

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

AUDIT REPORT
OF
NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
LAKE COUNTY, INDIANA
July 1, 2008 to June 30, 2010



FILED
03/01/2011

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
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	5-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis	7-8
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds	9-10
Proprietary Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Proprietary Funds.....	11-12
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds	13-14
Notes to Financial Statements	15-23
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds.....	24-33
Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Agency Fund	34-35
Schedule of Capital Assets.....	36
Schedule of Long-Term Debt	37
Supplemental Audit of Federal Awards:	
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.....	40-41
Schedule of Expenditures of Federal Awards	42
Note to Schedule of Expenditures of Federal Awards.....	43
Schedule of Findings and Questioned Costs	44-46
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings	47
Corrective Action Plan.....	48
Exit Conference.....	49

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Denise Bashore	07-01-08 to 06-30-11
Director of the Cooperative	Patricia Pierce	07-01-08 to 06-30-11
President of the Board of Managers	Larry Biggs	07-01-08 to 06-30-11



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 NORTHWEST INDIANA
SPECIAL EDUCATION COOPERATIVE, LAKE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northwest Indiana Special Education Cooperative (School Corporation), as of and for the years ended June 30, 2009 and 2010, 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, 2009 and 2010, 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 December 8, 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 integral part of 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, Schedules of Funding Progress, Schedule of Contributions From the Employer and Other Contributing Entities, 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, Schedule of Capital Assets, and Schedule of Long-Term Debt 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 and Schedule of Long-Term Debt have 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 them.

STATE BOARD OF ACCOUNTS

December 8, 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 NORTHWEST INDIANA
SPECIAL EDUCATION COOPERATIVE, LAKE COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northwest Indiana Special Education Cooperative (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated December 8, 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.

The School Corporation's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Corporation's management, Board of Managers, 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

December 8, 2010

NORTHWEST INDIANA 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>Program Receipts</u>	<u>Charges for Services</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
				<u>Totals</u>
Governmental activities:				
Instruction	\$ 19,034,155	\$ -	-	\$ (19,034,155)
Support services	3,707,073	6,723	-	(3,700,350)
Noninstructional services	17,681	-	-	(17,681)
Facilities acquisition and construction	142,523	-	-	(142,523)
Nonprogrammed charges	52,691	-	-	(52,691)
Total governmental activities	<u>\$ 22,954,123</u>	<u>\$ 6,723</u>	<u>-</u>	<u>(22,947,400)</u>
General receipts:				
Property taxes				249,021
Other local sources				15,834,817
State aid				16,432
Grants and contributions not restricted to specific programs				7,764,351
Investment earnings				39,419
Other				17,638
Total general receipts				<u>23,921,678</u>
Change in net assets				974,278
Net assets - beginning				<u>4,033,128</u>
Net assets - ending				<u>\$ 5,007,406</u>
<u>Assets</u>				
Cash and investments				\$ 4,961,420
Restricted assets:				
Cash and investments				<u>45,986</u>
Total assets				<u>\$ 5,007,406</u>
<u>Net Assets</u>				
Restricted for:				
Other purposes				\$ 45,986
Unrestricted				<u>4,961,420</u>
Total net assets				<u>\$ 5,007,406</u>

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

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 20,326,798	\$ -	\$ 310	\$ (20,326,488)
Support services	4,156,335	5,395	-	(4,150,940)
Noninstructional services	16,612	-	-	(16,612)
Facilities acquisition and construction	142,153	-	-	(142,153)
Nonprogrammed charges	<u>2,884,292</u>	<u>-</u>	<u>-</u>	<u>(2,884,292)</u>
Total governmental activities	<u>\$ 27,526,190</u>	<u>\$ 5,395</u>	<u>\$ 310</u>	<u>(27,520,485)</u>
General receipts:				
Property taxes				287,416
Other local sources				15,942,882
State aid				5,789
Grants and contributions not restricted to specific programs				11,104,482
Investment earnings				18,480
Other				<u>2,614</u>
Total general receipts				<u>27,361,663</u>
Change in net assets				(158,822)
Net assets - beginning				<u>5,007,406</u>
Net assets - ending				<u>\$ 4,848,584</u>
<u>Assets</u>				
Cash and investments				\$ 4,432,377
Restricted assets:				
Cash and investments				<u>416,207</u>
Total assets				<u>\$ 4,848,584</u>
<u>Net Assets</u>				
Restricted for:				
Other purposes				\$ 416,207
Unrestricted				<u>4,432,377</u>
Total net assets				<u>\$ 4,848,584</u>

