

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

AUDIT REPORT  
OF  
OLD NATIONAL TRAIL SPECIAL EDUCATION COOPERATIVE  
PUTNAM COUNTY, INDIANA  
July 1, 2007 to June 30, 2009



**FILED**  
03/19/2010



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Nancy Holsapple	07-01-07 to 12-31-10
Treasurer	Tammy Mitchener	07-01-07 to 11-11-08
	Vacant	11-12-08 to 06-28-09
	Melinda Shrout	06-29-09 to 12-31-10
President of the Board of Directors	Murray Pride	07-01-07 to 06-30-08
	Bruce Bernhardt	07-01-08 to 06-30-10



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE OLD NATIONAL TRAIL SPECIAL  
EDUCATION COOPERATIVE, PUTNAM COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Old National Trail Special Education Cooperative (School Corporation), as of and for the years ended June 30, 2008 and 2009, 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, 2008 and 2009, 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 16, 2010, 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.

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

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

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 16, 2010



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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 OLD NATIONAL TRAIL SPECIAL  
EDUCATION COOPERATIVE, PUTNAM COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Old National Trail Special Education Cooperative (School Corporation), as of and for the years ended June 30, 2008 and 2009, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated February 16, 2010. 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, Board of Directors, 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 16, 2010

OLD NATIONAL TRAIL 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>	<u>Net (Disbursement) and Changes in Net Assets Totals</u>
Governmental activities:		
Instruction	\$ 1,135,020	\$ (1,135,020)
Support services	1,294,818	(1,294,818)
Facilities acquisition and construction	<u>10,961</u>	<u>(10,961)</u>
Total governmental activities	<u>\$ 2,440,799</u>	<u>(2,440,799)</u>
General receipts:		
Other local sources		1,232,054
Grants and contributions not restricted to specific programs		<u>1,882,008</u>
Total general receipts		<u>3,114,062</u>
Change in net assets		673,263
Net assets - beginning		<u>-</u>
Net assets - ending		<u>\$ 673,263</u>
 <u>Assets</u>		
Cash and investments		<u>\$ 673,263</u>
 <u>Net Assets</u>		
Unrestricted		<u>\$ 673,263</u>

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

OLD NATIONAL TRAIL SPECIAL EDUCATION COOPERATIVE  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Totals</u>
Governmental activities:		
Instruction	\$ 1,475,360	\$ (1,475,360)
Support services	2,355,603	(2,355,603)
Facilities acquisition and construction	<u>29,703</u>	<u>(29,703)</u>
Total governmental activities	<u>\$ 3,860,666</u>	<u>(3,860,666)</u>
General receipts:		
Other local sources		1,603,229
Grants and contributions not restricted to specific programs		<u>2,133,854</u>
Total general receipts		<u>3,737,083</u>
Change in net assets		(123,583)
Net assets - beginning		<u>673,263</u>
Net assets - ending		<u>\$ 549,680</u>
 <u>Assets</u>		
Cash and investments		<u>\$ 549,680</u>
 <u>Net Assets</u>		
Unrestricted		<u>\$ 549,680</u>

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

OLD NATIONAL TRAIL 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

	Local 2007-08	Federal Grant 2007-08	Other	Totals
<b>Receipts:</b>				
Local sources	\$ 1,230,425	\$ -	\$ 1,629	\$ 1,232,054
Intermediate sources	-	-	123,654	123,654
Federal sources	-	1,537,606	220,748	1,758,354
	<u>1,230,425</u>	<u>1,537,606</u>	<u>346,031</u>	<u>3,114,062</u>
<b>Disbursements:</b>				
<b>Current:</b>				
Instruction	378,637	675,529	80,854	1,135,020
Support services	609,210	619,128	66,480	1,294,818
Facilities acquisition and construction	10,261	-	700	10,961
	<u>998,108</u>	<u>1,294,657</u>	<u>148,034</u>	<u>2,440,799</u>
Excess of receipts over disbursements	<u>232,317</u>	<u>242,949</u>	<u>197,997</u>	<u>673,263</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	48,794	48,794
Transfers out	-	-	(48,794)	(48,794)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of receipts and other financing sources over disbursements and other financing uses	232,317	242,949	197,997	673,263
Cash and investments - beginning	-	-	-	-
Cash and investments - ending	<u>\$ 232,317</u>	<u>\$ 242,949</u>	<u>\$ 197,997</u>	<u>\$ 673,263</u>
<b><u>Cash and Investment Assets - Ending</u></b>				
Cash and investments	<u>\$ 232,317</u>	<u>\$ 242,949</u>	<u>\$ 197,997</u>	<u>\$ 673,263</u>
<b><u>Cash and Investment Fund Balance - Ending</u></b>				
Unrestricted	<u>\$ 232,317</u>	<u>\$ 242,949</u>	<u>\$ 197,997</u>	<u>\$ 673,263</u>

