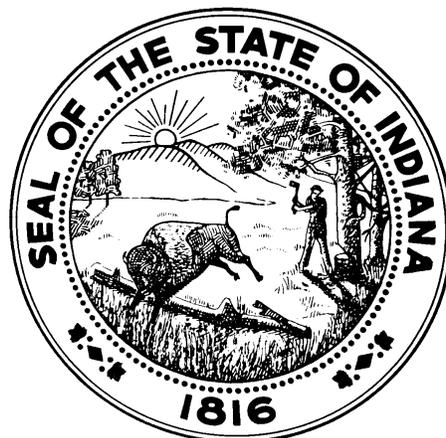


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF

GREENE-SULLIVAN SPECIAL
EDUCATION COOPERATIVE
GREENE COUNTY, INDIANA

July 1, 2006 to June 30, 2008



FILED

05/04/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Marsha K. Brown	07-01-06 to 06-30-09
Director	Judy A. Flowers	07-01-06 to 06-30-09
Chairman of the Executive Board	Richard Walters Ronald Bush	07-01-06 to 06-30-07 07-01-07 to 06-30-09



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 GREENE-SULLIVAN SPECIAL
EDUCATION COOPERATIVE, GREENE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Greene-Sullivan Special Education Cooperative (School Corporation), as of and for the years ended June 30, 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 April 14, 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 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 and Schedule of Capital Assets 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. The Schedule of Capital Assets has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

April 14, 2009



STATE OF INDIANA
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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 GREENE-SULLIVAN SPECIAL
EDUCATION COOPERATIVE, GREENE COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Greene-Sullivan Special Education Cooperative (School Corporation), as of and for the years ended June 30, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated April 14, 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, executive 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

April 14, 2009

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

<u>Functions/Programs</u>	<u>Disbursements</u>	Net (Disbursement) Receipts and Changes in Net Assets <u>Total</u>
Governmental activities:		
Instruction	\$ 2,931,264	\$ (2,931,264)
Support services	<u>656,113</u>	<u>(656,113)</u>
Total governmental	<u>\$ 3,587,377</u>	<u>(3,587,377)</u>
General receipts:		
Other local sources		1,329,239
Grants and contributions not restricted to specific programs		2,209,621
Investment earnings		<u>32,569</u>
Total general receipts		<u>3,571,429</u>
Change in net assets		(15,948)
Net assets - beginning		<u>779,840</u>
Net assets - ending		<u>\$ 763,892</u>
<u>Assets</u>		
Current assets:		
Cash and investments		<u>\$ 763,892</u>
<u>Net Assets</u>		
Unrestricted		<u>\$ 763,892</u>

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

GREENE-SULLIVAN SPECIAL EDUCATION COOPERATIVE
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	Net (Disbursement) Receipts and Changes in Net Assets <u>Total</u>
Governmental activities:		
Instruction	\$ 2,778,800	\$ (2,778,800)
Support services	<u>1,044,355</u>	<u>(1,044,355)</u>
Total governmental	<u>\$ 3,823,155</u>	<u>(3,823,155)</u>
General receipts:		
Other local sources		1,454,426
Grants and contributions not restricted to specific programs		2,144,778
Investment earnings		<u>21,319</u>
Total general receipts		<u>3,620,523</u>
Change in net assets		(202,632)
Net assets - beginning		<u>763,892</u>
Net assets - ending		<u>\$ 561,260</u>
<u>Assets</u>		
Current assets:		
Cash and investments		<u>\$ 561,260</u>
<u>Net Assets</u>		
Unrestricted		<u>\$ 561,260</u>