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

NORTHWEST INDIANA 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

	General	Special Education Grant 7	Special Education Grant 8	Special Education Grant 9	IDEA ARRA	Other	Totals
Receipts:							
Local sources	\$ 15,699,700	\$ -	\$ -	\$ -	\$ -	\$ 430,279	\$ 16,129,979
State sources	447,932	-	-	-	-	-	447,932
Federal sources	-	600,632	6,410,000	-	-	322,219	7,332,851
Other	17,419	-	-	-	-	220	17,639
Total receipts	16,165,051	600,632	6,410,000	-	-	752,718	23,928,401
Disbursements:							
Current:							
Instruction	12,844,751	714,640	5,346,453	-	-	174,297	19,080,141
Support services	2,811,534	80,307	438,310	-	-	376,922	3,707,073
Noninstructional services	8,789	-	-	-	-	8,892	17,681
Facilities acquisition and construction	-	-	-	-	-	142,523	142,523
Nonprogrammed charges	-	-	-	-	-	52,691	52,691
Total disbursements	15,665,074	794,947	5,784,763	-	-	755,325	23,000,109
Excess (deficiency) of receipts over disbursements	499,977	(194,315)	625,237	-	-	(2,607)	928,292
Other financing sources (uses):							
Transfers in	728,958	97	713,292	-	-	43,829	1,486,176
Transfers out	(749,196)	-	(713,292)	-	-	(23,688)	(1,486,176)
Total other financing sources (uses)	(20,238)	97	-	-	-	20,141	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	479,739	(194,218)	625,237	-	-	17,534	928,292
Cash and investments - beginning	3,328,554	194,218	-	-	-	510,356	4,033,128
Cash and investments - ending	\$ 3,808,293	\$ -	\$ 625,237	\$ -	\$ -	\$ 527,890	4,961,420
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:							
Internal service funds are used by management to charge the costs of certain services to individual funds. The receipts and disbursements of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.							
							45,986
Net assets of governmental activities							<u>\$ 5,007,406</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 3,808,293	\$ -	\$ 625,237	\$ -	\$ -	\$ 527,890	\$ 4,961,420
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 3,808,293	\$ -	\$ 625,237	\$ -	\$ -	\$ 527,890	\$ 4,961,420

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

NORTHWEST INDIANA 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, 2010

	General	Special Education Grant 7	Special Education Grant 8	Special Education Grant 9	IDEA ARRA	Other	Totals
Receipts:							
Local sources	\$ 15,786,843	\$ -	\$ -	\$ -	\$ 46,300	\$ 421,031	\$ 16,254,174
State sources	437,289	-	-	-	-	310	437,599
Federal sources	-	-	42,836	6,484,000	3,683,402	462,744	10,672,982
Other	2,613	-	-	-	-	-	2,613
Total receipts	16,226,745	-	42,836	6,484,000	3,729,702	884,085	27,367,368
Disbursements:							
Current:							
Instruction	13,559,604	-	581,054	5,979,738	369,849	156,088	20,646,333
Support services	2,926,409	-	89,690	476,787	329,610	384,525	4,207,021
Noninstructional services	8,331	-	-	-	-	8,281	16,612
Facilities acquisition and construction	-	-	-	8,318	-	133,835	142,153
Nonprogrammed charges	-	-	-	-	2,826,461	57,831	2,884,292
Total disbursements	16,494,344	-	670,744	6,464,843	3,525,920	740,560	27,896,411
Excess (deficiency) of receipts over disbursements	(267,599)	-	(627,908)	19,157	203,782	143,525	(529,043)
Other financing sources (uses):							
Transfers in	1,519,290	-	2,671	1,391,009	63,052	82,241	3,058,263
Transfers out	(1,525,523)	-	-	(1,391,009)	(63,052)	(78,679)	(3,058,263)
Total other financing sources (uses)	(6,233)	-	2,671	-	-	3,562	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(273,832)	-	(625,237)	19,157	203,782	147,087	(529,043)
Cash and investments - beginning	3,808,293	-	625,237	-	-	527,890	4,961,420
Cash and investments - ending	\$ 3,534,461	\$ -	\$ -	\$ 19,157	\$ 203,782	\$ 674,977	4,432,377
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:							
Internal service funds are used by management to charge the costs of certain services to individual funds. The receipts and disbursements of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.							
							416,207
Net assets of governmental activities							\$ 4,848,584
Cash and Investment Assets - Ending							
Cash and investments	\$ 3,534,461	\$ -	\$ -	\$ 19,157	\$ 203,782	\$ 674,977	\$ 4,432,377
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 3,534,461	\$ -	\$ -	\$ 19,157	\$ 203,782	\$ 674,977	\$ 4,432,377

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

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2009

	Internal Service Fund
Operating receipts:	
Charges for services	\$ 45,986
Operating disbursements:	
	-
Excess (deficiency) of operating receipts over operating disbursements and change in net assets	45,986
Cash and investment fund balance - beginning	-
Cash and investment fund balance - ending	\$ 45,986
 <u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	\$ 45,986
 <u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	\$ 45,986

