

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

AUDIT REPORT
OF
COVERED BRIDGE SPECIAL EDUCATION DISTRICT
VIGO COUNTY, INDIANA
July 1, 2008 to June 30, 2010



FILED
03/01/2011

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SCHEDULE OF OFFICIALS

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



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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 FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Covered Bridge Special Education District (School Corporation), as of and for the years ended June 30, 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 January 26, 2011, 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, 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

January 26, 2011



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Covered Bridge Special Education District (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated January 26, 2011. 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, District Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

January 26, 2011

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
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>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 3,135,989	\$ -	\$ -	\$ (3,135,989)
Support services	4,057,288	13,357	106,323	(3,937,608)
Facilities acquisition and construction	124,834	-	-	(124,834)
Debt service	16,400	-	-	(16,400)
Total governmental activities	<u>\$ 7,334,511</u>	<u>\$ 13,357</u>	<u>\$ 106,323</u>	<u>(7,214,831)</u>
General receipts:				
Other local sources				2,726,819
Grants and contributions not restricted to specific programs				4,966,694
Investment earnings				49,565
Other				<u>3,209</u>
Total general receipts				<u>7,746,287</u>
Change in net assets				531,456
Net assets - beginning				<u>2,793,503</u>
Net assets - ending				<u>\$ 3,324,959</u>
<u>Assets</u>				
Cash and investments				<u>\$ 3,324,959</u>
<u>Net Assets</u>				
Unrestricted				<u>\$ 3,324,959</u>

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

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Instruction	\$ 3,499,821	\$ -	\$ -	\$ (3,499,821)
Support services	4,654,438	12,235	114,305	(4,527,898)
Facilities acquisition and construction	105,240	-	-	(105,240)
Debt service	17,131	-	-	(17,131)
Nonprogrammed charges	269,433	-	-	(269,433)
Total governmental activities	\$ 8,546,063	\$ 12,235	\$ 114,305	(8,419,523)
General receipts:				
Other local sources				1,021,377
Grants and contributions not restricted to specific programs				7,231,348
Investment earnings				5,406
Other				4,691
Total general receipts				8,262,822
Change in net assets				(156,701)
Net assets - beginning				3,324,959
Net assets - ending				\$ 3,168,258
 <u>Assets</u>				
Cash and investments				\$ 3,168,258
 <u>Net Assets</u>				
Unrestricted				\$ 3,168,258

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

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	General	Preschool Grant	Medicaid Reimbursement	Federal Grant FY 2008-2009	Other	Totals
Receipts:						
Local sources	\$ 1,807,009	\$ 982,732	\$ -	\$ -	\$ -	\$ 2,789,741
State sources	97,128	-	-	-	-	97,128
Federal sources	-	-	106,323	3,905,000	964,566	4,975,889
Other	3,209	-	-	-	-	3,209
Total receipts	1,907,346	982,732	106,323	3,905,000	964,566	7,865,967
Disbursements:						
Current:						
Instruction	71,914	815,058	23,059	1,813,809	412,149	3,135,989
Support services	1,518,710	43,261	21,923	1,765,883	707,511	4,057,288
Facilities acquisition and construction	124,834	-	-	-	-	124,834
Debt services	15,051	147	-	-	1,202	16,400
Total disbursements	1,730,509	858,466	44,982	3,579,692	1,120,862	7,334,511
Excess (deficiency) of receipts over disbursements	176,837	124,266	61,341	325,308	(156,296)	531,456
Other financing sources (uses):						
Transfers in	-	-	-	-	185,959	185,959
Transfers out	-	-	-	-	(185,959)	(185,959)
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	176,837	124,266	61,341	325,308	(156,296)	531,456
Cash and investments - beginning	1,584,589	68,907	794,986	-	345,021	2,793,503
Cash and investments - ending	<u>\$ 1,761,426</u>	<u>\$ 193,173</u>	<u>\$ 856,327</u>	<u>\$ 325,308</u>	<u>\$ 188,725</u>	<u>\$ 3,324,959</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ 1,761,426</u>	<u>\$ 193,173</u>	<u>\$ 856,327</u>	<u>\$ 325,308</u>	<u>\$ 188,725</u>	<u>\$ 3,324,959</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ 1,761,426</u>	<u>\$ 193,173</u>	<u>\$ 856,327</u>	<u>\$ 325,308</u>	<u>\$ 188,725</u>	<u>\$ 3,324,959</u>