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

GREENE-SULLIVAN 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

	Special Education Preschool Fund	Joint Services and Supply - Special Education	Special Education - Grants to States FY 06-07	Other	Totals
Receipts:					
Local sources	\$ -	\$ 1,359,308	\$ -	\$ 2,500	\$ 1,361,808
State sources	326,415	28,547	-	-	354,962
Federal sources	-	-	1,689,146	165,513	1,854,659
Total receipts	<u>326,415</u>	<u>1,387,855</u>	<u>1,689,146</u>	<u>168,013</u>	<u>3,571,429</u>
Disbursements:					
Current:					
Instruction	643,307	832,879	1,274,254	180,824	2,931,264
Support services	8,956	317,010	283,237	46,910	656,113
Total disbursements	<u>652,263</u>	<u>1,149,889</u>	<u>1,557,491</u>	<u>227,734</u>	<u>3,587,377</u>
Excess (deficiency) of receipts over disbursements	<u>(325,848)</u>	<u>237,966</u>	<u>131,655</u>	<u>(59,721)</u>	<u>(15,948)</u>
Other financing sources (uses):					
Transfers in	608,037	-	-	61,740	669,777
Transfers out	-	(608,037)	-	(61,740)	(669,777)
Total other financing sources (uses)	<u>608,037</u>	<u>(608,037)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	282,189	(370,071)	131,655	(59,721)	(15,948)
Cash and investments - beginning	<u>99,187</u>	<u>587,340</u>	<u>-</u>	<u>93,313</u>	<u>779,840</u>
Cash and investments - ending	<u>\$ 381,376</u>	<u>\$ 217,269</u>	<u>\$ 131,655</u>	<u>\$ 33,592</u>	<u>\$ 763,892</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	<u>\$ 381,376</u>	<u>\$ 217,269</u>	<u>\$ 131,655</u>	<u>\$ 33,592</u>	<u>\$ 763,892</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Unrestricted	<u>\$ 381,376</u>	<u>\$ 217,269</u>	<u>\$ 131,655</u>	<u>\$ 33,592</u>	<u>\$ 763,892</u>

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

GREENE-SULLIVAN 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, 2008

	Special Education Preschool Fund	Joint Services and Supply - Special Education	Special Education - Grants to States FY 07-08	Special Education - Grants to States FY 06-07	Other	Totals
Receipts:						
Local sources	\$ -	\$ 1,475,745	\$ -	\$ -	\$ -	\$ 1,475,745
State sources	350,530	28,547	-	-	-	379,077
Federal sources	-	-	1,686,553	-	79,148	1,765,701
Total receipts	<u>350,530</u>	<u>1,504,292</u>	<u>1,686,553</u>	<u>-</u>	<u>79,148</u>	<u>3,620,523</u>
Disbursements:						
Current:						
Instruction	642,825	811,340	1,186,514	62,014	76,107	2,778,800
Support services	13,667	553,513	398,290	28,851	50,034	1,044,355
Total disbursements	<u>656,492</u>	<u>1,364,853</u>	<u>1,584,804</u>	<u>90,865</u>	<u>126,141</u>	<u>3,823,155</u>
Excess (deficiency) of receipts over disbursements	<u>(305,962)</u>	<u>139,439</u>	<u>101,749</u>	<u>(90,865)</u>	<u>(46,993)</u>	<u>(202,632)</u>
Other financing sources (uses):						
Transfers in	307,596	263,084	-	-	40,790	611,470
Transfers out	(263,084)	(307,596)	-	(40,790)	-	(611,470)
Total other financing sources (uses)	<u>44,512</u>	<u>(44,512)</u>	<u>-</u>	<u>(40,790)</u>	<u>40,790</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(261,450)</u>	<u>94,927</u>	<u>101,749</u>	<u>(131,655)</u>	<u>(6,203)</u>	<u>(202,632)</u>
Cash and investments - beginning	<u>381,376</u>	<u>217,269</u>	<u>-</u>	<u>131,655</u>	<u>33,592</u>	<u>763,892</u>
Cash and investments - ending	<u>\$ 119,926</u>	<u>\$ 312,196</u>	<u>\$ 101,749</u>	<u>\$ -</u>	<u>\$ 27,389</u>	<u>\$ 561,260</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 119,926</u>	<u>\$ 312,196</u>	<u>\$ 101,749</u>	<u>\$ -</u>	<u>\$ 27,389</u>	<u>\$ 561,260</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 119,926</u>	<u>\$ 312,196</u>	<u>\$ 101,749</u>	<u>\$ -</u>	<u>\$ 27,389</u>	<u>\$ 561,260</u>

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

GREENE-SULLIVAN SPECIAL EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

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

Primary Government: Greene Sullivan Special Education Cooperative

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of 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. 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, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The School Corporation reports the following major governmental funds:

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

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

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

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

C. Measurement Focus and Basis of Accounting

The government-wide and governmental fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis, 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. Exceptions to this general rule are charges between the cooperative and member schools. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. 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.