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

OLD NATIONAL TRAIL 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, 2009

	Local 2007-08	Local 2008-09	Federal Grant 2007-08	Federal Grant 2008-09	Federal Grant 2007-08 Carry-over	Other	Totals
<b>Receipts:</b>							
Local sources	\$ 397,766	\$ 1,200,873	\$ -	\$ -	\$ -	\$ 4,590	\$ 1,603,229
Federal sources	-	-	462,378	1,581,708	-	89,768	2,133,854
<b>Total receipts</b>	<b>397,766</b>	<b>1,200,873</b>	<b>462,378</b>	<b>1,581,708</b>	<b>-</b>	<b>94,358</b>	<b>3,737,083</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	74,241	316,977	120,732	779,435	53,258	130,717	1,475,360
Support services	393,400	823,013	305,545	735,719	56,344	41,582	2,355,603
Facilities acquisition and construction	5,919	20,183	-	-	2,901	700	29,703
<b>Total disbursements</b>	<b>473,560</b>	<b>1,160,173</b>	<b>426,277</b>	<b>1,515,154</b>	<b>112,503</b>	<b>172,999</b>	<b>3,860,666</b>
Excess (deficiency) of receipts over disbursements	(75,794)	40,700	36,101	66,554	(112,503)	(78,641)	(123,583)
<b>Other financing sources (uses):</b>							
Transfers in	-	158,198	-	-	279,051	-	437,249
Transfers out	(156,523)	-	(279,050)	-	-	(1,676)	(437,249)
<b>Total other financing sources (uses)</b>	<b>(156,523)</b>	<b>158,198</b>	<b>(279,050)</b>	<b>-</b>	<b>279,051</b>	<b>(1,676)</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(232,317)	198,898	(242,949)	66,554	166,548	(80,317)	(123,583)
Cash and investments - beginning	232,317	-	242,949	-	-	197,997	673,263
Cash and investments - ending	\$ -	\$ 198,898	\$ -	\$ 66,554	\$ 166,548	\$ 117,680	\$ 549,680
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ -	\$ 198,898	\$ -	\$ 66,554	\$ 166,548	\$ 117,680	\$ 549,680
<b>Cash and Investment Fund Balance - Ending</b>							
Unrestricted	\$ -	\$ 198,898	\$ -	\$ 66,554	\$ 166,548	\$ 117,680	\$ 549,680

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

OLD NATIONAL TRAIL SPECIAL EDUCATION COOPERATIVE  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2008

	<u>Agency Funds</u>
Cash and investment fund balance - ending	<u>\$ (308,748)</u>

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

OLD NATIONAL TRAIL SPECIAL EDUCATION COOPERATIVE  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2009

	<u>Agency Funds</u>
Cash and investment fund balance - ending	<u>\$ (97,107)</u>

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

OLD NATIONAL TRAIL 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: Old National Trail 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 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 local 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 federal grant fund accounts for federal grants received to carry out the objectives of the Individuals with Disabilities Education Act (IDEA).

OLD NATIONAL TRAIL SPECIAL EDUCATION COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Additionally, the School Corporation reports the following fund type:

Agency funds account for assets held by the School Corporation as an agent for others and serves as control accounts for certain payroll 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.

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.