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

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2010

	<u>Internal Service Fund</u>
Operating receipts:	
Charges for services	<u>\$ 2,516,681</u>
Operating disbursements:	
Insurance claims and expense	<u>2,146,460</u>
Excess (deficiency) of operating receipts over operating disbursements and change in net assets	370,221
Cash and investment fund balance - beginning	<u>45,986</u>
Cash and investment fund balance - ending	<u><u>\$ 416,207</u></u>
 <u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	<u><u>\$ 416,207</u></u>
 <u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	<u><u>\$ 416,207</u></u>

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

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

	Pension Trust Fund	Agency Fund
Additions:		
Contributions:		
Employer	\$ 150,000	
Plan members	5,519	
Total contributions	155,519	
Investment earnings:		
Interest	8,845	
Total additions	164,364	
Deductions:		
Benefits	258,695	
Excess (deficiency) of total additions over total deductions	(94,331)	
Cash and investment fund balance - beginning	1,047,332	
Cash and investment fund balance - ending	\$ 953,001	\$ 90,191
Net assets:		
Cash and investments	\$ 953,001	
Total net assets - cash and investment basis held in trust	\$ 953,001	

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

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2010

	Pension Trust Fund	Agency Fund
Additions:		
Contributions:		
Plan members	\$ 454	
Investment earnings:		
Interest	5,836	
Total additions	6,290	
Deductions:		
Benefits	211,844	
Excess (deficiency) of total additions over total deductions	(205,554)	
Cash and investment fund balance - beginning	953,001	
Cash and investment fund balance - ending	\$ 747,447	\$ 88,291
Net assets:		
Cash and investments	\$ 747,447	
Total net assets - cash and investment basis held in trust	\$ 747,447	

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

NORTHWEST INDIANA 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: Northwest Indiana 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.

Fund Financial Statements

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

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The special education grant 7 fund accounts for the major annual grant expenditures related to special education.

The special education grant 8 fund accounts for the major annual grant expenditures related to special education.

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
(Continued)

The special education grant 9 fund accounts for the major annual grant expenditures related to special education.

The IDEA ARRA fund accounts for the federal grant receipts and disbursements for the American Recovery and Reinvestment Act (ARRA) of 2009 Part B, IDEA Recovery Funds for Services to Students with Disabilities.

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for all receipts and disbursements from the School Corporation's self-insurance fund.

The pension trust fund accounts for bonds and payments anticipated to be made to employees on or after the termination of employment or to pay postretirement or severance benefits held by the school corporation in a trustee capacity.

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

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary 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.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds.

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.

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Assets and Cash and Investment Balances

1. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. 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.

3. Property Taxes

Normally, property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which may become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

4. Capital Assets

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

5. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as a liability in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

6. 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."

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

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

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary discretely presented component units 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 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 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.
4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

Government-Wide Financial Statements

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

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
(Continued)

1. 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 loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.
2. Primary government and component unit activity – Resource flows between the primary government and the discretely-presented component units are reported as if they were external transactions and are classified separately from internal activities within the primary government.

G. Rounding Differences

The financial statements may contain immaterial differences due to rounding of amounts when the statements were compiled. These differences are considered trivial and do not affect the overall presentation of the financial statements.

II. Stewardship, Compliance and Accountability

Budgetary Information

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

The fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following January 1. The budget is not advertised. Prior to November 1, the governing board, through the passage of a resolution, approves the budget for the next year. This is when the budget becomes legally enacted. Copies of the budget resolution are sent each of the member school corporations so they can include their portion of the budget within their own budgets.

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

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. IC 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's deposit policy for custodial credit risk is that all funds are deposited at an approved depository. At June 30, 2010, the School Corporation had deposit balances in the amount of \$5,684,322. Of this amount, none was exposed to custodial credit risk.

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2009 and 2010, were as follows:

Transfer From	Transfer To	2008-2009	2009-2010
General Fund	Special Education Grant 7 Fund	\$ 97	\$ -
General Fund	Special Education Grant 8 Fund	713,292	2,671
General Fund	Special Education Grant 9 Fund	-	1,391,009
General Fund	IDEA ARRA Fund	-	63,052
General Fund	Other Governmental Funds	35,807	68,791
General Fund			
Special Education Grant 8 Fund	General Fund	713,292	-
Special Education Grant 9 Fund	General Fund	-	1,391,009
IDEA ARRA Fund	General Fund	-	63,052
Other Governmental Funds	General Fund	15,666	65,229
Other Governmental Funds	Other Governmental Funds	<u>8,022</u>	<u>13,450</u>
Totals		<u>\$ 1,486,176</u>	<u>\$ 3,058,263</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; 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.

