

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

AUDIT REPORT
OF
COVERED BRIDGE SPECIAL EDUCATION DISTRICT
VIGO COUNTY, INDIANA
July 1, 2006 to June 30, 2008



FILED
03/27/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Joan Brooks (Vacant) Deborah J. Thompson	07-01-06 to 07-11-08 07-12-08 to 08-25-08 08-26-08 to 06-30-09
Executive Director	Jeffery E. Blake	07-01-06 to 06-30-11
President of the District Board	Daniel Tanoos	07-01-06 to 06-30-09



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

TO: THE OFFICIALS OF THE COVERED BRIDGE SPECIAL
EDUCATION DISTRICT, VIGO COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Covered Bridge Special Education District (School Corporation), as of and for the years ended June 30, 2007 and 2008, 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, 2007 and 2008, 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 February 26, 2009, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Combining Schedules, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

STATE BOARD OF ACCOUNTS

February 26, 2009



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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 COVERED BRIDGE SPECIAL
EDUCATION DISTRICT, VIGO COUNTY, INDIANA

We have audited the financial statements of the Covered Bridge Special Education District (School Corporation), as of and for the years ended June 30, 2007 and 2008, and have issued our report thereon dated February 26, 2009. 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, School Corporation Board 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

February 26, 2009

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 4,237,220	\$ -	\$ 330	\$ (4,236,890)
Support services	3,051,698	90,117	210,004	(2,751,577)
Nonprogrammed charges	6,982	-	-	(6,982)
Debt service	<u>19,332</u>	<u>-</u>	<u>-</u>	<u>(19,332)</u>
Total governmental activities	<u>\$ 7,315,232</u>	<u>\$ 90,117</u>	<u>\$ 210,334</u>	<u>(7,014,781)</u>
General receipts:				
Other local sources				2,370,045
Grants and contributions not restricted to specific programs				4,996,743
Sale of property, adjustments, and refunds				4,144
Investment earnings				<u>56,258</u>
Total general receipts				<u>7,427,190</u>
Change in net assets				412,409
Net assets - beginning				<u>2,325,980</u>
Net assets - ending				<u>\$ 2,738,389</u>
<u>Assets</u>				
Cash and investments				<u>\$ 2,738,389</u>
<u>Net Assets</u>				
Unrestricted				<u>\$ 2,738,389</u>

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

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 3,511,093	\$ -	\$ -	\$ (3,511,093)
Support services	3,842,178	18,728	88,238	(3,735,212)
Debt service	<u>19,665</u>	<u>-</u>	<u>-</u>	<u>(19,665)</u>
Total governmental activities	<u>\$ 7,372,936</u>	<u>\$ 18,728</u>	<u>\$ 88,238</u>	<u>(7,265,970)</u>
General receipts:				
Other local sources				2,100,139
Grants and contributions not restricted to specific programs				5,105,673
Sale of property, adjustments, and refunds				2,617
Investment earnings				<u>112,655</u>
Total general receipts				<u>7,321,084</u>
Change in net assets				55,114
Net assets - beginning				<u>2,738,389</u>
Net assets - ending				<u>\$ 2,793,503</u>
<u>Assets</u>				
Cash and investments				<u>\$ 2,793,503</u>
<u>Net Assets</u>				
Unrestricted				<u>\$ 2,793,503</u>