OLD NATIONAL TRAIL SPECIAL EDUCATION COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

- 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

Program Receipts

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

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 but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

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

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

OLD NATIONAL TRAIL SPECIAL EDUCATION COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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, 2008 and 2009, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

Fund	2008	2009
Federal Tax	\$ 157,458	\$ -
State Tax	21,287	155,172
County Tax	-	4,602
Group Health Insurance	209,956	-
American Fidelity Life Insurance	886	-
Medical Reimbursement Dependent Care		
Administrative Fees	-	1,728
TSA Annuities	44,122	12,080
Putnam County Clerk	15	-
ISTA Dues	127	14,579
Fringe Life	-	94

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, 2009, the School Corporation had deposit balances in the amount of \$459,991. Of this amount, none was exposed to custodial credit risk.

2. Investments

As of June 30, 2009, the School Corporation had no investments.

OLD NATIONAL TRAIL SPECIAL EDUCATION COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2008 and 2009, were as follows:

Transfer From	Transfer To	2008	2009
Local 2007-08	Local 2008-09	\$ -	\$ 156,523
Federal Grant 2007-08	Federal Grant 2007-08 Carry-over	-	279,051
Other governmental funds	Local 2008-09	-	1,675
Other governmental funds	Other governmental funds	48,794	-
		<u>48,794</u>	<u>-</u>
Totals		<u>\$ 48,794</u>	<u>\$ 437,249</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; 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.

Medical Benefits to Employees, Retirees, and Dependents (Excluding Postemployment Benefits)

During 2007, the School Corporation joined with other governmental entities to form the Wabash Valley/West Central Indiana Insurance Trust, a public entity risk pool currently operating as a common risk management and insurance program for 18 member governmental entities. This risk pool was formed in 1992. The purpose of the risk pool is to provide a medium for the funding and administration of medical benefits to employees, retirees, and dependents (excluding post-employment benefits). The School Corporation pays an annual premium to the risk pool for its medical coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$150,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$150,000 limit.

B. Subsequent Event

On December 10, 2008, the Board of School Trustees of the Greencastle Community School Corporation voted to withdraw from membership in the Old National Trail Special Education Cooperative effective at the end of June, 2010. This will affect future federal funding, programs offered, employment of staff, and local costs of the other member schools.

OLD NATIONAL TRAIL SPECIAL EDUCATION COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. Other Postemployment Benefits

Single-Employer Defined Benefit Healthcare Plan

Plan Description

The Old National Trail Special Education Cooperative healthcare plan is a single-employer defined benefit healthcare plan administered by Wabash Valley/West Central Indiana Insurance Trust. The plan provides medical benefits to eligible retirees and their spouses. IC 5-10-08 assigns the authority to establish and amend benefit provisions to the School Corporation. The Wabash Valley/West Central Indiana Insurance Trust issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for the participants. That report may be obtained by contacting the plan administrator:

Wabash Valley/West Central Indiana Insurance Trust  
P.O. Box 518  
Royal Center, IN 46978  
1-800-880-4956

Funding Policy

The contribution requirements of plan members for the Old National Trail Special Education Cooperative healthcare plan are established by the School Corporation's School Board. The required contribution is based on projected pay-as-you-go financing requirements. For the two-year period ending June 30, 2009, the School Corporation contributed \$9,000 to the plan for current premiums (approximately 31% of total premiums). Plan members receiving benefits contributed \$20,058, or approximately 69% of the total premiums, through their required monthly contribution for retiree-only coverage.

D. Pension Plans

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

a. Public Employees' Retirement Fund

Plan Description

On July 1, 2007, the School Corporation joined the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

OLD NATIONAL TRAIL SPECIAL EDUCATION COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

Actuarial Information for the Above Plan

Since the School Corporation joined PERF on July 1, 2007, actuarial information was not available other than the Schedule of Funding Progress information at July 1, 2008.

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

On July 1, 2007, the School Corporation began contributing 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

OLD NATIONAL TRAIL SPECIAL EDUCATION COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2008 and 2009, were \$67,821 and \$114,645, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

OLD NATIONAL TRAIL SPECIAL EDUCATION COOPERATIVE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-08	\$ -	\$ 31,615	\$ (31,615)	0%	\$ 295,923	(11%)

