

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

FINANCIAL STATEMENT REVIEW REPORT

OF

REGION 8 EDUCATION SERVICE CENTER

ADAMS COUNTY, INDIANA

July 1, 2017 to June 30, 2019



**FILED**  
02/10/2020



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Accountant's Review Report.....	3-4
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, and Cash and Investment	
Balances - Regulatory Basis.....	7
Notes to Financial Statement .....	8-12
Review Results and Comments:	
Adoption of Internal Control Standards .....	13
Certification on Internal Control Standards .....	13-14
Annual Financial Report .....	14
Exit Conference.....	15

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Joshua O. Wenning	07-01-18 to 06-30-22
Treasurer	Christine A. Gamble	07-01-18 to 06-30-22
Chairman of the Executive Board	Patricia C. O'Connor Wayne E. Barker Brent A. Wilson	07-01-17 to 06-30-18 07-01-18 to 06-30-19 07-01-19 to 06-30-20



## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TO: THE OFFICIALS OF THE REGION 8 EDUCATION SERVICE CENTER, ADAMS COUNTY, INDIANA

We have reviewed the accompanying financial statement of the Region 8 Education Service Center (School Corporation), for the period of July 1, 2017 to June 30, 2019. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the School Corporation's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statement as a whole. Accordingly, we do not express such an opinion.

### ***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with a regulatory 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. This includes determining that the basis of accounting the School Corporation uses is an acceptable basis for the preparation of the financial statement in the circumstances. 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.

### ***Accountant's Responsibility***

Our responsibility is to conduct the review engagement in accordance with *Statement on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statement for it to be in accordance with the prescribed basis of accounting described in Note 1. We believe that the results of our procedures provide a reasonable basis for our conclusion.


INDEPENDENT ACCOUNTANT'S REVIEW REPORT  
(Continued)

***Accountant's Conclusion***

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statement in order for it to be in accordance with the prescribed basis of accounting described in Note 1.

***Basis of Accounting***

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. The financial statement is prepared in accordance with 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. Our conclusion is not modified with respect to this matter.

  
Paul D. Joyce, CPA  
State Examiner

January 23, 2020

## 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.

(This page intentionally left blank.)

REGION 8 EDUCATION SERVICE CENTER  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
OTHER FINANCING SOURCES (USES), AND CASH AND  
INVESTMENT BALANCES - REGULATORY BASIS  
For the Years Ended June 30, 2018 and 2019

Fund	Cash and Investments 07-01-17	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-18	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-19
General	\$ 220,109	\$ 374,475	\$ 374,282	\$ 12,233	\$ 232,535	\$ 307,842	\$ 179,588	\$ (360,789)	\$ -
Operations	-	-	-	-	-	69,469	220,140	557,986	407,315
Local Rainy Day	-	-	-	-	-	-	5,194	36,320	31,126
Joint Operations - Other	184,754	131,406	120,220	(18,000)	177,940	130,436	91,178	(217,198)	-
SEMS	68,243	132,200	93,104	(17,300)	90,039	132,900	99,963	-	122,976
Programs	10,000	35,099	35,148	-	9,951	29,403	29,780	-	9,574
Staff Application Fund	-	-	-	-	-	6,143	6,143	10,000	10,000
Workshop	58,258	71,027	75,300	-	53,985	111,347	76,620	4,299	93,011
Future Services	-	-	-	-	-	-	-	1,950	1,950
Makerspace Grant Schwab Foundation	-	-	-	-	-	-	31,038	71,973	40,935
Ask Grant Schwab Foundation	-	-	-	-	-	178	66,808	97,679	31,049
EWIN Grant	-	-	-	-	-	3,500	-	-	3,500
Construction, Remodeling, and Equipping Buildings	10,693	-	24,373	25,000	11,320	-	-	(11,320)	-
Miscellaneous Programs	10,399	59,900	45,326	-	24,973	59,900	9,751	(75,122)	-
College and Career Ask Grant	166,127	-	137,291	-	28,836	110,000	38,008	(100,828)	-
Staff Application	10,000	13,729	11,796	(1,933)	10,000	3,000	-	(13,000)	-
Regional Planning Grant Schwab	-	32,726	32,100	-	626	19,774	20,400	-	-
Digitarium Grant	37,500	-	37,500	-	-	-	-	-	-
Future Projects	1,950	-	-	-	1,950	-	-	(1,950)	-
Payroll Clearing	489	123,294	123,767	-	16	114,713	114,369	-	360
Totals	<u>\$ 778,522</u>	<u>\$ 973,856</u>	<u>\$ 1,110,207</u>	<u>\$ -</u>	<u>\$ 642,171</u>	<u>\$ 1,098,605</u>	<u>\$ 988,980</u>	<u>\$ -</u>	<u>\$ 751,796</u>

