

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

FINANCIAL STATEMENT AUDIT REPORT

OF

SOUTHSIDE SPECIAL SERVICES

OF MARION COUNTY, INDIANA

July 1, 2015 to June 30, 2017



FILED
07/06/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sally Graybeal (deceased)	07-01-15 to 08-31-15
	Barbara Howe	09-01-15 to 08-18-16
	Terri Vandiver	08-19-16 to 09-05-16
	Andy Carlton	09-06-16 to 06-30-18
Executive Director	Lillian Youngblood	07-01-15 to 01-02-18
	Dr. Scott Carson	01-03-18 to 06-30-18
President of the School Board	Dr. Paul Kaiser	07-01-15 to 06-30-18



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Southside Special Services of Marion County (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2015 to June 30, 2017, and the related notes to the financial statement as listed in the Table of Contents.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from 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 to 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, 2015 to June 30, 2017.


Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above present fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2015 to June 30, 2017, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, 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

June 12, 2018

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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SOUTHSIDE SPECIAL SERVICES OF MARION COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended June 30, 2016 and 2017

Fund	Cash and Investments 07-01-15	Receipts	Disbursements	Cash and Investments 06-30-16	Receipts	Disbursements	Cash and Investments 06-30-17
General	\$ 1,196,307	\$ 3,928,659	\$ 3,637,636	\$ 1,487,330	\$ 3,714,891	\$ 3,772,436	\$ 1,429,785
Capital Projects	843,920	505,496	1,334,066	15,350	441,026	356,060	100,316
Instructional Support	947	-	132	815	1,400	1,300	915
Recreational Activities	660	-	169	491	-	157	334
Part B IDEA (611) FY 2010	-	391,088	391,088	-	-	-	-
Part B Grant IDEA (611) FY 2015	(432,847)	2,669,155	2,262,554	(26,246)	623,968	597,722	-
Part B (611) FY 2016	-	3,492,599	3,747,370	(254,771)	3,305,694	3,069,428	(18,505)
Part B (611) FY 2017	-	-	-	-	3,645,182	3,998,173	(352,991)
Part B Grant IDEA (619) FY 2015	(17,312)	72,074	54,762	-	7,880	7,880	-
Part B Grant IDEA (619) FY 2016	-	128,239	130,175	(1,936)	77,934	75,998	-
Part B Grant IDEA (619) FY 2017	-	-	-	-	108,138	118,658	(10,520)
Technical Assistance IDEA FY 2014	(13,048)	113,061	100,015	(2)	-	-	(2)
Payroll Withholdings	28	1,572,080	1,571,165	943	1,684,035	1,684,067	911
Totals	<u>\$ 1,578,655</u>	<u>\$ 12,872,451</u>	<u>\$ 13,229,132</u>	<u>\$ 1,221,974</u>	<u>\$ 13,610,148</u>	<u>\$ 13,681,879</u>	<u>\$ 1,150,243</u>

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

SOUTHSIDE SPECIAL SERVICES OF MARION COUNTY
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, the following: 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. Amounts received from taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community service activities, and other revenue from local sources.

State sources. Amounts received as distributions from the State of Indiana that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

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

Federal sources. Amounts received as distributions from the federal government that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Other receipts. Amounts received from various sources, including, but not limited to, the following: 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. Amounts disbursed for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services. Amounts disbursed for support services related to students, instruction, general administration, school administration, outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services. Amounts disbursed for food service operations and community service operations.

Facilities acquisition and construction. Amounts disbursed for the acquisition, development, construction, and improvement of new and existing facilities.

Interfund loans. Amounts temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

F. Fund Accounting

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for amounts 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 amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

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

Note 3. Property Taxes

No property taxes are received by the School Corporation. Monthly invoices are prepared and submitted to each of the local districts for their per capital proportionate share of the general and capital funds. Funds are received directly from the member districts at 1/12 of the district's share each month. Effective July 1, 2018, the School Corporation will discontinue to be the fiscal agent for the special education grants for the participating member schools, but will operate RISE Learning Center on a fee for service basis.

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, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is 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 member.

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

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.

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.

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of funds being set up for reimbursable grants. The School Corporation is the fiscal agent for the participating member schools.

OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://www.doe.in.gov/finance/school-financial-reports>. 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 Indiana Gateway for Government Units website: <https://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 School Corporation's Financial Reports 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 other information presented was approved by management of the School Corporation. It is presented as intended by the School Corporation.

SOUTHSIDE SPECIAL SERVICES OF MARION COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	General	Capital Projects	Instructional Support	Recreational Activities	Part B IDEA (611) FY 2010	Part B Grant IDEA (611) FY 2015	Part B (611) FY 2016
Cash and investments - beginning	\$ 1,196,307	\$ 843,920	\$ 947	\$ 660	\$ -	\$ (432,847)	\$ -
Receipts:							
Local sources	3,807,179	465,740	-	-	-	-	-
State sources	121,480	-	-	-	-	-	-
Federal sources	-	-	-	-	391,088	2,669,155	3,492,599
Other receipts	-	39,756	-	-	-	-	-
Total receipts	<u>3,928,659</u>	<u>505,496</u>	<u>-</u>	<u>-</u>	<u>391,088</u>	<u>2,669,155</u>	<u>3,492,599</u>
Disbursements:							
Instruction	2,399,152	-	132	-	-	1,193,803	2,953,304
Support services	1,377,058	1,297,668	-	169	-	1,024,035	1,706,151
Noninstructional services	(138,574)	-	-	-	391,088	44,716	(912,085)
Facilities acquisition and construction	-	36,398	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	<u>3,637,636</u>	<u>1,334,066</u>	<u>132</u>	<u>169</u>	<u>391,088</u>	<u>2,262,554</u>	<u>3,747,370</u>
Excess (deficiency) of receipts over disbursements	<u>291,023</u>	<u>(828,570)</u>	<u>(132)</u>	<u>(169)</u>	<u>-</u>	<u>406,601</u>	<u>(254,771)</u>
Cash and investments - ending	<u>\$ 1,487,330</u>	<u>\$ 15,350</u>	<u>\$ 815</u>	<u>\$ 491</u>	<u>\$ -</u>	<u>\$ (26,246)</u>	<u>\$ (254,771)</u>