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

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

	General	Preschool Grant	Medicaid Reimbursement	Federal Grant FY 2008-2009	Federal Grant FY 2009-2010	Special Education - Part B, Stimulus	Other	Totals
Receipts:								
Local sources	\$ 175,630	\$ 863,360	\$ -	\$ -	\$ -	\$ 26	\$ 2	\$ 1,039,018
State sources	124,417	-	-	-	-	-	-	124,417
Federal sources	-	-	114,305	490,000	3,795,000	2,280,852	541,079	7,221,236
Interfund loans	-	-	-	-	-	54,736	4,800	59,536
Other	4,691	-	-	-	-	-	-	4,691
Total receipts	304,738	863,360	114,305	490,000	3,795,000	2,335,614	545,881	8,448,898
Disbursements:								
Current:								
Instruction	33,335	834,795	42,685	335,550	1,726,294	265,562	261,600	3,499,821
Support services	270,665	324	15,844	348,991	1,684,544	1,800,619	533,451	4,654,438
Facilities acquisition and construction	105,240	-	-	-	-	-	-	105,240
Debt services	17,131	-	-	-	-	-	-	17,131
Nonprogrammed charges	-	-	-	-	-	269,433	-	269,433
Interfund loans	59,536	-	-	-	-	-	-	59,536
Total disbursements	485,907	835,119	58,529	684,541	3,410,838	2,335,614	795,051	8,605,599
Excess (deficiency) of receipts over disbursements	(181,169)	28,241	55,776	(194,541)	384,162	-	(249,170)	(156,701)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	202,333	202,333
Transfers out	-	-	-	(130,767)	(46,795)	-	(24,771)	(202,333)
Total other financing sources (uses)	-	-	-	(130,767)	(46,795)	-	177,562	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(181,169)	28,241	55,776	(325,308)	337,367	-	(71,608)	(156,701)
Cash and investments - beginning	1,761,427	193,172	856,327	325,308	-	-	188,725	3,324,959
Cash and investments - ending	\$ 1,580,258	\$ 221,413	\$ 912,103	\$ -	\$ 337,367	\$ -	\$ 117,117	\$ 3,168,258
Cash and Investment Assets - Ending								
Cash and investments	\$ 1,580,258	\$ 221,413	\$ 912,103	\$ -	\$ 337,367	\$ -	\$ 117,117	\$ 3,168,258
Cash and Investment Fund Balance - Ending								
Unrestricted	\$ 1,580,258	\$ 221,413	\$ 912,103	\$ -	\$ 337,367	\$ -	\$ 117,117	\$ 3,168,258

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

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2009

	Private-Purpose Trust Funds	Agency Funds
Additions:		
Contributions:		
Other	\$ 5,776	
Deductions:		
Administrative and general	2,863	
Excess of total additions over total deductions	2,913	
Cash and investment fund balance - beginning	1,523	
Cash and investment fund balance - ending	\$ 4,436	\$ 56,280
Net assets:		
Cash and investments	\$ 4,436	
Total net assets - cash and investment basis held in trust	\$ 4,436	

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

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2010

	Private-Purpose Trust Funds	Agency Funds
Additions:		
Contributions:		
Other	\$ 4,835	
Deductions:		
Administrative and general	3,422	
Excess of total additions over total deductions	1,413	
Cash and investment fund balance - beginning	4,435	
Cash and investment fund balance - ending	\$ 5,848	\$ 65,347
Net assets:		
Cash and investments	\$ 5,848	
Total net assets - cash and investment basis held in trust	\$ 5,848	

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

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

Primary Government: Covered Bridge Special Education District

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School Corporation currently has no business-type activities.

