

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

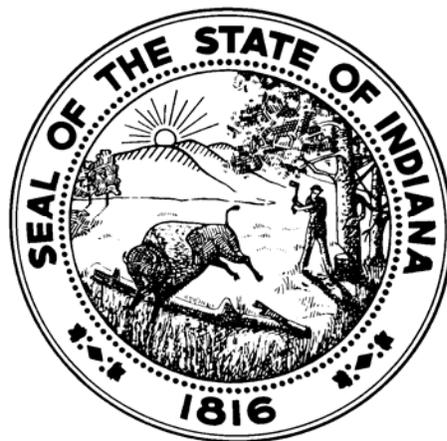
AUDIT REPORT

OF

GREENE-SULLIVAN SPECIAL EDUCATION COOPERATIVE

GREENE COUNTY, INDIANA

July 1, 2004 to June 30, 2006



**FILED**  
03/27/2007



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Marsha K. Brown	07-01-04 to 06-30-07
Director	Judy A. Flowers	07-01-04 to 06-30-07
Chairman of the Executive Board	Richard Walters	07-01-04 to 06-30-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE GREENE-SULLIVAN SPECIAL  
EDUCATION COOPERATIVE, GREENE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Greene-Sullivan Special Education Cooperative (School Corporation), as of and for the years ended June 30, 2005 and 2006, which collectively comprise the School Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2005 and 2006, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated January 30, 2007, 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 and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(Continued)

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the School Corporation taken as a whole. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The School Corporation has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

January 30, 2007



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE GREENE-SULLIVAN SPECIAL  
EDUCATION COOPERATIVE, GREENE COUNTY, INDIANA

We have audited the financial statements of the Greene-Sullivan Special Education Cooperative (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated January 30, 2007. 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.

Compliance

As part of obtaining reasonable assurance about whether the School Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the School Corporation's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

January 30, 2007

GREENE-SULLIVAN SPECIAL EDUCATION COOPERATIVE  
STATEMENT OF CASH AND INVESTMENTS  
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ <u>618,777</u>
 <u>Net Assets</u>	
Unrestricted	\$ <u>618,777</u>

The accompanying notes are an integral part of the financial statements.

GREENE-SULLIVAN SPECIAL EDUCATION COOPERATIVE  
STATEMENT OF CASH AND INVESTMENTS  
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 779,840
	<u>                    </u>
<u>Net Assets</u>	
Unrestricted	\$ 779,840
	<u>                    </u>

The accompanying notes are an integral part of the financial statements.

GREENE-SULLIVAN SPECIAL EDUCATION COOPERATIVE  
STATEMENT OF CASH ACTIVITIES  
For the Year Ended June 30, 2005

Functions/Programs	Disbursements	Net (Disbursement) Receipts Total
Governmental activities:		
Instruction	\$ 2,200,933	\$ (2,200,933)
Support services	1,407,880	(1,407,880)
Nonprogrammed charges	1,773	(1,773)
Total governmental activities	\$ 3,610,586	(3,610,586)
General receipts:		
Other local sources		2,500
Grants and contributions not restricted		2,089,528
Sale of property, adjustments, and refunds		12,065
Investment earnings		32,051
Transfers:		
Intergovernmental		1,448,109
Total general receipts and transfers		3,584,253
Change in cash and investments		(26,333)
Net assets - beginning		645,110
Net assets - ending		\$ 618,777

The accompanying notes are an integral part of the financial statements.

GREENE-SULLIVAN SPECIAL EDUCATION COOPERATIVE  
STATEMENT OF CASH ACTIVITIES  
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Net (Disbursement) Receipts Total
Governmental activities:		
Instruction	\$ 2,236,732	\$ (2,236,732)
Support services	1,424,353	(1,424,353)
Total governmental activities	\$ 3,661,085	(3,661,085)
General receipts:		
Other local sources		2,500
Grants and contributions not restricted		2,312,385
Investment earnings		25,111
Transfers:		
Intergovernmental		1,482,152
Total general receipts and transfers		3,822,148
Change in cash and investments		161,063
Net assets - beginning		618,777
Net assets - ending		\$ 779,840

The accompanying notes are an integral part of the financial statements.