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

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
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	Preschool Grant	Federal Grant 2006-07	Federal Grant 2005-06	Federal Grant 2005-2006 Carry-over	Medicaid Reimbursement	Other	Totals
Receipts:								
Local sources	\$ 1,666,867	\$ 831,767	\$ 614	\$ -	\$ 13,627	\$ 3,545	\$ -	\$ 2,516,420
State sources	109,161	-	-	-	-	-	-	109,161
Federal sources	-	-	3,781,500	874,290	-	210,004	232,122	5,097,916
Sale of property, adjustments and refunds	4,144	-	-	-	-	-	-	4,144
Total receipts	1,780,172	831,767	3,782,114	874,290	13,627	213,549	232,122	7,727,641
Disbursements:								
Current:								
Instruction	420,187	716,340	2,509,161	356,230	17,855	35,830	181,617	4,237,220
Support services	954,708	147,062	1,386,377	206,804	122,441	2,664	231,642	3,051,698
Nonprogrammed charges	-	-	-	-	-	-	6,982	6,982
Debt services	15,355	2,205	1,570	202	-	-	-	19,332
Total disbursements	1,390,250	865,607	3,897,108	563,236	140,296	38,494	420,241	7,315,232
Excess (deficiency) of receipts over disbursements	389,922	(33,840)	(114,994)	311,054	(126,669)	175,055	(188,119)	412,409
Other financing sources (uses):								
Transfers in	-	-	-	-	418,892	-	-	418,892
Transfers out	-	-	-	(418,892)	-	-	-	(418,892)
Total other financing sources (uses)	-	-	-	(418,892)	418,892	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	389,922	(33,840)	(114,994)	(107,838)	292,223	175,055	(188,119)	412,409
Cash and investments - beginning	1,178,240	107,853	-	107,838	-	751,799	180,250	2,325,980
Cash and investments - ending	<u>\$ 1,568,162</u>	<u>\$ 74,013</u>	<u>\$ (114,994)</u>	<u>\$ -</u>	<u>\$ 292,223</u>	<u>\$ 926,854</u>	<u>\$ (7,869)</u>	<u>\$ 2,738,389</u>
Cash and Investment Assets - Ending								
Cash and investments	<u>\$ 1,568,162</u>	<u>\$ 74,013</u>	<u>\$ (114,994)</u>	<u>\$ -</u>	<u>\$ 292,223</u>	<u>\$ 926,854</u>	<u>\$ (7,869)</u>	<u>\$ 2,738,389</u>
Cash and Investment Fund Balance - Ending								
Unrestricted	<u>\$ 1,568,162</u>	<u>\$ 74,013</u>	<u>\$ (114,994)</u>	<u>\$ -</u>	<u>\$ 292,223</u>	<u>\$ 926,854</u>	<u>\$ (7,869)</u>	<u>\$ 2,738,389</u>

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

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
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, 2008

	General	Preschool Grant	Federal Grant 2006-07	Federal Grant 2006-2007 Carry-over	Federal Grant 2005-2006 Carry-over	Medicaid Reimbursement	Federal Grant 2007-08	Other	Totals
Receipts:									
Local sources	\$ 1,586,820	\$ 644,232	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,231,052
State sources	100,222	-	-	-	-	-	-	-	100,222
Federal sources	-	-	-	840,069	-	88,238	3,891,306	274,547	5,094,160
Sale of property, adjustments and refunds	2,618	-	-	-	-	-	-	-	2,618
Total receipts	1,689,660	644,232	-	840,069	-	88,238	3,891,306	274,547	7,428,052
Disbursements:									
Current:									
Instruction	285,532	739,726	-	353,808	228,245	18,407	1,857,782	27,593	3,511,093
Support services	1,371,962	108,061	-	209,788	63,978	1,699	1,858,723	227,969	3,842,180
Debt services	15,738	1,552	-	-	-	-	2,375	-	19,665
Total disbursements	1,673,232	849,339	-	563,596	292,223	20,106	3,718,880	255,562	7,372,938
Excess (deficiency) of receipts over disbursements	16,428	(205,107)	-	276,473	(292,223)	68,132	172,426	18,985	55,114
Other financing sources (uses):									
Transfers in	-	200,000	114,994	-	-	-	-	8,342	323,336
Transfers out	-	-	-	(114,521)	-	(200,000)	-	(8,815)	(323,336)
Total other financing sources (uses)	-	200,000	114,994	(114,521)	-	(200,000)	-	(473)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	16,428	(5,107)	114,994	161,952	(292,223)	(131,868)	172,426	18,512	55,114
Cash and investments - beginning	1,568,162	74,013	(114,994)	-	292,223	926,854	-	(7,869)	2,738,389
Cash and investments - ending	<u>\$ 1,584,590</u>	<u>\$ 68,906</u>	<u>\$ -</u>	<u>\$ 161,952</u>	<u>\$ -</u>	<u>\$ 794,986</u>	<u>\$ 172,426</u>	<u>\$ 10,643</u>	<u>\$ 2,793,503</u>
Cash and Investment Assets - Ending									
Cash and investments	<u>\$ 1,584,590</u>	<u>\$ 68,906</u>	<u>\$ -</u>	<u>\$ 161,952</u>	<u>\$ -</u>	<u>\$ 794,986</u>	<u>\$ 172,426</u>	<u>\$ 10,643</u>	<u>\$ 2,793,503</u>
Cash and Investment Fund Balance - Ending									
Unrestricted	<u>\$ 1,584,590</u>	<u>\$ 68,906</u>	<u>\$ -</u>	<u>\$ 161,952</u>	<u>\$ -</u>	<u>\$ 794,986</u>	<u>\$ 172,426</u>	<u>\$ 10,643</u>	<u>\$ 2,793,503</u>

