

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

AUDIT REPORT

OF

GIBSON-PIKE-WARRICK SPECIAL EDUCATION COOPERATIVE

PIKE COUNTY, INDIANA

July 1, 2005 to June 30, 2007



FILED

02/20/2008

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jean Krieg	07-01-05 to 06-30-08
Superintendent of Schools	Dr. John G. Helfen	07-01-05 to 06-30-08
President of the School Board	Lynn E. Blinzinger Bradley Schneider	07-01-05 to 06-30-07 07-01-07 to 06-30-08



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

TO: THE OFFICIALS OF THE GIBSON-PIKE-WARRICK SPECIAL
EDUCATION COOPERATIVE, PIKE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gibson-Pike-Warrick Special Education Cooperative (School Corporation), as of and for the years ended June 30, 2006 and 2007, 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, 2006 and 2007, 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 November 20, 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 Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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.

The Supplementary Information, as listed in the Table of Contents, was presented for additional analysis and is not a required part of the basic financial information. The Supplementary Information has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on the Supplementary Information.

STATE BOARD OF ACCOUNTS

November 20, 2007



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE GIBSON-PIKE-WARRICK SPECIAL
EDUCATION COOPERATIVE, PIKE COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gibson-Pike-Warrick Special Education Cooperative (School Corporation), as of and for the years ended June 30, 2006 and 2007, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon November 20, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
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 statements are 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the School Corporation's management and federal awarding agencies 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

November 20, 2007

GIBSON-PIKE-WARRICK SPECIAL EDUCATION COOPERATIVE
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Totals
Governmental activities:		
Instruction	\$ 3,563,077	\$ (3,563,077)
Support services	6,764,425	(6,764,425)
Total governmental activities	\$ 10,327,502	(10,327,502)
General receipts:		
Other local sources		6,304,329
State aid		106,253
Grants and contributions not restricted to specific programs		3,558,936
Sale of property, adjustments, and refunds		6,417
Investment earnings		59,073
Total general receipts		10,035,008
Change in net assets		(292,494)
Net assets - beginning		2,403,443
Net assets - ending		\$ 2,110,949
<u>Assets</u>		
Cash and investments		\$ 2,110,949
<u>Net Assets</u>		
Unrestricted		\$ 2,110,949

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

GIBSON-PIKE-WARRICK SPECIAL EDUCATION COOPERATIVE
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

		Net (Disbursement) Receipts and Changes in Net Assets
Functions/Programs	Disbursements	Totals
Governmental activities:		
Instruction	\$ 3,825,528	\$ (3,825,528)
Support services	<u>7,675,191</u>	<u>(7,675,191)</u>
Total governmental activities	<u>\$ 11,500,719</u>	<u>(11,500,719)</u>
General receipts:		
Other local sources		6,192,123
State aid		106,253
Grants and contributions not restricted to specific programs		3,901,792
Sale of property, adjustments, and refunds		69,548
Investment earnings		<u>61,934</u>
Total general receipts		<u>10,331,650</u>
Change in net assets		(1,169,069)
Net assets - beginning		<u>2,110,949</u>
Net assets - ending		<u>\$ 941,880</u>
<u>Assets</u>		
Cash and investments		<u>\$ 941,880</u>
<u>Net Assets</u>		
Restricted for:		
Unrestricted		<u>\$ 941,880</u>

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

GIBSON-PIKE-WARRICK SPECIAL EDUCATION COOPERATIVE
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006

	General Fund	Transportation Fund	Special Education - Grants to States	Other	Totals
Receipts:					
Local sources	\$ 2,957,669	\$ 3,349,335	\$ -	\$ 56,398	\$ 6,363,402
State sources	106,253	-	-	-	106,253
Federal sources	-	-	3,348,448	210,488	3,558,936
Sale of property, adjustments and refunds	4,257	2,160	-	-	6,417
Total receipts	<u>3,068,179</u>	<u>3,351,495</u>	<u>3,348,448</u>	<u>266,886</u>	<u>10,035,008</u>
Disbursements:					
Current:					
Instruction	1,813,494	2,379	1,636,705	110,499	3,563,077
Support services	1,571,431	3,269,376	1,770,311	153,307	6,764,425
Total disbursements	<u>3,384,925</u>	<u>3,271,755</u>	<u>3,407,016</u>	<u>263,806</u>	<u>10,327,502</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(316,746)</u>	<u>79,740</u>	<u>(58,568)</u>	<u>3,080</u>	<u>(292,494)</u>
Other financing sources (uses):					
Transfers in	-	-	-	12,830	12,830
Transfers out	(12,830)	-	-	-	(12,830)
Total other financing sources (uses)	<u>(12,830)</u>	<u>-</u>	<u>-</u>	<u>12,830</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>(329,576)</u>	<u>79,740</u>	<u>(58,568)</u>	<u>15,910</u>	<u>(292,494)</u>
Cash and investments - beginning	<u>1,139,104</u>	<u>1,063,482</u>	<u>194,436</u>	<u>6,421</u>	<u>2,403,443</u>
Cash and investments - ending	<u>\$ 809,528</u>	<u>\$ 1,143,222</u>	<u>\$ 135,868</u>	<u>\$ 22,331</u>	<u>\$ 2,110,949</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	<u>\$ 809,528</u>	<u>\$ 1,143,222</u>	<u>\$ 135,868</u>	<u>\$ 22,331</u>	<u>\$ 2,110,949</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Unrestricted	<u>\$ 809,528</u>	<u>\$ 1,143,222</u>	<u>\$ 135,868</u>	<u>\$ 22,331</u>	<u>\$ 2,110,949</u>