OLD NATIONAL TRAIL 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

	J Moore Vocational	Autism Fund	Federal Grant 2006-07 Carry-over	Preschool Grant 2007-08 Carry-over	Preschool Grant 2007-08	Preschool Outreach Speech	Totals
<b>Receipts:</b>							
Local sources	\$ 1,522	\$ 107	\$ -	\$ -	\$ -	\$ -	\$ 1,629
Intermediate sources	-	-	-	-	123,654	-	123,654
Federal sources	-	-	168,893	51,855	-	-	220,748
<b>Total receipts</b>	<b>1,522</b>	<b>107</b>	<b>168,893</b>	<b>51,855</b>	<b>123,654</b>	<b>-</b>	<b>346,031</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	1,164	-	50,285	784	28,621	-	80,854
Support services	250	-	66,230	-	-	-	66,480
Facilities acquisition and construction	-	-	700	-	-	-	700
<b>Total disbursements</b>	<b>1,414</b>	<b>-</b>	<b>117,215</b>	<b>784</b>	<b>28,621</b>	<b>-</b>	<b>148,034</b>
Excess of receipts over disbursements	108	107	51,678	51,071	95,033	-	197,997
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	-	-	48,794	48,794
Transfers out	-	-	-	-	(48,794)	-	(48,794)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(48,794)</b>	<b>48,794</b>	<b>-</b>
Excess of receipts and other financing sources over disbursements and other financing uses	108	107	51,678	51,071	46,239	48,794	197,997
Cash and investments - beginning	-	-	-	-	-	-	-
Cash and investments - ending	\$ 108	\$ 107	\$ 51,678	\$ 51,071	\$ 46,239	\$ 48,794	\$ 197,997
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ 108	\$ 107	\$ 51,678	\$ 51,071	\$ 46,239	\$ 48,794	\$ 197,997
<b>Cash and Investment Fund Balance - Ending</b>							
Unrestricted	\$ 108	\$ 107	\$ 51,678	\$ 51,071	\$ 46,239	\$ 48,794	\$ 197,997

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

OLD NATIONAL TRAIL 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, 2009

	J Moore Vocational	Autism Fund	Wellness Grant	Federal Grant 2006-07 Carry-over	Preschool Grant 2007-08 Carry-over	Preschool Grant 2007-08	Preschool Outreach Speech	Preschool Grant 2008-09	Totals
<b>Receipts:</b>									
Local sources	\$ 3,740	\$ -	\$ 850	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,590
Federal sources	-	-	-	-	25,915	-	-	63,853	89,768
<b>Total receipts</b>	<b>3,740</b>	<b>-</b>	<b>850</b>	<b>-</b>	<b>25,915</b>	<b>-</b>	<b>-</b>	<b>63,853</b>	<b>94,358</b>
<b>Disbursements:</b>									
<b>Current:</b>									
Instruction	633	-	-	14,003	29,098	40,879	-	46,104	130,717
Support services	135	-	788	35,299	-	5,360	-	-	41,582
Facilities acquisition and construction	-	-	-	700	-	-	-	-	700
<b>Total disbursements</b>	<b>768</b>	<b>-</b>	<b>788</b>	<b>50,002</b>	<b>29,098</b>	<b>46,239</b>	<b>-</b>	<b>46,104</b>	<b>172,999</b>
Excess (deficiency) of receipts over disbursements	2,972	-	62	(50,002)	(3,183)	(46,239)	-	17,749	(78,641)
<b>Other financing (uses):</b>									
Transfers out	-	-	-	(1,676)	-	-	-	-	(1,676)
<b>Total other financing (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,676)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,676)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,972	-	62	(51,678)	(3,183)	(46,239)	-	17,749	(80,317)
Cash and investments - beginning	108	107	-	51,678	51,071	46,239	48,794	-	197,997
Cash and investments - ending	\$ 3,080	\$ 107	\$ 62	\$ -	\$ 47,888	\$ -	\$ 48,794	\$ 17,749	\$ 117,680
<u>Cash and Investment Assets - Ending</u>									
Cash and investments	\$ 3,080	\$ 107	\$ 62	\$ -	\$ 47,888	\$ -	\$ 48,794	\$ 17,749	\$ 117,680
<u>Cash and Investment Fund Balance - Ending</u>									
Unrestricted	\$ 3,080	\$ 107	\$ 62	\$ -	\$ 47,888	\$ -	\$ 48,794	\$ 17,749	\$ 117,680

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

OLD NATIONAL TRAIL SPECIAL SERVICE COOPERATIVE  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For the Year Ended June 30, 2008