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

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2007

	Private-Purpose Trust Funds	Agency Funds
Additions:		
Local sources	\$ 3,574	
Deductions:		
Instruction	5,452	
Deficiency of total additions over total deductions	(1,878)	
Cash and investment fund balance - beginning	2,844	
Cash and investment fund balance - ending	\$ 966	\$ 58,372
Net assets:		
Cash and investments	\$ 966	
Total net assets - cash and investment basis held in trust	\$ 966	

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

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	Private-Purpose Trust Funds	Agency Funds
Additions:		
Local sources	\$ 3,269	
Sale of property, adjustments and refunds	1,204	
Total additions	4,473	
Deductions:		
Instruction	2,389	
Support services	1,528	
Total deductions	3,917	
Excess of total additions over total deductions	556	
Cash and investment fund balance - beginning	966	
Cash and investment fund balance - ending	\$ 1,522	\$ 58,566
Net assets:		
Cash and investments	\$ 1,522	
Total net assets - cash and investment basis held in trust	\$ 1,522	

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

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
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: Covered Bridge Special Education District

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. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School Corporation currently has no business-type activities.

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, 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 preschool grant fund and the federal grant fund account for federal and state grants received to carry out the objectives of the Individuals with Disabilities Education Act (IDEA).

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

The medicaid reimbursement fund accounts for funds received in return for eligible services rendered to students.

Additionally, the School Corporation reports the following fund types:

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

Agency funds account for assets held by the School Corporation as an agent for others and serves as control of accounts for certain cash transactions during the time they are a liability to the School Corporation.

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. Receipts are recorded when received and disbursements are recorded when paid.

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. Capital Assets

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

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. 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. Internally dedicated resources are reported as general receipts rather than as program receipts.

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.

B. Cash and Investment Balance Deficits

At June 30, 2007 and 2008, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2007	2008
Federal Grant 2006-2007	\$ 114,994	\$ -
Preschool Handicap 2006-2007	8,342	-
Group Insurance	9,835	14,412
Discretionary Grant	-	15,376

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; 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 School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2008, the School Corporation had deposit balances in the amount of \$3,069,482. Of this amount, none was exposed to custodial credit risk.

2. Investments

As of June 30, 2008, the School Corporation had no investments.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2007 and 2008, were as follows:

Transfer From	Transfer To	2007	2008
Federal Grant 2005-2006	Federal Grant 2005-2006 Carry-over	\$ 418,892	\$ -
Federal Grant 2006-2007 Carry-over	Federal Grant 2006-2007	-	114,521
Medicaid Reimbursement	Preschool Grant	-	200,000
Donations, Gifts and Trusts	Federal Grant 2006-2007	-	473
Preschool Handicap 2006-2007 Carry-over	Preschool Handicap 2006-2007	-	8,342
Totals		<u>\$ 418,892</u>	<u>\$ 323,336</u>

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

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
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; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); 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; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); 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 Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

a. 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 (Indiana Code 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

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.