GREENE-SULLIVAN SPECIAL EDUCATION COOPERATIVE  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended June 30, 2005

	Special Education Preschool Fund	Joint Services and Supply - Special Education	Special Education - Grants to States	Other	Totals
Receipts:					
Local sources	\$ -	\$ 5,724	\$ -	\$ 2,500	\$ 8,224
State sources	418,000	26,168	-	-	444,168
Federal sources	-	-	1,558,055	113,632	1,671,687
Sale of property, adjustments and refunds	-	12,065	-	-	12,065
Intergovernmental transfers	<u>165,806</u>	<u>1,448,109</u>	<u>-</u>	<u>-</u>	<u>1,613,915</u>
 Total receipts	 <u>583,806</u>	 <u>1,492,066</u>	 <u>1,558,055</u>	 <u>116,132</u>	 <u>3,750,059</u>
Disbursements:					
Current:					
Instruction	427,316	529,091	1,145,636	98,890	2,200,933
Support services	164,238	819,483	391,040	33,119	1,407,880
Nonprogrammed charges	<u>-</u>	<u>167,579</u>	<u>-</u>	<u>-</u>	<u>167,579</u>
 Total disbursements	 <u>591,554</u>	 <u>1,516,153</u>	 <u>1,536,676</u>	 <u>132,009</u>	 <u>3,776,392</u>
Excess (deficiency) of total receipts over (under) total disbursements	(7,748)	(24,087)	21,379	(15,877)	(26,333)
Cash and investments - beginning	<u>85,186</u>	<u>517,519</u>	<u>-</u>	<u>42,405</u>	<u>645,110</u>
Cash and investments - ending	<u>\$ 77,438</u>	<u>\$ 493,432</u>	<u>\$ 21,379</u>	<u>\$ 26,528</u>	<u>\$ 618,777</u>

The accompanying notes are an integral part of the financial statements.

GREENE-SULLIVAN SPECIAL EDUCATION COOPERATIVE  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended June 30, 2006

	Special Education Preschool Fund	Joint Services and Supply - Special Education	Special Education- Grants to States FY 2004-05	Special Education - Grants to States FY 2005-06	Other	Totals
Receipts:						
Local sources	\$ -	\$ 25,111	\$ -	\$ -	\$ 2,500	\$ 27,611
State sources	407,000	28,547	-	-	-	435,547
Federal sources	-	-	115,334	1,639,090	122,414	1,876,838
Intergovernmental transfers	263,084	1,482,152	-	-	54,378	1,799,614
<b>Total receipts</b>	<b>670,084</b>	<b>1,535,810</b>	<b>115,334</b>	<b>1,639,090</b>	<b>179,292</b>	<b>4,139,610</b>
Disbursements:						
Current:						
Instruction	437,192	426,944	58,855	1,190,020	123,721	2,236,732
Support services	211,143	751,874	23,480	408,900	28,956	1,424,353
Nonprogrammed charges	-	263,084	54,378	-	-	317,462
<b>Total disbursements</b>	<b>648,335</b>	<b>1,441,902</b>	<b>136,713</b>	<b>1,598,920</b>	<b>152,677</b>	<b>3,978,547</b>
Excess (deficiency) of total receipts over (under) total disbursements	21,749	93,908	(21,379)	40,170	26,615	161,063
Cash and investments - beginning	77,438	493,432	21,379	-	26,528	618,777
Cash and investments - ending	<u>\$ 99,187</u>	<u>\$ 587,340</u>	<u>\$ -</u>	<u>\$ 40,170</u>	<u>\$ 53,143</u>	<u>\$ 779,840</u>

The accompanying notes are an integral part of the financial statements.

GREENE-SULLIVAN SPECIAL EDUCATION COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS

I. 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 School Corporation's financial reporting entity is composed of the following:

Primary Government: Greene-Sullivan Special Education Cooperative

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Cash and Investments and the Statement of Cash Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. However, there are no business-type activities to report at this time.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

The special education preschool fund is used to account for receipts and disbursements in providing education for special needs preschool students.

The joint services and supply – special education fund accounts for receipts and disbursements in providing special education for cooperative member schools. These funds are provided through assessment payments by member schools.

GREENE-SULLIVAN SPECIAL EDUCATION COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The special education – grants to states fund accounts for receipts and disbursements in providing special education for cooperative member schools. These funds are provided through federal grants.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The cash and investment 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. Investment transactions are not presented on the financial statements.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the cooperative and member schools. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Compensated Absences

a. Sick Leave

Noncertified employees, other than preschool aides, earn sick leave at the rate of 10 days for the first year of employment and 8 days thereafter. Preschool aides earn sick leave at the rate of 8 days the first year and 6 ½ days per year thereafter. Unused sick leave may be accumulated to a maximum of 150 days. Certified employees earn sick leave at the rate of 14 days per year. Unused sick leave may be accumulated to a maximum of 255 days. Accumulated sick leave is not paid to employees.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees 15 days vacation leave per year. Vacation leave may be accumulated indefinitely. Accumulated vacation leave is paid to employees through cash payments upon termination.

GREENE-SULLIVAN SPECIAL EDUCATION COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

c. Personal Leave

Noncertified employees earn personal leave at the rate of 2 days per year. Certified employees earn 6 personal leave days per year. Unused personal leave is transferred to sick leave at year end.

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of “restricted.”

It is the School Corporation’s policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts and Disbursements

Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Cash and Investments and the Statement of Cash Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

- 1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.