The School Corporation has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees, and dependents. The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. The School Corporation purchases commercial insurance for claims in excess of coverage provided by the fund.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Subsequent Events

As of July 1, 2010, Crown Point Community School Corporation is no longer a member school of NISEC.

As of July 1, 2010, the school lunch and breakfast program is now a satellite of the Merrillville Community School Corporation instead of the Crown Point Community School Corporation since the later is no longer a member school of NISEC.

On October 13, 2010, the Board of Managers passed a resolution creating a Rainy Day Fund.

Prior to July 1, 2010, the federal grants through the Indiana Department of Education were on an advance payment system. There were times when the payment from the State was not received by the end of the month, causing a negative balance in the federal funds. NISEC temporarily transferred money from the General Fund until the federal funds were received. Once those federal funds were received, another transfer was prepared returning the temporarily transferred money to the General Fund. As of July 1, 2010, the Indiana Department of Education has moved to a reimbursement process for the federal grants. NISEC must spend the money and then request for reimbursement the following month. The reimbursement requests are based on actual disbursements. The federal funds will always have a negative balance when a reimbursement system is used. NISEC will continue to temporarily transfer money from the General Fund to the federal funds each month so that there is no deficit in the federal funds at the end of each month.

C. Other Postemployment Benefits

Single-Employer Defined Benefit Healthcare Plan

Plan Description

The Healthcare Plan is a single-employer defined benefit healthcare plan administered by Anthem Blue Cross Blue Shield. The plan provides medical and dental insurance benefits to eligible retirees and their spouses. Indiana Code 5-10-8 assigns the authority to establish and amend benefit provisions to the School Corporation. The Healthcare Plan 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:

Anthem Blue Cross Blue Shield
PO Box 37010
Louisville, KY 40233-7010
Ph. (800) 280-7293

Funding Policy

The contribution requirements of plan members for the Healthcare Plan are established by the School Corporation's governing board. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the governing board. For the year ended June 30, 2010, the School Corporation contributed \$2,203,697 to the plan for current premiums (approximately 74% of total premiums). Plan members receiving benefits contributed \$767,876, or approximately 26% of the total premiums, through their required contribution of \$107 to \$237 per month for retiree-only coverage.

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the School Corporation during the period were \$829,278.

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

Teachers' Retirement Fund

Plan Description

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

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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's contributions to the plan during the period were \$2,234,736.

NORTHWEST INDIANA 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

	Transportation Operating	Food Service	Textbook	Instructional Support	Summer Enrichment Program United Way	Continuing Education School	Recreational Activities
Receipts:							
Local sources	\$ 46,956	\$ 5,777	\$ 2,351	\$ 2,047	\$ 44,726	\$ 835	\$ 1,612
Federal sources	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	46,956	5,777	2,351	2,047	44,726	835	1,612
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	43,693	139	3,581	4,060	2,761	-	775
Noninstructional services	-	8,093	-	-	-	-	265
Facilities acquisition and construction	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	52,691	-	-
Total disbursements	43,693	8,232	3,581	4,060	55,452	-	1,040
Excess (deficiency) of receipts over disbursements	3,263	(2,455)	(1,230)	(2,013)	(10,726)	835	572
Other financing sources (uses):							
Transfers in	-	2,455	-	-	-	-	-
Transfers out	(7,030)	-	-	-	-	-	-
Total other financing sources (uses)	(7,030)	2,455	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,767)	-	(1,230)	(2,013)	(10,726)	835	572
Cash and investments - beginning	29,129	-	8,031	5,164	10,726	52	7,571
Cash and investments - ending	\$ 25,362	\$ -	\$ 6,801	\$ 3,151	\$ -	\$ 887	\$ 8,143
Cash and Investment Assets - Ending							
Cash and investments	\$ 25,362	\$ -	\$ 6,801	\$ 3,151	\$ -	\$ 887	\$ 8,143
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 25,362	\$ -	\$ 6,801	\$ 3,151	\$ -	\$ 887	\$ 8,143

NORTHWEST INDIANA 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
 (Continued)

	Miscellaneous Programs	Inservice	Teacher Quality Improvement	Teacher Quality Improvement Workshop	Paraprofessional Testing	Very Special Arts
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 1,450	\$ 945	\$ 809
Federal sources	-	-	-	-	-	-
Other	-	1	-	-	-	-
Total receipts	-	1	-	1,450	945	809
Disbursements:						
Current:						
Instruction	-	-	-	-	-	-
Support services	-	-	-	-	900	-
Noninstructional services	-	-	-	-	-	534
Facilities acquisition and construction	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	-	-	-	-	900	534
Excess (deficiency) of receipts over disbursements	-	1	-	1,450	45	275
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	1	-	1,450	45	275
Cash and investments - beginning	220	1,158	4,292	48	655	160
Cash and investments - ending	\$ 220	\$ 1,159	\$ 4,292	\$ 1,498	\$ 700	\$ 435
Cash and Investment Assets - Ending						
Cash and investments	\$ 220	\$ 1,159	\$ 4,292	\$ 1,498	\$ 700	\$ 435
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 220	\$ 1,159	\$ 4,292	\$ 1,498	\$ 700	\$ 435

