47	-	3,874,213
Support services	574,524	-	-	-	-	141,023	-	-	2,088,834
Facilities acquisition and construction	-	-	-	-	-	-	-	-	53,297
Nonprogrammed charges	-	-	-	-	-	-	-	894,056	894,056
Total disbursements	1,070,465	-	-	42,283	-	166,945	47	894,056	6,910,400
Excess (deficiency) of receipts over disbursements	(107,285)	-	-	2,106	-	(4,715)	(47)	2,099	(303,367)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	1,057,529
Transfers out	-	-	-	-	-	-	-	-	(1,057,529)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(107,285)	-	-	2,106	-	(4,715)	(47)	2,099	(303,367)
Cash and investments - ending	\$ (107,285)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,288	\$ 1,464,902

DAVISS-MARTIN SPECIAL EDUCATION COOPERATIVE
 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	Rainy Day	Post Retirement/ Severance Future Benefits	Joint Services and Supply Special Education Cooperative	Alternative Education	IDEA 2009-2010	IDEA 2010-2011
Cash and investments - beginning	\$ 124,064	\$ 59,361	\$ 21,326	\$ 150,000	\$ -	\$ 1,158,421	\$ 55,727	\$ -	\$ -
Receipts:									
Local sources	-	145,062	349,041	-	-	3,488,633	141,178	-	-
State sources	182,000	-	-	-	-	92,467	-	-	-
Federal sources	-	-	-	-	-	210	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	182,000	145,062	349,041	-	-	3,581,310	141,178	-	-
Disbursements:									
Current:									
Instruction	109,875	-	-	-	-	3,206,071	95,405	-	-
Support services	-	15,217	276,786	1,020,000	-	53,523	-	-	-
Facilities acquisition and construction	-	54,290	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	109,875	69,507	276,786	1,020,000	-	3,259,594	95,405	-	-
Excess (deficiency) of receipts over disbursements	72,125	75,555	72,255	(1,020,000)	-	321,716	45,773	-	-
Other financing sources (uses):									
Transfers in	-	-	-	1,020,000	-	-	-	-	-
Transfers out	(120,000)	(100,000)	-	-	-	(800,000)	-	-	-
Total other financing sources (uses)	(120,000)	(100,000)	-	1,020,000	-	(800,000)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(47,875)	(24,445)	72,255	-	-	(478,284)	45,773	-	-
Cash and investments - ending	\$ 76,189	\$ 34,916	\$ 93,581	\$ 150,000	\$ -	\$ 680,137	\$ 101,500	\$ -	\$ -

DAVIESS-MARTIN SPECIAL EDUCATION COOPERATIVE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Special Education Part B 2011-2012	Special Education Part B 2012-2013	Special Education Improvement 2013	Federal Assistance Educational Preschool Handicapped	Federal Assistance Educational Preschool Handicapped 2012-2013	ARRA Special Education Part B	ARRA Special Education Part B Preschool	Payroll Withholdings	Totals
Cash and investments - beginning	\$ (107,285)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,288	\$ 1,464,902
Receipts:									
Local sources	-	-	-	-	-	-	-	-	4,123,914
State sources	-	-	-	-	-	-	-	-	274,467
Federal sources	378,054	913,804	29,876	-	47,725	-	-	-	1,369,669
Other	-	-	-	-	-	-	-	916,269	916,269
Total receipts	378,054	913,804	29,876	-	47,725	-	-	916,269	6,684,319
Disbursements:									
Current:									
Instruction	132,091	444,984	1,828	-	47,725	-	-	-	4,037,979
Support services	138,678	571,429	102,103	-	-	-	-	-	2,177,736
Facilities acquisition and construction	-	-	-	-	-	-	-	-	54,290
Nonprogrammed charges	-	-	-	-	-	-	-	918,174	918,174
Total disbursements	270,769	1,016,413	103,931	-	47,725	-	-	918,174	7,188,179
Excess (deficiency) of receipts over disbursements	107,285	(102,609)	(74,055)	-	-	-	-	(1,905)	(503,860)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	1,020,000
Transfers out	-	-	-	-	-	-	-	-	(1,020,000)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	107,285	(102,609)	(74,055)	-	-	-	-	(1,905)	(503,860)
Cash and investments - ending	\$ -	\$ (102,609)	\$ (74,055)	\$ -	\$ -	\$ -	\$ -	\$ 1,383	\$ 961,042

DAVISS-MARTIN SPECIAL EDUCATION COOPERATIVE
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2013

<u>School Corporation</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 61,474</u>	<u>\$ 176,664</u>

DAVISS-MARTIN SPECIAL EDUCATION COOPERATIVE
SCHEDULE OF CAPITAL ASSETS
June 30, 2013

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

	<u>Ending Balance</u>
Governmental activities:	
Buildings	
Improvements other than buildings	\$ 35,500
Machinery, equipment, and vehicles	64,685
	<u>74,992</u>
Total capital assets	<u>\$ 175,177</u>

DAVIESS-MARTIN SPECIAL EDUCATION COOPERATIVE
AUDIT RESULT AND COMMENT

CONTRACTS

Payments totaling \$8,321 were made to Evansville Vanderburgh School Corporation and \$38,081 were made to Auto Haus Coach for bus transportation service during the audit period. Payments totaling \$1,080 were made for cleaning services during the audit period. Contracts were not written for these services.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 7)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE DAVIESS-MARTIN SPECIAL
EDUCATION COOPERATIVE, DAVIESS COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the School Corporation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