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."

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

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

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts and Disbursements

Operating Receipts and Disbursements

Operating receipts and disbursements for governmental funds 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 not 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. The effects of interfund services between funds, if any, are not eliminated in the government-wide 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.

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

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

III. Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

B. Interfund Transfers

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

Transfer From	Transfer To	2007	2008
Joint Services and Supply - Special Education	Special Education Preschool Fund	\$ 608,037	\$ 307,596
Special Education Preschool Fund	Joint Services and Supply - Special Education	-	263,084
Other governmental funds	Other governmental funds	61,740	-
Special Education - Grants to States	Other governmental funds	-	40,790
Totals		<u>\$ 669,777</u>	<u>\$ 611,470</u>

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

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.

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

B. Pension Plan

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

TRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

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, 2008, 2007, and 2006, were \$66,644, \$59,364, and \$62,487, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

GREENE-SULLIVAN 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

	Joint Services and Supply - Other	Special Education - Grants to States FY 05-06	Part B Carry-Over FY 04-05	Special Education - Grants to States FY 05-06 (CO)	IN-SIG Grant	Special Education - Preschool Grant FY 06-07	Totals
Receipts:							
Local sources	\$ 2,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,500
Federal sources	-	85,590	-	-	1,081	78,842	165,513
Total receipts	2,500	85,590	-	-	1,081	78,842	168,013
Disbursements:							
Current:							
Instruction	-	47,439	25,195	29,348	-	78,842	180,824
Support services	2,420	16,581	-	27,461	448	-	46,910
Total disbursements	2,420	64,020	25,195	56,809	448	78,842	227,734
Excess (deficiency) of receipts over disbursements	80	21,570	(25,195)	(56,809)	633	-	(59,721)
Other financing sources (uses):							
Transfers in	-	-	-	61,740	-	-	61,740
Transfers out	-	(61,740)	-	-	-	-	(61,740)
Total other financing sources (uses)	-	(61,740)	-	61,740	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	80	(40,170)	(25,195)	4,931	633	-	(59,721)
Cash and investments - beginning	28,581	40,170	25,195	-	(633)	-	93,313
Cash and investments - ending	<u>\$ 28,661</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,931</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,592</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 28,661</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,931</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,592</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 28,661</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,931</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,592</u>

GREENE-SULLIVAN 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, 2008

	Joint Services and Supply - Other	Special Education - Grants to States FY 05-06 (CO)	Part B Carry-Over FY 06-07	Special Education - Preschool Grant FY 07-08	Totals
Receipts:					
Federal sources	\$ -	\$ -	\$ -	\$ 79,148	\$ 79,148
Total receipts	-	-	-	79,148	79,148
Disbursements:					
Current:					
Instruction	-	3,320	8,343	64,444	76,107
Support services	17,380	1,611	16,339	14,704	50,034
Total disbursements	17,380	4,931	24,682	79,148	126,141
Deficiency of receipts over disbursements	(17,380)	(4,931)	(24,682)	-	(46,993)
Other financing sources:					
Transfers in	-	-	40,790	-	40,790
Total other financing sources	-	-	40,790	-	40,790
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(17,380)	(4,931)	16,108	-	(6,203)
Cash and investments - beginning	28,661	4,931	-	-	33,592
Cash and investments - ending	\$ 11,281	\$ -	\$ 16,108	\$ -	\$ 27,389
Cash and Investment Assets - Ending					
Cash and investments	\$ 11,281	\$ -	\$ 16,108	\$ -	\$ 27,389
Cash and Investment Fund Balance - Ending					
Unrestricted	\$ 11,281	\$ -	\$ 16,108	\$ -	\$ 27,389