	<u>Federal Tax</u>	<u>Social Security</u>	<u>State Tax</u>	<u>County Tax</u>	<u>Group Health Insurance</u>
Additions:					
Agency fund additions	\$ 157,108	\$ 115,725	\$ 51,386	\$ 20,323	\$ 41,528
Deductions:					
Agency fund deductions	<u>314,566</u>	<u>-</u>	<u>72,673</u>	<u>14,818</u>	<u>251,484</u>
Excess (deficiency) of total additions over total deductions	(157,458)	115,725	(21,287)	5,505	(209,956)
Cash and investment fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investment fund balance - ending	<u>\$ (157,458)</u>	<u>\$ 115,725</u>	<u>\$ (21,287)</u>	<u>\$ 5,505</u>	<u>\$ (209,956)</u>

OLD NATIONAL TRAIL SPECIAL SERVICE COOPERATIVE  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For the Year Ended June 30, 2008  
 (Continued)

	<u>Group Cancer</u>	<u>American Fidelity Life Insurance</u>	<u>WVWCI Dependent Supplemental Life Insurance</u>	<u>Group Long Term Disability</u>	<u>Medical Reimbursement Dependent Care Administrative Fees</u>
Additions:					
Agency fund additions	\$ 9,528	\$ 2,481	\$ 113	\$ 4,674	\$ 6,942
Deductions:					
Agency fund deductions	<u>9,477</u>	<u>3,367</u>	<u>17</u>	<u>996</u>	<u>6,894</u>
Excess (deficiency) of total additions over total deductions	51	(886)	96	3,678	48
Cash and investment fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investment fund balance - ending	<u>\$ 51</u>	<u>\$ (886)</u>	<u>\$ 96</u>	<u>\$ 3,678</u>	<u>\$ 48</u>

OLD NATIONAL TRAIL SPECIAL SERVICE COOPERATIVE  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For the Year Ended June 30, 2008  
 (Continued)

	<u>TSA</u> <u>Annuities</u>	<u>Putnam</u> <u>County Clerk</u>	<u>HRI Dental</u> <u>Insurance</u>	<u>ISTA</u> <u>Dues</u>	<u>Totals</u>
Additions:					
Agency fund additions	\$ 118,226	\$ 200	\$ 5,295	\$ 6,310	\$ 539,839
Deductions:					
Agency fund deductions	<u>162,348</u>	<u>215</u>	<u>5,295</u>	<u>6,437</u>	<u>848,587</u>
Excess (deficiency) of total additions over total deductions	(44,122)	(15)	-	(127)	(308,748)
Cash and investment fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investment fund balance - ending	<u>\$ (44,122)</u>	<u>\$ (15)</u>	<u>\$ -</u>	<u>\$ (127)</u>	<u>\$ (308,748)</u>

OLD NATIONAL TRAIL SPECIAL SERVICE COOPERATIVE  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For the Year Ended June 30, 2009

	<u>Federal Tax</u>	<u>Social Security</u>	<u>State Tax</u>	<u>County Tax</u>	<u>Group Health Insurance</u>	<u>Group Cancer</u>
Additions:						
Agency fund additions	\$ 370,575	\$ 17,917	\$ 85,779	\$ 20,421	\$ 259,357	\$ 17,029
Deductions:						
Agency fund deductions	<u>205,976</u>	<u>65,766</u>	<u>219,664</u>	<u>30,528</u>	<u>37,908</u>	<u>17,066</u>
Excess (deficiency) of total additions over total deductions	164,599	(47,849)	(133,885)	(10,107)	221,449	(37)
Cash and investment fund balance - beginning	<u>(157,458)</u>	<u>115,725</u>	<u>(21,287)</u>	<u>5,505</u>	<u>(209,956)</u>	<u>51</u>
Cash and investment fund balance - ending	<u>\$ 7,141</u>	<u>\$ 67,876</u>	<u>\$ (155,172)</u>	<u>\$ (4,602)</u>	<u>\$ 11,493</u>	<u>\$ 14</u>

OLD NATIONAL TRAIL SPECIAL SERVICE COOPERATIVE  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For the Year Ended June 30, 2009  
 (Continued)