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

GIBSON-PIKE-WARRICK SPECIAL EDUCATION COOPERATIVE
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	General Fund	Transportation Fund	Special Education - Grants to States	Other	Totals
Receipts:					
Local sources	\$ 3,063,041	\$ 3,163,733	\$ -	\$ 27,283	\$ 6,254,057
State sources	106,253	20,157	-	-	126,410
Federal sources	-	-	3,673,238	208,397	3,881,635
Sale of property, adjustments and refunds	63,775	4,370	-	1,403	69,548
Total receipts	<u>3,233,069</u>	<u>3,188,260</u>	<u>3,673,238</u>	<u>237,083</u>	<u>10,331,650</u>
Disbursements:					
Current:					
Instruction	1,836,725	54,254	1,804,374	130,175	3,825,528
Support services	1,617,580	3,913,503	1,977,920	166,188	7,675,191
Total disbursements	<u>3,454,305</u>	<u>3,967,757</u>	<u>3,782,294</u>	<u>296,363</u>	<u>11,500,719</u>
Deficiency of receipts under disbursements	<u>(221,236)</u>	<u>(779,497)</u>	<u>(109,056)</u>	<u>(59,280)</u>	<u>(1,169,069)</u>
Other financing sources (uses):					
Transfers in	-	-	-	29,623	29,623
Transfers out	(29,623)	-	-	-	(29,623)
Total other financing sources (uses)	<u>(29,623)</u>	<u>-</u>	<u>-</u>	<u>29,623</u>	<u>-</u>
Deficiency of receipts and other financing sources under disbursements and other financing uses	(250,859)	(779,497)	(109,056)	(29,657)	(1,169,069)
Cash and investments - beginning	809,528	1,143,222	135,868	22,331	2,110,949
Cash and investments - ending	<u>\$ 558,669</u>	<u>\$ 363,725</u>	<u>\$ 26,812</u>	<u>\$ (7,326)</u>	<u>\$ 941,880</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	<u>\$ 558,669</u>	<u>\$ 363,725</u>	<u>\$ 26,812</u>	<u>\$ (7,326)</u>	<u>\$ 941,880</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Unrestricted	<u>\$ 558,669</u>	<u>\$ 363,725</u>	<u>\$ 26,812</u>	<u>\$ (7,326)</u>	<u>\$ 941,880</u>

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

GIBSON-PIKE-WARRICK SPECIAL EDUCATION COOPERATIVE
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN
CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2006

	Private-Purpose Trust Funds	Agency Funds
Cash and investment fund balance - beginning	\$ <u>4,816</u>	
Cash and investment fund balance - ending	\$ <u><u>4,816</u></u>	
Net Assets:		
Cash and investments	\$ <u>4,816</u>	\$ <u>88,752</u>

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

GIBSON-PIKE-WARRICK SPECIAL EDUCATION COOPERATIVE
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN
CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2007

	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
Additions:			
Contributions:			
Plan members	\$ 968,757	\$ -	
Deductions:			
Benefits	968,558	-	
Excess of total additions over total deductions	199	-	
Cash and investment fund balance - beginning	-	4,816	
Cash and investment fund balance - ending	<u>\$ 199</u>	<u>\$ 4,816</u>	
Net Assets:			
Cash and investments	<u>\$ 199</u>	<u>\$ 4,816</u>	<u>\$ 194,207</u>

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

GIBSON-PIKE-WARRICK 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

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 Activities and Net Assets - Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. 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 general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The special education - grants to states fund accounts for the projects under the special education - grants to states federal program.