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


Report on Internal Control Over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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


Paul D. Joyce, CPA
State Examiner

January 29, 2014

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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DAVIESS-MARTIN SPECIAL EDUCATION COOPERATIVE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2012 and 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 06-30-13
<u>Department of Education</u>					
Special Education Cluster (IDEA)					
Special Education - Grants to States					
Part B 611 FY11	Indiana Department of Education	84.027	14211-009-PN01	\$ 292,584	\$ -
Part B 611 FY12	Indiana Department of Education	84.027	14212-009-PN01	963,180	378,054
Part B 611 FY13	Indiana Department of Education	84.027	14213-009-PN01	-	913,804
Special Education Improvement Award 2013	Indiana Department of Education	84.027		-	29,876
Total - Special Education Grants to States				<u>1,255,764</u>	<u>1,321,734</u>
Special Education Preschool Grants					
Part B 619 FY 2011	Indiana Department of Education	84.173	45711-009-PN01	2,106	-
Part B 619 FY 2012	Indiana Department of Education	84.173	45712-009-PN01	42,283	-
Part B 619 FY 2013	Indiana Department of Education	84.173	45713-009-PN01	-	47,725
Total - Special Education Preschool Grants				<u>44,389</u>	<u>47,725</u>
ARRA - Special Education Grants to States, Recovery Act	Indiana Department of Education	84.391		<u>162,230</u>	<u>-</u>
Total Special Education Cluster (IDEA)				<u>1,462,383</u>	<u>1,369,459</u>
<u>Social Security Administration</u>					
Disability Insurance/SSI Cluster					
Social Security - Disability Insurance	Indiana Family and Social Services Administration	96.001		<u>770</u>	<u>210</u>
Total federal awards expended				<u>\$ 1,463,153</u>	<u>\$ 1,369,669</u>

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

DAVISS-MARTIN SPECIAL EDUCATION COOPERATIVE
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Daviess-Martin Special Education Cooperative 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.

DAVISS-MARTIN SPECIAL EDUCATION COOPERATIVE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

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

Identification of Major Program:

_____ Name of Federal Program or Cluster _____

Special Education Cluster (IDEA)

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2013-001 - INTERNAL CONTROLS OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct errors, on the Schedule of Expenditures of Federal Awards (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: grant funds were omitted from the schedule. 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 statements.

DAVISS-MARTIN SPECIAL EDUCATION COOPERATIVE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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."

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 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."

DAVISS-MARTIN SPECIAL EDUCATION COOPERATIVE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2013-002 - INTERNAL CONTROLS OVER CASH AND INVESTMENTS

We noted deficiencies, which we considered to be material weaknesses, in the internal control system of the School Corporation related to cash and investments due to a lack of segregation of duties.

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

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

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.



Daviess-Martin

Special Education Cooperative

P.O. Box 637 • Washington, IN 47501

(812) 254-1530 • FAX (812) 254-1636

Mary Rodimel
Director

Corrective Action Plan

Chad Ballengee
Assistant to the
Director

Finding No. 2013-001 Internal Controls Over the Schedule of Expenditures of Federal Awards

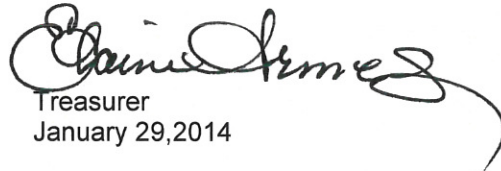
Elaine Armes
Treasurer

Auditee Contact Person: Elaine Armes
Title of Contact Person: Treasurer
Phone Number: 812-254-1530
Expected Completion Date: Effective Immediately

Angie Truelove
Office Manager

The treasurer will review the previous audit periods " Schedule of Expenditures of Federal Awards" and include any federal awards that remain open at the beginning of the current audit period. The treasurer will review each grant file during the current audit period and include the federal awards for the period. Upon completion of the report the treasurer will have the director review the "Schedule of Expenditures of Federal Awards" for accuracy.

Jane Haggard
Psychologist



Treasurer
January 29, 2014

Tracy Dorsett
Psychologist

Lori Horton
Psychologist

Monica Wagler
Transition



Daviess-Martin

Special Education Cooperative

P.O. Box 637 • Washington, IN 47501

(812) 254-1530 • FAX (812) 254-1636

Mary Rodimel
Director

Corrective Action Plan

Chad Ballengee
Assistant to the
Director

Finding No. 2013-002 Internal Controls Over Cash

Elaine Armes
Treasurer

Auditee Contact Person: Elaine Armes
Title of Contact Person: Treasurer
Phone Number: 812-254-1530
Expected Completion Date: Effective Immediately

Angie Truelove
Office Manager

Upon receiving a check the Office Manager will prepare the bank deposit. The Treasurer will make the deposit and the Office Manager will compare the bank receipt to the duplicate deposit ticket and initial. At the end of each month the Office Manager will compare the Receipt Posting Journal to the deposits that were actual made.

Jane Haggard
Psychologist

At the of each month after the Treasurer has reconciled with the bank, the Director will check the reconciliation for accuracy.

Tracy Dorsett
Psychologist

Lori Horton
Psychologist

Treasurer
January 29, 2014

Monica Wagler
Transition

DAVIESS-MARTIN SPECIAL EDUCATION COOPERATIVE
EXIT CONFERENCE

The contents of this report were discussed on January 29, 2014, with Mary Rodimel, Director, and C. Elaine Armes, Treasurer. The officials concurred with our audit findings.