NORTHWEST INDIANA 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
 (Continued)

	Contributions 10	Contributions 7	Contributions 8	Contributions 9	Beginning Teacher Internship Program	Lake County Summit
Receipts:						
Local sources	\$ -	\$ -	\$ 25,000	\$ 25,000	\$ -	\$ -
Federal sources	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	-	-	25,000	25,000	-	-
Disbursements:						
Current:						
Instruction	-	-	-	-	17,583	-
Support services	-	6,010	24,500	-	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	-	6,010	24,500	-	17,583	-
Excess (deficiency) of receipts over disbursements	-	(6,010)	500	25,000	(17,583)	-
Other financing sources (uses):						
Transfers in	-	33	-	-	17,583	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	33	-	-	17,583	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(5,977)	500	25,000	-	-
Cash and investments - beginning	-	5,977	-	-	-	524
Cash and investments - ending	\$ -	\$ -	\$ 500	\$ 25,000	\$ -	\$ 524
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ 500	\$ 25,000	\$ -	\$ 524
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ -	\$ -	\$ 500	\$ 25,000	\$ -	\$ 524

NORTHWEST INDIANA 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
 (Continued)

	Art Department Grant	PATINS 7	PATINS 8	PATINS 9	Special Education Early Childhood 7	Special Education Early Childhood 8
Receipts:						
Local sources	\$ 45	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	9,000	158,083	-	-	155,136
Other	-	-	-	-	-	-
Total receipts	45	9,000	158,083	-	-	155,136
Disbursements:						
Current:						
Instruction	-	-	-	-	5,221	150,501
Support services	807	45,759	116,578	-	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	807	45,759	116,578	-	5,221	150,501
Excess (deficiency) of receipts over disbursements	(762)	(36,759)	41,505	-	(5,221)	4,635
Other financing sources (uses):						
Transfers in	-	70	-	-	-	15,666
Transfers out	-	-	-	-	(992)	(15,666)
Total other financing sources (uses)	-	70	-	-	(992)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(762)	(36,689)	41,505	-	(6,213)	4,635
Cash and investments - beginning	870	36,689	-	-	6,213	-
Cash and investments - ending	\$ 108	\$ -	\$ 41,505	\$ -	\$ -	\$ 4,635
Cash and Investment Assets - Ending						
Cash and investments	\$ 108	\$ -	\$ 41,505	\$ -	\$ -	\$ 4,635
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 108	\$ -	\$ 41,505	\$ -	\$ -	\$ 4,635

NORTHWEST INDIANA 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
 (Continued)

	Special Education Early Childhood 9	Special Education Early Childhood Carryover	ECD ARRA	Capital Projects	School Bus Replacement	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 249,021	\$ 23,705	\$ 430,279
Federal sources	-	-	-	-	-	322,219
Other	-	-	-	219	-	220
Total receipts	-	-	-	249,240	23,705	752,718
Disbursements:						
Current:						
Instruction	-	992	-	-	-	174,297
Support services	-	-	-	127,359	-	376,922
Noninstructional services	-	-	-	-	-	8,892
Facilities acquisition and construction	-	-	-	142,523	-	142,523
Nonprogrammed charges	-	-	-	-	-	52,691
Total disbursements	-	992	-	269,882	-	755,325
Excess (deficiency) of receipts over disbursements	-	(992)	-	(20,642)	23,705	(2,607)
Other financing sources (uses):						
Transfers in	-	992	-	-	7,030	43,829
Transfers out	-	-	-	-	-	(23,688)
Total other financing sources (uses)	-	992	-	-	7,030	20,141
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(20,642)	30,735	17,534
Cash and investments - beginning	-	-	-	306,123	86,754	510,356
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 285,481	\$ 117,489	\$ 527,890
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ -	\$ 285,481	\$ 117,489	\$ 527,890
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ -	\$ -	\$ -	\$ 285,481	\$ 117,489	\$ 527,890