GIBSON-PIKE-WARRICK SPECIAL EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Additionally, the School Corporation reports the following fund types:

The pension trust fund accounts for the activities of the buy out and subsequent investment of the severance pay and retirement bridge.

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the students and teachers.

Agency funds account for assets held by the School Corporation as an agent for payroll withholdings.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, and fiduciary 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, while the fund financial statements for proprietary fund types would use the 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.

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

Certified personnel and full-time office personnel are authorized 10 days per school year. Noncertified personnel are authorized 7 days per school year. Accumulated sick leave is not paid to employees.

GIBSON-PIKE-WARRICK SPECIAL EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
(Continued)

b. Vacation Leave

Administrative and noncertified School Corporation employees earn vacation leave at rates from 10 days to 15 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

c. Personal Leave

Certified and noncertified employees earn personal leave at the rate of 3 days per school year. If no personal leave is used during the school year, they will receive a bonus of 1 day and 4 days will accumulate as sick leave. If a personal day is taken, the balance will accumulate as sick leave.

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental 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

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

GIBSON-PIKE-WARRICK SPECIAL EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. 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 Activities and Net Assets – Cash and Investment Basis, 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.
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 Activities and Net Assets – Cash and Investment Basis 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 Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. 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.

On or before August 31, the Treasurer submits to the School Board a proposed budget for the year commencing the following January 1.

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

GIBSON-PIKE-WARRICK SPECIAL EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Cash and Investment Balance Deficits

At June 30, 2006 and 2007, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

Fund	2005	2006
Special Contract	\$ -	\$ (7,326)

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the delay in payments from other school corporations; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. 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.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of June 30, 2007, the School Corporation had no investments.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2006 and 2007, were as follows:

Transfer From	Transfer To	2006	2007
General Fund	Other governmental	\$ 12,830	\$ 29,623

The School Corporation typically uses transfers for cash flow purposes as provided by various statutory provisions.

GIBSON-PIKE-WARRICK SPECIAL EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides the following postemployment benefits. For the 2004-2005 school year each certified employee received ½% of their base salary into a 401A account. Effective in 2005-2006 each certified employee receives 1% of their base salary into a retirement VEBA account. The employee is fully vested with 15 years eligible experience and at least the age of 55 upon separation of employment/retirement.

C. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), 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 the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF 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 member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF 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. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

GIBSON-PIKE-WARRICK SPECIAL EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 53,355
Interest on net pension obligation	(2,665)
Adjustment to annual required contribution	3,037
Annual pension cost	53,727
Contributions made	39,803
Increase in net pension obligation	13,924
Net pension obligation, beginning of the year	(36,760)
Net pension obligation, end of year	\$ (22,836)
Contribution rates:	
School Corporation	6.75%
Plan members	3%
Actuarial valuation date	07-01-06
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

GIBSON-PIKE-WARRICK SPECIAL EDUCATION COOPERATIVE
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 39,398	132%	\$ (36,363)
	06-30-05	47,107	101%	(36,760)
	06-30-06	53,727	84%	(22,836)

2. 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:

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, 2005, 2006, and 2007, were \$115,199, \$130,377, and \$143,604 respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years, respectively.

GIBSON-PIKE-WARRICK SPECIAL EDUCATION COOPERATIVE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 530,870	\$ 685,776	\$ (154,906)	77%	\$ 713,308	(22%)
07-01-05	568,564	819,839	(251,275)	69%	658,736	(38%)
07-01-06	703,342	830,108	(126,766)	85%	592,729	(21%)

GIBSON-PIKE-WARRICK SPECIAL EDUCATION COOPERATIVE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006

	Special Contract	Summer School	Special Education - Grants to States	Totals
Receipts:				
Local sources	\$ 56,398	\$ -	\$ -	\$ 56,398
Federal sources	-	-	210,488	210,488
Total receipts	56,398	-	210,488	266,886
Disbursements:				
Current:				
Instruction	-	10,825	99,674	110,499
Support services	40,488	2,005	110,814	153,307
Total disbursements	40,488	12,830	210,488	263,806
Excess (deficiency) of receipts over (under) disbursements	15,910	(12,830)	-	3,080
Other financing sources :				
Transfers in	-	12,830	-	12,830
Excess of receipts and other financing sources over disbursements and other financing uses	15,910	-	-	15,910
Cash and investments - beginning	6,421	-	-	6,421
Cash and investments - ending	<u>\$ 22,331</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,331</u>
<u>Cash and Investment Assets - Ending</u>				
Cash and investments	<u>\$ 22,331</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,331</u>
<u>Cash and Investment Fund Balance - Ending</u>				
Unrestricted	<u>\$ 22,331</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,331</u>