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 106,781
Interest on net pension obligation	(2,355)
Adjustment to annual required contribution	2,684
Annual pension cost	107,110
Contributions made	94,332
Increase in net pension obligation	12,778
Net pension obligation, beginning of year	(32,485)
Net pension obligation, end of year	\$ (19,707)

	PERF
Contribution rates:	
School Corporation	7.5%
Plan members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions	PERF
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%

*2.75% converted members; 4% nonconverted members

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Three Year Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06-30-05	\$ 71,052	102%	\$ (47,264)
06-30-06	92,347	104%	(32,485)
06-30-07	107,110	88%	(19,707)

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 (Indiana Code 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 7.25% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2006, 2007, and 2008, were \$174,401, \$180,825, and \$182,971, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years, respectively.

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation prior to attaining age 65. The School Corporation shall contribute an annual amount of \$2,940, \$1,500, and \$1,500, respectively, to the cost of employee health insurance premiums at the time of retirement until the retired employee reaches the Social Security Normal Retirement Age – not to exceed a maximum of 10 years. Currently, five retirees meet these eligibility requirements.

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
 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)
07-01-05	\$ 652,902	\$ 1,045,833	\$ (392,931)	62%	\$ 1,148,430	34%
07-01-06	774,534	1,155,472	(380,938)	67%	1,193,034	32%
07-01-07	878,784	1,247,276	(368,492)	70%	1,123,381	33%

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
 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

	Donation, Gifts and Trusts	Drug Free Communities	Federal Grant 2004-2005 Carry-over	Preschool Handicap 2004-05 Carry-over	Preschool Handicap 2006-07	Preschool Handicap 2005-06	Totals
Receipts:							
Federal sources	\$ -	\$ 10,654	\$ -	\$ -	\$ 185,450	\$ 36,018	\$ 232,122
Disbursements:							
Current:							
Instruction	-	16,075	93,081	14,777	45,911	11,773	181,617
Support services	-	22,639	28,583	-	147,881	32,539	231,642
Nonprogrammed charges	6,982	-	-	-	-	-	6,982
Total disbursements	6,982	38,714	121,664	14,777	193,792	44,312	420,241
Deficiency of receipts over disbursements	(6,982)	(28,060)	(121,664)	(14,777)	(8,342)	(8,294)	(188,119)
Cash and investments - beginning	7,455	28,060	121,664	14,777	-	8,294	180,250
Cash and investments - ending	<u>473</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,342)</u>	<u>-</u>	<u>(7,869)</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>473</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,342)</u>	<u>-</u>	<u>(7,869)</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>473</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,342)</u>	<u>-</u>	<u>(7,869)</u>

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
 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, 2008

	Donation, Gifts and Trusts	Preschool Handicap 2007-08	Preschool Handicap 2006-07	Preschool Handicap 2006-07 Carry-over	Discretionary Grant	Totals
Receipts:						
Federal sources	\$ -	\$ 227,000	\$ -	\$ 47,547	\$ -	\$ 274,547
Disbursements:						
Current:						
Instruction	-	19,416	-	8,177	-	27,593
Support services	-	181,565	-	31,028	15,376	227,969
Total disbursements	-	200,981	-	39,205	15,376	255,562
Excess (deficiency) of receipts over disbursements	-	26,019	-	8,342	(15,376)	18,985
Other financing sources (uses):						
Transfers in	-	-	8,342	-	-	8,342
Transfers out	(473)	-	-	(8,342)	-	(8,815)
Total other financing sources (uses)	(473)	-	8,342	(8,342)	-	(473)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(473)	26,019	8,342	-	(15,376)	18,512
Cash and investments - beginning	473	-	(8,342)	-	-	(7,869)
Cash and investments - ending	\$ -	\$ 26,019	\$ -	\$ -	\$ (15,376)	\$ 10,643
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 26,019	\$ -	\$ -	\$ (15,376)	\$ 10,643
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ -	\$ 26,019	\$ -	\$ -	\$ (15,376)	\$ 10,643