Fund Financial Statements

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

The School Corporation reports the following major governmental funds:

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

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

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

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

The special education - part b stimulus fund accounts for receipts and disbursements of cash received from the federal government to be used to supplement funding of local, state and federal programs.

Additionally, the School Corporation reports the following fund types:

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

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

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Capital Assets

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

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

3. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the School Corporation's policy to 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

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

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.

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

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.

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. 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 does not have a deposit policy for custodial credit risk. At June 30, 2010, the School Corporation had deposit balances in the amount of \$3,239,452.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

As of June 30, 2010, the School Corporation had no investments.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2009 and 2010, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2009</u>	<u>2010</u>
Federal Grant FY 2008-2009	Other Governmental Funds	\$ -	\$ 130,767
Federal Grant FY 2009-2010	Other Governmental Funds	-	46,795
Other Governmental Funds	Other Governmental Funds	<u>185,959</u>	<u>24,771</u>
Totals		<u>\$ 185,959</u>	<u>\$ 202,333</u>

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

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, and dependents (excluding postemployment benefits); and natural disasters are covered by commercial insurance from independent third parties.

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.

B. Termination Benefits

On March 25, 2010, an Early Incentive Severance Package was offered to Teachers. Teachers who qualified were offered package A or B. Package A was for teachers who were enrolled in group health insurance and Package B was for teachers who were not enrolled in group health insurance. Package A offered a \$15,000 credit to be applied to the retired teacher's group health insurance premiums and above the standard Medicare Bridge benefit of \$1,500 per year, an additional \$1,500 per year Medicare Bridge benefit was offered for a maximum of 4 years. Package B offered a one-time lump sum contribution of \$15,000 to the teacher's 401(a) Plan account. Three teachers applied for the Early Incentive Severance Package. No expenditures were made before June 30, 2010. Two employees selected Package B and \$15,000 was contributed to their 401(a) on July 20, 2010. One teacher selected package A and credits began applying to benefits on October 1, 2010.

C. Other Postemployment Benefits

Single-Employer Defined Benefit Healthcare Plan

Plan Description

Anthem Blue Cross Blue Shield is a single-employer defined benefit healthcare plan administered by Jeffery Blake. The plan provides Group Medical Plan to eligible retirees and their spouses. IC 5-10-8 assigns the authority to establish and amend benefit provisions to the School Corporation. The Anthem Blue Cross Blue Shield 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:

Jeffery Blake
1320 Walnut Street
Terre Haute, IN 47807
812-462-4364 x201

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

Funding Policy

The contribution requirements of plan members for the Anthem Blue Cross Blue Shield are established by the School Corporation's governing board. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended June 30, 2009, the School Corporation contributed \$837,744 to the plan for current premiums (approximately 70.7% of total premiums). Plan members receiving benefits contributed \$347,877, or approximately 29.3% of the total premiums, through their required contribution of \$685 per month for retiree-only coverage and \$1,354 for retiree and spouse coverage. For the year ended June 30, 2010, the School Corporation contributed \$890,760 to the plan for current premiums (approximately 70.7% of total premiums). Plan members receiving benefits contributed \$368,548, or approximately 29.3% of the total premiums, through their required contribution of \$685 per month for retiree-only coverage and \$1,354 for retiree and spouse coverage.

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 \$257,122.

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

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

Teachers' Retirement Fund

Plan Description

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

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

Teachers' Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

Funding Policy

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 \$269,428.