GREENE SULLIVAN

• SPECIAL EDUCATION COOPERATIVE •

77 "A" Street N.E. Linton, Indiana 47441 Ph. (812) 847-8497 Fax (812) 847-0285

Judy A. Flowers
Director

GREENE SULLIVAN SPECIAL EDUCATION COOPERATIVE
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended June 30, 2008

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>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Buildings	\$ 81,812
Improvements other than buildings	6,811
Machinery and equipment	<u> 105,332</u>
 Total governmental activities, capital assets not being depreciated	 <u><u>\$ 193,955</u></u>

GREENE-SULLIVAN SPECIAL EDUCATION COOPERATIVE
RESULTS AND COMMENTS

CREDIT CARDS USED FOR PERSONAL EXPENSES

Judy Flowers, Director of Greene-Sullivan Special Education Cooperative, was issued a credit card by the Executive Board to be used for cooperative expenses incurred while performing the duties of the Director. The Board did not pass a resolution or a policy for credit card usage at the time of approval. The Director used the cooperative issued card to purchase numerous personal items and goods during the audit period. She did keep track of the personal expenditures and reimbursed the cooperative. From the period of October 1, 2005 to November 11, 2008, a total of \$40,517 was charged by the Director to the card for personal items. As of November 30, 2008, all the charges have been personally reimbursed by the Director.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

GREENE-SULLIVAN SPECIAL EDUCATION COOPERATIVE
RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS - USE OF CREDIT CARDS

The controls over the use of a credit card issued by the Cooperative Executive Board for use by Judy Flowers, Director of Greene-Sullivan Special Education Co-op, were insufficient. Weaknesses include a lack of a credit card use policy passed by the Board to express the objectives and proper uses of the card and a lack of proper oversight and review of expenditures charged to the card to ensure proper safeguarding of cooperative funds.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

INTERLOCAL AGREEMENT – PARTICIPATION IN PUBLIC EMPLOYEES RETIREMENT FUND

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

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

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

A similar comment appeared in a prior report.

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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

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

Compliance

We have audited the compliance of the Greene-Sullivan Special Education Cooperative (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 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

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)

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, executive 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

April 14, 2009

GREENE-SULLIVAN SPECIAL EDUCATION COOPERATIVE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2007 and 2008

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 06-30-07	Total Federal Awards Expended 06-30-08
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Special Education Cluster (IDEA)				
Special Education - Grants to States				
	84.027			
FY 05-06		14206-024-PN01	\$ 125,760	\$ -
FY 06-07		14207-024-PN01	1,557,491	131,655
FY 07-08		14208-024-PN01	-	1,584,804
Part B Carry-Over FY 05-06		14205-024-PN01	25,195	-
Part B Carry-Over FY 06-07		14206-024-PY02	56,809	4,931
Part B Carry-Over FY 07-08		14207-024-PY02	-	24,682
			<u>1,765,255</u>	<u>1,746,072</u>
Total for program				
Special Education - Preschool Grants				
	84.173			
FY 06-07		45707-024-PN01	78,842	-
FY 07-08		45708-024-PN01	-	79,148
			<u>78,842</u>	<u>79,148</u>
Total for program				
Total for cluster				
			<u>1,844,097</u>	<u>1,825,220</u>
Total for federal grantor agency				
			<u>1,844,097</u>	<u>1,825,220</u>
Total federal awards expended				
			<u>\$ 1,844,097</u>	<u>\$ 1,825,220</u>

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

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

Basis of Presentation

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

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of School Corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

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

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Significant deficiencies 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
Significant deficiencies 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
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Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
----------------	------------------------------------

Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee?	no
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Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

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

No matters are reportable.

GREENE-SULLIVAN SPECIAL EDUCATION COOPERATIVE
EXIT CONFERENCE

The contents of this report were discussed on April 14, 2009, with Ronald Bush, Chairman of the Executive Board; Marsha K. Brown, Treasurer; and Judy A. Flowers, Director. The officials concurred with our audit findings.