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007

	<u>Instruction Support</u>	<u>Instruction Support #2</u>	<u>Recreational Activities</u>	<u>Recreational Activities #2</u>	<u>Recreational Activities #3</u>	<u>Totals</u>
Additions:						
Local sources	\$ 2,663	\$ -	\$ 911	\$ -	\$ -	\$ 3,574
Deductions:						
Instruction	<u>2,775</u>	<u>565</u>	<u>767</u>	<u>1,345</u>	<u>-</u>	<u>5,452</u>
Excess (deficiency) of total additions over total deductions	(112)	(565)	144	(1,345)	-	(1,878)
Cash and investment fund balance - beginning	<u>261</u>	<u>964</u>	<u>21</u>	<u>1,345</u>	<u>253</u>	<u>2,844</u>
Cash and investments - June 30	<u>\$ 149</u>	<u>\$ 399</u>	<u>\$ 165</u>	<u>\$ -</u>	<u>\$ 253</u>	<u>\$ 966</u>
Net assets:						
Cash and investments	<u>\$ 149</u>	<u>\$ 399</u>	<u>\$ 165</u>	<u>\$ -</u>	<u>\$ 253</u>	<u>\$ 966</u>

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2008

	Instruction Support	Instruction Support #2	Recreational Activities	Recreational Activities #3	Miscellaneous Programs	Miscellaneous Programs #2	Miscellaneous Programs #3	Totals
Additions:								
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 2,303	\$ 394	\$ 572	\$ 3,269
Sale of property, adjustments and refunds	-	-	1,079	-	-	-	125	1,204
Total additions	-	-	1,079	-	2,303	394	697	4,473
Deductions:								
Instruction	149	399	1,244	253	-	229	115	2,389
Support services	-	-	-	-	1,409	-	119	1,528
Total deductions	149	399	1,244	253	1,409	229	234	3,917
Excess (deficiency) of total additions over total deductions	(149)	(399)	(165)	(253)	894	165	463	3,917
Cash and investment fund balance - beginning	149	399	165	253	-	-	-	966
Cash and investments - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 894</u>	<u>\$ 165</u>	<u>\$ 463</u>	<u>\$ 1,522</u>
Net assets:								
Cash and investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 894</u>	<u>\$ 165</u>	<u>\$ 463</u>	<u>\$ 1,522</u>

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCES

The cash balance of the Federal Grant 2006-2007 Fund, Preschool Handicap 2006-2007 Fund, and Group Insurance Fund were overdrawn in fiscal year 2007. The cash balance of the Discretionary Grant Fund, and Group Insurance Fund were overdrawn in fiscal year 2008.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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 COVERED BRIDGE SPECIAL
EDUCATION DISTRICT, VIGO COUNTY, INDIANA

Compliance

We have audited the compliance of the Covered Bridge Special Education District (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, 2007 and 2008. 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, 2007 and 2008.

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, 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.

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)

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, School Corporation Board 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

February 26, 2009

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2007 and 2008

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-07	Total Federal Awards Expended 06-30-08
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Special Education Cluster				
Special Education - Grants to States	84.027			
		14205-008-PY02	\$ 121,664	\$ -
		14206-008-PN01	563,236	-
		14206-008-PY02	140,296	292,223
		14207-008-PN01	3,897,108	-
		14207-008-PY02	-	563,596
		14207-052-DY	-	15,376
		14208-008-PN01	-	3,718,880
			<u>4,722,304</u>	<u>4,590,075</u>
Total for program				
Special Education - Preschool Grants	84.173			
		45704-008-PY02	-	39,206
		45705-008-PY02	14,777	-
		45706-008-PN01	44,312	-
		45707-008-PN01	193,792	-
		45708-008-PN01	-	200,981
			<u>252,881</u>	<u>240,187</u>
Total for program				
Total federal awards expended			<u>\$ 4,975,185</u>	<u>\$ 4,830,262</u>

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

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
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 Covered Bridge Special Education District (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 (Indiana Code 5-11-1 et seq.), audits of Districts shall be conducted biennially. Such audits shall include both years within the biennial period.

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
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:

<u>CFDA 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.

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on March 10, 2009, with Katherine Walker, Assistant to the Director; Deborah J. Thompson, Treasurer; and Pamela A. Creager, Deputy Treasurer. The officials concurred with our audit finding.