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

GIBSON-PIKE-WARRICK SPECIAL EDUCATION COOPERATIVE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	Special Contract	Summer School	Special Education - Grants to States	Totals
Receipts:				
Local sources	\$ 27,283	\$ -	\$ -	\$ 27,283
Federal sources	-	-	208,397	208,397
Sale of property, adjustments and refunds	-	1,403	-	1,403
Total receipts	<u>27,283</u>	<u>1,403</u>	<u>208,397</u>	<u>237,083</u>
Disbursements:				
Current:				
Instruction	-	24,086	106,089	130,175
Support services	56,940	6,940	102,308	166,188
Total disbursements	<u>56,940</u>	<u>31,026</u>	<u>208,397</u>	<u>296,363</u>
Deficiency of receipts under disbursements	<u>(29,657)</u>	<u>(29,623)</u>	<u>-</u>	<u>(59,280)</u>
Other financing sources:				
Transfers in	-	29,623	-	29,623
Deficiency of receipts and other financing sources under disbursements and other financing uses	(29,657)	-	-	(29,657)
Cash and investments - beginning	<u>22,331</u>	<u>-</u>	<u>-</u>	<u>22,331</u>
Cash and investments - ending	<u>\$ (7,326)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,326)</u>
<u>Cash and Investment Assets - Ending</u>				
Cash and investments	<u>\$ (7,326)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,326)</u>
<u>Cash and Investment Fund Balance - Ending</u>				
Unrestricted	<u>\$ (7,326)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,326)</u>

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

GIBSON-PIKE-WARRICK SPECIAL EDUCATION COOPERATIVE
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

June 30, 2007

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:	
Capital assets, not being depreciated:	
Land	\$ 2,500.00
Infrastructure	-
Buildings	259,368.24
Improvements other than buildings	27,307.00
Machinery and equipment	1,801,640.23
Construction in progress	<u>-</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 2,090,815.47</u>

GIBSON-PIKE-WARRICK SPECIAL EDUCATION COOPERATIVE
AUDIT RESULT AND COMMENT

INCORRECT REPORTING TO THE STATE

The School Corporation reports the student enrollment by disability classification to the Indiana Department of Education. Students names were selected from the lists of students by disability classification as of December 1, 2006, that were reported to the State. The students were traced to class lists signed by the teacher. The student files were pulled, and the disability determination was compared to the classification reported to the State. One student was reported to the State as multiple handicapped while the file indicated the student was actually learning disabled.

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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 GIBSON-PIKE-WARRICK SPECIAL
EDUCATION COOPERATIVE, PIKE COUNTY, INDIANA

Compliance

We have audited the compliance of the Gibson-Pike-Warrick 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, 2006 and 2007. 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 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. 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, 2006 and 2007.

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

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)

federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in a School Corporation's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the School Corporation's management and federal awarding agencies 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

November 20, 2007

GIBSON-PIKE-WARRICK SPECIAL EDUCATION COOPERATIVE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2006 and 2007

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 06-30-06	Total Federal Awards Expended 06-30-07
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Special Education Cluster				
Special Education - Grants to States	84.027			
FY 2004-2005		14205-202-PN01	\$ 194,436	\$ -
FY 2005-2006 SLIVER		14205-020-DY01	54,637	-
FY 2005-2006		14206-020-PN01	3,157,943	335,868
FY 2006-2007		14207-020-PN01	-	3,446,426
			<u>3,407,016</u>	<u>3,782,294</u>
Total for program				
Special Education - Preschool Grants	84.173			
FY 2005-2006		45706-020-PN01	210,488	-
FY 2006-2007		45707-020-PN01	-	208,397
			<u>210,488</u>	<u>208,397</u>
Total for program				
Total for cluster			<u>3,617,504</u>	<u>3,990,691</u>
Total for federal grantor agency			<u>3,617,504</u>	<u>3,990,691</u>
Total federal awards expended			<u>\$ 3,617,504</u>	<u>\$ 3,990,691</u>

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

GIBSON-PIKE-WARRICK 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 Gibson-Pike-Warrick 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.

GIBSON-PIKE-WARRICK 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
<u>Number</u> <u>Name of Federal Program or Cluster</u>

Special Education Cluster

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.

GIBSON-PIKE-WARRICK SPECIAL EDUCATION COOPERATIVE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

GIBSON-PIKE-WARRICK SPECIAL EDUCATION COOPERATIVE
EXIT CONFERENCE

The contents of this report were discussed on November 20, 2007, with Jean Krieg, Treasurer; Dr. John G. Helfen, Superintendent of Schools; and Bradley Schneider, Chairman of the School Board. The officials concurred with our audit findings.