NORTHWEST INDIANA 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, 2010

	Transportation Operating	Food Service	Textbook	Instructional Support	Summer Enrichment Program United Way	Continuing Education School	Recreational Activities
Receipts:							
Local sources	\$ 40,330	\$ 4,854	\$ 1,677	\$ 560	\$ 40,924	\$ -	\$ 1,666
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Total receipts	40,330	4,854	1,677	560	40,924	-	1,666
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	32,121	34	2,369	1,361	1,379	-	870
Noninstructional services	-	6,692	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	39,545	-	-
Total disbursements	32,121	6,726	2,369	1,361	40,924	-	870
Excess (deficiency) of receipts over disbursements	8,209	(1,872)	(692)	(801)	-	-	796
Other financing sources (uses):							
Transfers in	-	1,872	-	-	-	-	-
Transfers out	(13,450)	-	-	-	-	-	-
Total other financing sources (uses)	(13,450)	1,872	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,241)	-	(692)	(801)	-	-	796
Cash and investments - beginning	25,362	-	6,801	3,151	-	887	8,143
Cash and investments - ending	\$ 20,121	\$ -	\$ 6,109	\$ 2,350	\$ -	\$ 887	\$ 8,939
Cash and Investment Assets - Ending							
Cash and investments	\$ 20,121	\$ -	\$ 6,109	\$ 2,350	\$ -	\$ 887	\$ 8,939
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 20,121	\$ -	\$ 6,109	\$ 2,350	\$ -	\$ 887	\$ 8,939

NORTHWEST INDIANA 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, 2010
 (Continued)

	Miscellaneous Programs	Inservice	Teacher Quality Improvement	Teacher Quality Improvement Workshop	Paraprofessional Testing	Very Special Arts
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 650	\$ 540	\$ 1,154
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Total receipts	-	-	-	650	540	1,154
Disbursements:						
Current:						
Instruction	-	-	-	-	-	-
Support services	-	-	-	-	900	-
Noninstructional services	-	-	-	-	-	1,589
Facilities acquisition and construction	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	-	-	-	-	900	1,589
Excess (deficiency) of receipts over disbursements	-	-	-	650	(360)	(435)
Other financing sources (uses):						
Transfers in	-	-	-	-	20	-
Transfers out	-	-	-	-	(20)	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	650	(360)	(435)
Cash and investments - beginning	220	1,159	4,292	1,498	700	435
Cash and investments - ending	\$ 220	\$ 1,159	\$ 4,292	\$ 2,148	\$ 340	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ 220	\$ 1,159	\$ 4,292	\$ 2,148	\$ 340	\$ -
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 220	\$ 1,159	\$ 4,292	\$ 2,148	\$ 340	\$ -

NORTHWEST INDIANA 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, 2010
 (Continued)

	Contributions 10	Contributions 7	Contributions 8	Contributions 9	Beginning Teacher Internship Program	Lake County Summit
Receipts:						
Local sources	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	310	-
Federal sources	-	-	-	-	-	-
Total receipts	15,000	-	-	-	310	-
Disbursements:						
Current:						
Instruction	-	-	-	-	1,152	-
Support services	-	-	854	25,000	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	-	-	854	25,000	1,152	-
Excess (deficiency) of receipts over disbursements	15,000	-	(854)	(25,000)	(842)	-
Other financing sources (uses):						
Transfers in	-	-	354	-	1,152	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	354	-	1,152	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	15,000	-	(500)	(25,000)	310	-
Cash and investments - beginning	-	-	500	25,000	-	524
Cash and investments - ending	\$ 15,000	\$ -	\$ -	\$ -	\$ 310	\$ 524
Cash and Investment Assets - Ending						
Cash and investments	\$ 15,000	\$ -	\$ -	\$ -	\$ 310	\$ 524
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 15,000	\$ -	\$ -	\$ -	\$ 310	\$ 524

NORTHWEST INDIANA 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, 2010
 (Continued)

	Art Department Grant	PATINS 7	PATINS 8	PATINS 9	Special Education Early Childhood 7	Special Education Early Childhood 8
Receipts:						
Local sources	\$ 2,555	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	-	-	-	158,083	-	-
Total receipts	2,555	-	-	158,083	-	-
Disbursements:						
Current:						
Instruction	-	-	-	-	-	4,636
Support services	1,868	-	41,577	139,989	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	1,868	-	41,577	139,989	-	4,636
Excess (deficiency) of receipts over disbursements	687	-	(41,577)	18,094	-	(4,636)
Other financing sources (uses):						
Transfers in	-	-	72	12,523	-	1
Transfers out	-	-	-	(12,523)	-	-
Total other financing sources (uses)	-	-	72	-	-	1
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	687	-	(41,505)	18,094	-	(4,635)
Cash and investments - beginning	108	-	41,505	-	-	4,635
Cash and investments - ending	\$ 795	\$ -	\$ -	\$ 18,094	\$ -	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ 795	\$ -	\$ -	\$ 18,094	\$ -	\$ -
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 795	\$ -	\$ -	\$ 18,094	\$ -	\$ -

NORTHWEST INDIANA 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, 2010
 (Continued)