GREENE-SULLIVAN SPECIAL EDUCATION COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are reported as reimbursements.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Cash and Investments and the Statement of Cash Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Cash and Investments and the Statement of Cash Activities.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the executive board.

III. Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2005 and 2006, were as follows:

GREENE-SULLIVAN SPECIAL EDUCATION COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Transfer From	Transfer To	2005	2006
Joint Services and Supply - Special Education	Special Education Preschool Fund	\$ 165,806	\$ 263,084
Special Education - Grants to States FY 2004-2005	Other governmental	-	54,378
Totals		<u>\$ 165,806</u>	<u>\$ 317,462</u>

The School Corporation typically uses transfers for cash flow purposes according to various statutes.

IV. Other Information

A. Risk Management

The School Corporation is 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; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Pension Plan

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), 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 TRF 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 member's contributions, set by state statute at 3% 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.

TRF 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:

GREENE-SULLIVAN SPECIAL EDUCATION COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Teachers' Retirement Fund  
150 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 232-3860

Funding Policy and Annual Pension Costs

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.

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2006, 2005, and 2004, were \$62,487, \$55,138, and \$50,103, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

GREENE-SULLIVAN SPECIAL EDUCATION COOPERATIVE  
AUDIT RESULTS AND COMMENTS

INTERLOCAL AGREEMENT – PARTICIPATION IN PUBLIC EMPLOYEES RETIREMENT FUND

The Interlocal Agreement between the member schools was amended on December 14, 2004, to state “The Executive Board shall also appoint a Treasurer from the staff of the Cooperative or disbursing officer of one of the parties.” The Treasurer of Greene-Sullivan Special Education Cooperative then became an employee of Northeast School Corporation. The Treasurer’s duties pertain only to the Cooperative and not to Northeast School Corporation. The Cooperative remits the total salary and fringe benefits of the Treasurer to Northeast School Corporation in December and June of each school year, so the Treasurer would be considered to be employed by a governmental entity which is a participant of the Public Employees Retirement Fund (PERF). Greene-Sullivan Special Education Cooperative does not participate in PERF.

Indiana Code 5-10.3-7-1 states in part: (c) “Any individual who becomes a full-time employee of the state or of a participating political subdivision . . . becomes a member of the fund . . .”

Indiana Code 5-10.3-1-6 defines: “Political subdivision as used in this article means a county, city, town, township, political body corporate, public school corporation, public library, public utility of a county, city, town township, and any department of, or associated with, a county, city, town, or township, which department receives revenue independently of, or in addition to, funds obtained from taxation.”

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE GREENE-SULLIVAN SPECIAL  
EDUCATION COOPERATIVE, GREENE COUNTY, INDIANA

Compliance

We have audited the compliance of the Greene-Sullivan Special Education Cooperative (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2005 and 2006. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; 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. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2005 and 2006.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the School Corporation's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

January 30, 2007

GREENE-SULLIVAN SPECIAL EDUCATION COOPERATIVE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2005 and 2006

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-05	Total Federal Awards Expended 06-30-06
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Special Education Cluster (IDEA)				
Special Education - Grants to States				
	84.027			
FY 04-05		14205-024-PN01	\$ 1,536,675	\$ 136,714
FY 05-06		14206-024-PN01	-	1,598,920
CSPD 04-05		14205-024-DY09	9,900	-
SLIVER FY 04-05		14205-024-SN01	27,621	1,000
SLIVER FY 05-06		14205-024-SN01	-	28,321
Part B Carry-Over		14205-024-PN01	-	29,183
			<u>1,574,196</u>	<u>1,794,138</u>
Total for program				
	84.173			
Special Education - Preschool Grants				
FY 04-05		45705-024-PN01	84,852	-
FY 05-06		45706-024-PN01	-	83,710
			<u>84,852</u>	<u>83,710</u>
Total for program				
Total for cluster			<u>1,659,048</u>	<u>1,877,848</u>
Total for federal grantor agency			<u>1,659,048</u>	<u>1,877,848</u>
Total federal awards expended			<u>\$ 1,659,048</u>	<u>\$ 1,877,848</u>

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

GREENE-SULLIVAN SPECIAL EDUCATION COOPERATIVE  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Greene-Sullivan Special Education Cooperative (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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 the 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.

GREENE-SULLIVAN SPECIAL EDUCATION COOPERATIVE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	<u>Name of Federal Program or Cluster</u>
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Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

GREENE-SULLIVAN SPECIAL EDUCATION COOPERATIVE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

GREENE-SULLIVAN SPECIAL EDUCATION COOPERATIVE  
EXIT CONFERENCE

The contents of this report were discussed on February 12, 2007, with Judy A. Flowers, Director; and Marsha K. Brown, Treasurer. The officials concurred with our audit findings.

The contents of this report were discussed on via telephone on February 13, 2007, with Richard Walters, Chairman of the Executive Board.