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009

	Preschool Handicap FY 2007-2008	Preschool Handicap Carry-over FY 2007-2008	Preschool Handicap FY 2008-2009	Federal Grant FY 2007-2008	Federal Grant Carry-over FY 2006-2007	Federal Grant Carry-over FY 2007-2008	Discretionary Grant	Totals
Receipts:								
Federal sources	\$ 4,566	\$ -	\$ 200,000	\$ 720,000	\$ -	\$ -	\$ 40,000	\$ 964,566
Total receipts	<u>4,566</u>	<u>-</u>	<u>200,000</u>	<u>720,000</u>	<u>-</u>	<u>-</u>	<u>40,000</u>	<u>964,566</u>
Disbursements:								
Current:								
Instruction	-	643	-	265,751	130,743	4,012	11,000	412,149
Support services	29,942	-	169,573	440,157	31,209	23,006	13,624	707,511
Debt services	-	-	-	1,202	-	-	-	1,202
Total disbursements	<u>29,942</u>	<u>643</u>	<u>169,573</u>	<u>707,110</u>	<u>161,952</u>	<u>27,018</u>	<u>24,624</u>	<u>1,120,862</u>
Excess (deficiency) of receipts over disbursements	<u>(25,376)</u>	<u>(643)</u>	<u>30,427</u>	<u>12,890</u>	<u>(161,952)</u>	<u>(27,018)</u>	<u>15,376</u>	<u>(156,296)</u>
Other financing sources (uses):								
Transfers in	-	643	-	-	-	185,316	-	185,959
Transfers out	(643)	-	-	(185,316)	-	-	-	(185,959)
Total other financing sources (uses)	<u>(643)</u>	<u>643</u>	<u>-</u>	<u>(185,316)</u>	<u>-</u>	<u>185,316</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(26,019)</u>	<u>-</u>	<u>30,427</u>	<u>(172,426)</u>	<u>(161,952)</u>	<u>158,298</u>	<u>15,376</u>	<u>(156,296)</u>
Cash and investments - beginning	<u>26,019</u>	<u>-</u>	<u>-</u>	<u>172,426</u>	<u>161,952</u>	<u>-</u>	<u>(15,376)</u>	<u>345,021</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,427</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,298</u>	<u>\$ -</u>	<u>\$ 188,725</u>
Cash and Investment Assets - Ending								
Cash and investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,427</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,298</u>	<u>\$ -</u>	<u>\$ 188,725</u>
Cash and Investment Fund Balance - Ending								
Unrestricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,427</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,298</u>	<u>\$ -</u>	<u>\$ 188,725</u>

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010

	Preschool Handicap FY 2008-2009	Preschool Handicap Carry-over FY 2008-2009	Preschool Handicap FY 2009-2010	Federal Grant Carry-over FY 2007-2008	Federal Grant Carry-over FY 2008-2009	Preschool Special Education - Part B, Stimulus	Totals
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ 2
Federal sources	30,280	-	173,000	-	218,658	119,141	541,079
Interfund loans	-	-	-	-	-	4,800	4,800
Total receipts	30,280	-	173,000	-	218,658	123,943	545,881
Disbursements:							
Current:							
Instruction	-	10,584	-	76,868	50,205	123,943	261,600
Support services	35,936	-	170,699	81,430	245,386	-	533,451
Total disbursements	35,936	10,584	170,699	158,298	295,591	123,943	795,051
Excess (deficiency) of receipts over disbursements	(5,656)	(10,584)	2,301	(158,298)	(76,933)	-	(249,170)
Other financing sources (uses):							
Transfers in	-	24,771	-	-	177,562	-	202,333
Transfers out	(24,771)	-	-	-	-	-	(24,771)
Total other financing sources (uses)	(24,771)	24,771	-	-	177,562	-	177,562
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(30,427)	14,187	2,301	(158,298)	100,629	-	(71,608)
Cash and investments - beginning	30,427	-	-	158,298	-	-	188,725
Cash and investments - ending	<u>\$ -</u>	<u>\$ 14,187</u>	<u>\$ 2,301</u>	<u>\$ -</u>	<u>\$ 100,629</u>	<u>\$ -</u>	<u>\$ 117,117</u>
Cash and Investment Assets - Ending							
Cash and investments	<u>\$ -</u>	<u>\$ 14,187</u>	<u>\$ 2,301</u>	<u>\$ -</u>	<u>\$ 100,629</u>	<u>\$ -</u>	<u>\$ 117,117</u>
Cash and Investment Fund Balance - Ending							
Unrestricted	<u>\$ -</u>	<u>\$ 14,187</u>	<u>\$ 2,301</u>	<u>\$ -</u>	<u>\$ 100,629</u>	<u>\$ -</u>	<u>\$ 117,117</u>