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

REGION 8 EDUCATION 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, 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.

*Intermediate sources.* Amounts received as distributions from the County for fees collected for or on behalf of the School Corporation including, but not limited to, the following: educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

REGION 8 EDUCATION SERVICE CENTER  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*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:

*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.

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

*Nonprogrammed charges.* Amounts disbursed 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.* Amounts 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.* Amounts 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 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.

REGION 8 EDUCATION SERVICE CENTER  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 3. Deposits and Investments**

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

State statutes authorize the School Corporation to invest in securities including, but not limited to, 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 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 Defined Benefit Plan (PERF DB) is a cost-sharing multiple-employer defined benefit plan and provides retirement, disability, and survivor benefits to plan members. PERF DB is administered through the Indiana Public Retirement System (INPRS) Board in accordance with state statutes (IC 5-10.2 and IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the School Corporation authority to contribute to the plan.

The Public Employees' Hybrid Plan (PERF Hybrid) consists of two components: PERF DB, the employer-funded monthly defined benefit component, and the Public Employees' Hybrid Members Defined Contribution Account, the defined contribution component.

The Retirement Savings Plan for Public Employees (My Choice) is a multiple-employer defined contribution plan. It is administered through the INPRS Board in accordance with state statutes (IC 5-10.2 and IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the School Corporation authority to contribute to the plan.

New employees hired have a one-time election to join either the PERF Hybrid or the My Choice.

REGION 8 EDUCATION SERVICE CENTER  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Financial Report*

INPRS 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. (844) 464-6777

*Contributions*

Members' contributions are set by state statute at 3 percent of compensation for both the defined contribution component of PERF Hybrid and My Choice. The employer may elect to make the contribution on behalf of the member of the defined contribution component of PERF Hybrid and My Choice members may receive additional employer contribution in lieu of the PERF DB. Contributions to the PERF DB are determined by INPRS Board based on actuarial valuation.

*B. Teachers' Retirement Fund*

*Plan Description*

The Indiana Teachers' Retirement Fund (TRF) Defined Benefit Plan is a cost-sharing multiple-employer defined benefit pension plan and provides retirement, disability, and survivor benefits to plan members. TRF is administered through the Indiana Public Retirement System (INPRS) Board in accordance with state statutes (IC 5-10.2 and IC 5-10.4) and administrative code (35 IAC 14), which govern most requirements of the system and give the School Corporation authority to contribute to the fund.

TRF is composed of two accounts: Teachers' Pre-1996 and Teachers' 1996. All legally qualified and regularly employed licensed teachers serving in State of Indiana public schools are eligible to participate in Teachers' 1996. Membership in Teachers' Pre-1996 is closed to new entrants. Generally, members hired before 1996 participate in this account and members hired after 1995 participate in Teachers' 1996. Both accounts have two components: the employer-funded defined benefit component and a defined contribution account.