	Special Education Early Childhood 9	Special Education Early Childhood Carryover	ECD ARRA	Capital Projects	School Bus Replacement	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 287,416	\$ 23,705	\$ 421,031
State sources	-	-	-	-	-	310
Federal sources	150,189	-	154,472	-	-	462,744
Total receipts	150,189	-	154,472	287,416	23,705	884,085
Disbursements:						
Current:						
Instruction	150,300	-	-	-	-	156,088
Support services	-	-	57,880	78,323	-	384,525
Noninstructional services	-	-	-	-	-	8,281
Facilities acquisition and construction	-	-	-	133,835	-	133,835
Nonprogrammed charges	-	-	18,286	-	-	57,831
Total disbursements	150,300	-	76,166	212,158	-	740,560
Excess (deficiency) of receipts over disbursements	(111)	-	78,306	75,258	23,705	143,525
Other financing sources (uses):						
Transfers in	52,797	-	-	-	13,450	82,241
Transfers out	(52,686)	-	-	-	-	(78,679)
Total other financing sources (uses)	111	-	-	-	13,450	3,562
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	78,306	75,258	37,155	147,087
Cash and investments - beginning	-	-	-	285,481	117,489	527,890
Cash and investments - ending	\$ -	\$ -	\$ 78,306	\$ 360,739	\$ 154,644	\$ 674,977
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ 78,306	\$ 360,739	\$ 154,644	\$ 674,977
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ -	\$ -	\$ 78,306	\$ 360,739	\$ 154,644	\$ 674,977

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
 SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUND
 For the Year Ended June 30, 2009

	Clearing
Additions:	
Agency fund additions	\$ 5,053,111
Deductions:	
Agency fund deductions	4,997,661
Excess (deficiency) of total additions over total deductions	55,449
Cash and investment fund balance - beginning	34,742
Cash and investment fund balance - ending	\$ 90,191

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
 SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUND
 For the Year Ended June 30, 2010

	Clearing
Additions:	
Agency fund additions	\$ 5,233,162
Deductions:	
Agency fund deductions	5,235,062
Excess (deficiency) of total additions over total deductions	(1,900)
Cash and investment fund balance - beginning	90,191
Cash and investment fund balance - ending	\$ 88,291

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended June 30, 2010

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:	
Land	\$ 40,000
Buildings	2,746,000
Improvements other than buildings	36,254
Machinery and equipment	<u>222,852</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 3,045,106</u>

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2010

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Notes and loans payable	\$ 10,708	\$ 10,708

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE NORTHWEST INDIANA
SPECIAL EDUCATION COOPERATIVE, LAKE COUNTY, INDIANA

Compliance

We have audited the compliance of the Northwest Indiana 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, 2009 and 2010. 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, 2009 and 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2010-1.

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.

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Corporation's management, Board of Managers, 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

December 8, 2010

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2009 and 2010

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 06-30-09	Total Federal Awards Expended 06-30-10
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education				
Special Education Cluster				
ARRA - Special Education - Grants to States (IDEA, Part B), Recovery Act	84.391	33310-047-SN01	\$ -	\$ 3,525,920
ARRA - Special Education - Preschool Grants (IDEA Preschool), Recovery Act	84.392	44410-047-SN01	-	76,166
Special Education - Grants to States (IDEA, Part B) Individuals with Disabilities Education Act (IDEA)	84.027	14208-047-PN01	794,947	-
		14209-047-PN01	5,784,763	670,743
		14210-047-PN01	-	6,464,843
PATINS		14207-029-DY13	45,759	-
		14208-020-DY14	116,578	41,577
		14209-047-DY20	-	139,989
Total for program			<u>6,742,047</u>	<u>7,317,152</u>
Special Education - Preschool Grants (IDEA Preschool)	84.173	45707-047-PN01	5,221	-
		45708-047-PN01	150,501	4,636
		45708-047-PY02	992	-
		45709-047-PN01	-	150,301
Total for program			<u>156,714</u>	<u>154,937</u>
Total for federal grantor agency			<u>6,898,761</u>	<u>11,074,175</u>
Total federal awards expended			<u>\$ 6,898,761</u>	<u>\$ 11,074,175</u>

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

NORTHWEST INDIANA 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 Northwest Indiana Special Education Cooperative (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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.

NORTHWEST INDIANA 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? yes

Identification of Major Programs:

Name of Federal Program or Cluster

Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$539,188

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III – Federal Award Findings and Questioned Costs

FINDING 2010-1, CASH MANAGEMENT COMPLIANCE

Federal Agency: U.S. Department of Education
Federal Program (CFDA Title): (ARRA) Special Education -
Grants to States (IDEA, Part B), Recovery Act

CFDA Number: 84.391

Pass-Through Entity: Indiana Department of Education

Award Number: 33310-047-SN01

As part of the application for the ARRA Special Education funding, the School Corporation was required to assess needs and develop a budget. The ten member school corporations of NISEC (Northwest Indiana Special Education Cooperative) each prepared a budget for special education needs to be funded using ARRA Special Education funding. A revised cash drawdown request for the ARRA Special Education funds could be submitted anytime during the project period.