SOUTHSIDE SPECIAL SERVICES OF MARION COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2016

	Part B (611) FY 2017	Part B Grant IDEA (619) FY 2015	Part B Grant IDEA (619) FY 2016	Part B Grant IDEA (619) FY 2017	Technical Assistance IDEA FY 2014	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ (17,312)	\$ -	\$ -	\$ (13,048)	\$ 28	\$ 1,578,655
Receipts:							
Local sources	-	-	-	-	-	-	4,272,919
State sources	-	-	-	-	-	-	121,480
Federal sources	-	72,074	128,239	-	113,061	-	6,866,216
Other receipts	-	-	-	-	-	1,572,080	1,611,836
Total receipts	-	72,074	128,239	-	113,061	1,572,080	12,872,451
Disbursements:							
Instruction	-	54,762	130,175	-	9,332	-	6,740,660
Support services	-	-	-	-	90,683	-	5,495,764
Noninstructional services	-	-	-	-	-	-	(614,855)
Facilities acquisition and construction	-	-	-	-	-	-	36,398
Interfund loans	-	-	-	-	-	1,571,165	1,571,165
Total disbursements	-	54,762	130,175	-	100,015	1,571,165	13,229,132
Excess (deficiency) of receipts over disbursements	-	17,312	(1,936)	-	13,046	915	(356,681)
Cash and investments - ending	\$ -	\$ -	\$ (1,936)	\$ -	\$ (2)	\$ 943	\$ 1,221,974

SOUTHSIDE SPECIAL SERVICES OF MARION COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	General	Capital Projects	Instructional Support	Recreational Activities	Part B IDEA (611) FY 2010	Part B Grant IDEA (611) FY 2015	Part B (611) FY 2016
Cash and investments - beginning	\$ 1,487,330	\$ 15,350	\$ 815	\$ 491	\$ -	\$ (26,246)	\$ (254,771)
Receipts:							
Local sources	3,656,060	441,026	1,400	-	-	-	-
State sources	58,831	-	-	-	-	-	-
Federal sources	-	-	-	-	-	623,968	3,305,694
Other receipts	-	-	-	-	-	-	-
Total receipts	3,714,891	441,026	1,400	-	-	623,968	3,305,694
Disbursements:							
Instruction	2,575,491	-	1,300	-	-	157,272	2,078,262
Support services	1,188,386	317,419	-	157	-	179,835	802,336
Noninstructional services	8,559	-	-	-	-	260,615	188,830
Facilities acquisition and construction	-	38,641	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	3,772,436	356,060	1,300	157	-	597,722	3,069,428
Excess (deficiency) of receipts over disbursements	(57,545)	84,966	100	(157)	-	26,246	236,266
Cash and investments - ending	\$ 1,429,785	\$ 100,316	\$ 915	\$ 334	\$ -	\$ -	\$ (18,505)

SOUTHSIDE SPECIAL SERVICES OF MARION COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended June 30, 2017

	Part B (611) FY 2017	Part B Grant IDEA (619) FY 2015	Part B Grant IDEA (619) FY 2016	Part B Grant IDEA (619) FY 2017	Technical Assistance IDEA FY 2014	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ -	\$ (1,936)	\$ -	\$ (2)	\$ 943	\$ 1,221,974
Receipts:							
Local sources	-	-	-	-	-	-	4,098,486
State sources	-	-	-	-	-	-	58,831
Federal sources	3,645,182	7,880	77,934	108,138	-	-	7,768,796
Other receipts	-	-	-	-	-	1,684,035	1,684,035
Total receipts	<u>3,645,182</u>	<u>7,880</u>	<u>77,934</u>	<u>108,138</u>	<u>-</u>	<u>1,684,035</u>	<u>13,610,148</u>
Disbursements:							
Instruction	2,321,042	-	75,998	118,658	-	-	7,328,023
Support services	1,497,094	-	-	-	-	-	3,985,227
Noninstructional services	180,037	7,880	-	-	-	-	645,921
Facilities acquisition and construction	-	-	-	-	-	-	38,641
Interfund loans	-	-	-	-	-	1,684,067	1,684,067
Total disbursements	<u>3,998,173</u>	<u>7,880</u>	<u>75,998</u>	<u>118,658</u>	<u>-</u>	<u>1,684,067</u>	<u>13,681,879</u>
Excess (deficiency) of receipts over disbursements	<u>(352,991)</u>	<u>-</u>	<u>1,936</u>	<u>(10,520)</u>	<u>-</u>	<u>(32)</u>	<u>(71,731)</u>
Cash and investments - ending	<u>\$ (352,991)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,520)</u>	<u>\$ (2)</u>	<u>\$ 911</u>	<u>\$ 1,150,243</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/>.