	American Fidelity Life Insurance	WWCI Dependent Supplemental Life Insurance	Group Long Term Disability	Medical Reimbursement Dependent Care Administrative Fees	TSA Annuities
Additions:					
Agency fund additions	\$ 4,180	\$ 632	\$ 2,210	\$ 10,380	\$ 169,568
Deductions:					
Agency fund deductions	<u>2,671</u>	<u>402</u>	<u>2,283</u>	<u>12,156</u>	<u>137,526</u>
Excess (deficiency) of total additions over total deductions	1,509	230	(73)	(1,776)	32,042
Cash and investment fund balance - beginning	<u>(886)</u>	<u>96</u>	<u>3,678</u>	<u>48</u>	<u>(44,122)</u>
Cash and investment fund balance - ending	<u>\$ 623</u>	<u>\$ 326</u>	<u>\$ 3,605</u>	<u>\$ (1,728)</u>	<u>\$ (12,080)</u>

OLD NATIONAL TRAIL SPECIAL SERVICE COOPERATIVE  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For the Year Ended June 30, 2009  
 (Continued)

	Putnam County Clerk	HRI Dental Insurance	ISTA Dues	Fringe Life	Totals
Additions:					
Agency fund additions	\$ 268	\$ 6,870	\$ 7,538	\$ 2,068	\$ 974,792
Deductions:					
Agency fund deductions	253	6,800	21,990	2,162	763,151
Excess (deficiency) of total additions over total deductions	15	70	(14,452)	(94)	211,641
Cash and investment fund balance - beginning	(15)	-	(127)	-	(308,748)
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 70</u>	<u>\$ (14,579)</u>	<u>\$ (94)</u>	<u>\$ (97,107)</u>

OLD NATIONAL TRAIL SPECIAL EDUCATION COOPERATIVE  
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCES

The cash balance of the following agency funds were overdrawn at June 30, 2008 and 2009:

Fund	06-30-08	06-30-09
Federal Tax	\$ 157,458	\$ -
State Tax	21,287	155,172
County Tax	-	4,602
Group Health Insurance	209,956	-
American Fidelity Insurance	886	-
Medical Reimbursement Dependent Care		
Administrative Fees	-	1,728
TSA Annuities	44,122	12,080
Putnam County Clerk	15	-
ISTA Dues	127	14,579

The overdrawn cash balances are a result of the former Treasurer's improper accounting for payroll withholdings. The current Treasurer is working on correcting these funds by the next audit.

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

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Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://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 OLD NATIONAL TRAIL SPECIAL  
EDUCATION COOPERATIVE, PUTNAM COUNTY, INDIANA

Compliance

We have audited the compliance of the Old National Trail 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, 2008 and 2009. 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, 2008 and 2009.

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, Board of Directors, 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 16, 2010

OLD NATIONAL TRAIL SPECIAL EDUCATION COOPERATIVE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2008 and 2009

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 06-30-08	Total Federal Awards Expended 06-30-09
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Special Education Cluster				
Special Education - Grants to States				
	84.027			
		14207-048-PY02	\$ 135,248	\$ 33,645
		14208-048-PN01	1,468,881	468,533
		14208-048-PY02	-	112,503
		14209-048-PN01	-	1,515,154
			<u>1,604,129</u>	<u>2,129,835</u>
Total for program				
			1,604,129	2,129,835
Special Education - Preschool Grants				
	84.173			
		45708-048-PN01	30,983	43,876
		45708-048-PY02	5,959	23,923
		45709-048-PN01	-	46,104
			<u>36,942</u>	<u>113,903</u>
Total for program				
			36,942	113,903
Total federal awards expended			<u>\$ 1,641,071</u>	<u>\$ 2,243,738</u>

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

OLD NATIONAL TRAIL 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 Old National Trail 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.

OLD NATIONAL TRAIL 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

Identification of Major Programs:

<u>CFDA</u> <u>Number</u>	<u>Name of Federal Cluster</u>
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Special Education Cluster

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

OLD NATIONAL TRAIL SPECIAL EDUCATION COOPERATIVE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

OLD NATIONAL TRAIL SPECIAL EDUCATION COOPERATIVE  
EXIT CONFERENCE

The contents of this report were discussed on February 16, 2010, with, Nancy Holsapple, Director; Melinda Shrout, Treasurer; Bruce Bernhardt, President of the Board; and Carrie Milner, Board member.