The Indiana Department of Education, in an attempt to monitor cash balances, requires School Corporations to prepare monthly monitoring reports for ARRA Special Education funding. The monthly reports include grant receipts, disbursements, cash balances, and interest earned.

The State of Indiana distributed ARRA Special Education funding in August 2009. The Indiana Department of Education distributed one-twelfth of NISEC's grant award in October 2009. The plan, unless modified, was to distribute one-twelfth of the grant award each month from October, 2009 through September 2010. NISEC prepared revised cash drawdown request forms dated August 6, October 29, and December 1, 2009. These revised cash drawdown requests were submitted in an attempt to meet the cash management requirement.

NISEC held cash in excess of immediate need for the following months in fiscal year 2009-2010: August, November, December, and January. The excess balance at the end of August was caused by the large distribution on August 21, 2009, from the State. NISEC did not request the distribution. The excess balances at the end of November, December, and January were caused by the cash request being based upon the member school corporations submitting the month's disbursements; however, not all member school corporations timely submitted the supporting documentation to be reimbursed for those payments. Each of the member schools had monthly disbursements for certified and non-certified employees who were to be paid with ARRA money. The member school corporations were to submit ARRA reimbursement requests to NISEC on a monthly basis. Some member school corporations did not submit the ARRA reimbursement requests to NISEC each month but waited several months before preparing a request. Some member school corporations did not provide adequate documentation to NISEC for the ARRA reimbursement requests. These were not paid by NISEC until adequate documentation was submitted. A combination of these events caused a lower amount of disbursements of ARRA funds than was budgeted for the months November, December, and January. The budget and the revised cash drawdown request forms were based upon each month's disbursements for the employees to be paid with ARRA money. Beginning in January 2010, NISEC modified how they were calculating the cash request for ARRA Special Education funding. The cash request was modified to include only those disbursements to member school corporations with adequate documentation submitted to NISEC.

School corporations were required to remit all interest earned in excess of \$100 to the U.S. Department of Education. NISEC remitted \$861.22 in interest earnings on the ARRA Special Education funding in excess of \$100 to the U.S. Department of Education as of July 2, 2010.

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Failure to minimize the cash on hand balances indicate noncompliance with cash management requirements established by federal agencies. For the ARRA funding, the maintenance of excess cash balances caused the School Corporation to remit interest earnings to the U.S. Department of Education.

Education Department General Administrative Regulations (EDGAR) § 80.20 states in part:

". . . (b) The financial management systems of other grantees and subgrantees must meet the following standards: . . .

(7) Cash management. Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make draw-downs as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

Effective July 1, 2010, the Indiana Department of Education modified the grant process for their subrecipients. School Corporations will no longer be requesting grant advances; instead, School Corporations will be required to spend the funds necessitating reimbursements on funds already spent.

We recommended School Corporation Officials follow the new guidelines established by the Indiana Department of Education, requiring Special Education funds to be reimbursed after the funds have been properly spent.

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No items are reportable.



Northwest Indiana Special Education Cooperative

2150 West 97th Place, Crown Point, IN 46307-2396
(219) 769-4000 or (219) 663-6500 ~ Fax (219) 769-4563
TDD/TTY (219) 662-2149

November 24, 2010

Re: CORRECTIVE ACTION PLAN

FINDINGS 2010-1, CASH MANAGEMENT COMPLIANCE

Federal Agency: U.S. Department of Education
Federal Program (CFDA Title): (ARRA) Special Education – Grants to States (IDEA, Part B),
Recovery Act
CFDA Number: 84.391
Pass-Through Entity: Indiana Department of Education
Award Number: 33310-047-SN01

The Northwest Indiana Special Education Cooperative (NISEC) requested cash from the ARRA Special Education grant, 33310-047-SN01, for the months of November, December 2009 and January 2010 that lead to excess cash balances in those months. These cash requests were based on anticipated expenditures by the ten school corporations where NISEC acted as the LEA for this grant. The school corporations either did not make the anticipated reimbursement requests to NISEC or they did not provide adequate backup for reimbursement, NISEC retained the cash which resulted in the excess cash.

The Indiana Department of Education has moved to a reimbursement process as July 1, 2010. The NISEC began following this new process in July by submitting its reimbursement requests based on actual claims. Thus, the NISEC will not maintain excess cash.

Sincerely,

Denise Bashore
Assistant Director

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
EXIT CONFERENCE

The contents of this report were discussed on December 8, 2010, with Patricia Pierce, Director of the Cooperative; Denise Bashore, Treasurer; and Larry Biggs, President of the Board of Managers. Our audit disclosed no material items that warrant comment at this time.