*Financial Report*

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. (844) 464-6777

REGION 8 EDUCATION SERVICE CENTER  
 NOTES TO FINANCIAL STATEMENT  
 (Continued)

*Contributions*

The School Corporation contributes the employer's share to Teachers' 1996 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. These contributions are determined by INPRS Board based on actuarial valuation. 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 (Teachers' Pre-1996) is considered to be an obligation of, and is paid by, the State of Indiana.

**Note 6. Establishment of the Education Fund and Operations Fund**

State statute (IC 20-40-2-2) required the establishment of an Education fund to be used to pay expenses allocated to student instruction and learning. The balance in the School Corporation's General fund as of December 31, 2018, was required to be transferred to the Education fund on January 1, 2019 (IC 20-40-2-7).

In addition, an Operations fund was required to be established under state statute (IC 20-40-18-1). The fund may be used to carry out capital project plans; pay transportation costs attributable to the transportation of school children; carry out a school bus replacement plan; pay expenses that are allocated to overhead and operational expenditures; provide funds to an art association or a historical society; and establish, maintain, and equip a public playground. The Indiana Codes establishing the Capital Projects fund (IC 20-40-8-6); School Transportation (IC 20-40-6-4); School Bus Replacement (IC 20-40-7-5); Historical fund; Playground fund; and Art fund were repealed effective January 1, 2019. Guidance was provided by the Indiana Department of Education to transfer the balances remaining in these funds as of December 31, 2018, to the Operations fund.

The Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, issued by the Indiana State Board of Accounts, includes the chart of accounts used by school corporations which coincides with the State Board of Education's determined categories in accordance with state statute (IC 20-42.5-3-7).

**Note 7. Renamed Funds**

Some funds were reported in the prior report with different fund names. The following funds were renamed:

Prior Report Fund Names	Current Report Fund Names
Capital Expenditures	Joint Operations - Other
Capital Accumulation	Construction, Remodeling, and Equipping Buildings
Professional Development Academy	Miscellaneous Programs
Schwab Foundation	College and Career Ask Grant
Staff Application System	Staff Application
Future Projects, Training & Svc	Future Projects

REGION 8 EDUCATION SERVICE CENTER  
REVIEW RESULTS AND COMMENTS

***ADOPTION OF INTERNAL CONTROL STANDARDS***

The same comment also appeared in prior Report B52222.

*Condition and Context*

The Executive and Governing Board of the School Corporation had not adopted the minimum level of internal control standards as defined by the Indiana State Board of Accounts.

*Criteria*

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

***CERTIFICATION ON INTERNAL CONTROL STANDARDS***

The same comment also appeared in prior Report B52222.

*Condition and Context*

The Treasurer of the School Corporation had not completed the certification on internal control standards as required after June 30, 2016.

REGION 8 EDUCATION SERVICE CENTER  
REVIEW RESULTS AND COMMENTS  
(Continued)

*Context*

Indiana Code 5-11-1-27(h) states:

"After June 30, 2016, the fiscal officer of a political subdivision shall certify in writing that:

- (1) the minimum internal control standards and procedures defined under subsection (e) have been adopted by the political subdivision; and
- (2) personnel, who are not otherwise on leave status, have received training as required by subsection (g)(2).

The certification shall be filed with the state board of accounts at the same time as the annual financial report required by section 4(a) of this chapter is filed. The certification shall be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

***ANNUAL FINANCIAL REPORT***

The same comment also appeared in prior Report B52222.

*Condition and Context*

The School Corporation had not electronically submitted the required Annual Financial Reports to the Indiana Gateway for Government Units financial reporting system for fiscal years ending June 30, 2018 and 2019. The required financial submission would have included Unit Questions, Schedule of Officials, Capital Assets, Grants, Accounts Payable/Receivable, Debt, Leases, and Pensions.

*Criteria*

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

REGION 8 EDUCATION SERVICE CENTER  
EXIT CONFERENCE

The contents of this report were discussed on January 23, 2020, with Joshua O. Wenning, Executive Director; Christine A. Gamble, Treasurer; and Brent A. Wilson, Chairman of the Executive Board.