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2009

	Miscellaneous Programs	Miscellaneous Programs #2	Miscellaneous Programs #3	Totals
Additions:				
Contributions:				
Other	\$ 5,706	\$ -	\$ 70	\$ 5,776
Deductions:				
Administrative and general	2,863	-	-	2,863
Excess of total additions over total deductions	2,843	-	70	2,913
Cash and investment fund balance - beginning	895	165	463	1,523
Cash and investments - June 30	<u>\$ 3,738</u>	<u>\$ 165</u>	<u>\$ 533</u>	<u>\$ 4,436</u>
Net assets:				
Cash and investments	<u>\$ 3,738</u>	<u>\$ 165</u>	<u>\$ 533</u>	<u>\$ 4,436</u>

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2010

	<u>Miscellaneous Programs</u>	<u>Miscellaneous Programs #2</u>	<u>Miscellaneous Programs #3</u>	<u>Totals</u>
Additions:				
Contributions:				
Other	\$ 3,755	\$ 1,080	\$ -	\$ 4,835
Deductions:				
Administrative and general	<u>2,725</u>	<u>697</u>	<u>-</u>	<u>3,422</u>
Excess of total additions over total deductions	1,030	383	-	1,413
Cash and investment fund balance - beginning	<u>3,737</u>	<u>165</u>	<u>533</u>	<u>4,435</u>
Cash and investments - June 30	<u>\$ 4,767</u>	<u>\$ 548</u>	<u>\$ 533</u>	<u>\$ 5,848</u>
Net assets:				
Cash and investments	<u>\$ 4,767</u>	<u>\$ 548</u>	<u>\$ 533</u>	<u>\$ 5,848</u>

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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 COVERED BRIDGE SPECIAL
EDUCATION DISTRICT, VIGO COUNTY, INDIANA

Compliance

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

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, District Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

January 26, 2011

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
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>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Special Education Cluster				
Special Education - Grants to States	84.027			
		14208-008-PN01	\$ 707,111	\$ -
		14208-008-PY02	27,018	158,298
		14207-052-DY01	24,624	-
		14209-008-PN01	3,579,692	684,541
		14209-008-PY02	-	295,591
		14210-008-PN01	-	3,410,839
Total for program			<u>4,338,445</u>	<u>4,549,269</u>
Special Education - Preschool Grants	84.173			
		45708-008-PN01	29,942	-
		45708-008-PY02	643	-
		45709-008-PN01	169,573	35,935
		45709-008-PY02	-	10,584
		45710-008-PN01	-	170,699
Total for program			<u>200,158</u>	<u>217,218</u>
ARRA - Special Education - Grants to States	84.391	33310-008-SN01	-	2,335,613
ARRA - Special Education - Preschool Grants	84.392	44410-008-SN01	-	123,942
Total federal awards expended			<u>\$ 4,538,603</u>	<u>\$ 7,226,042</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
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 Covered Bridge Special Education District (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.

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
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:

Name of Federal Program or Cluster

Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$352,939

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

COVERED BRIDGE SPECIAL EDUCATION DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on January 26, 2011, with Jeffery E. Blake, Executive Director; Katherine Walker, Assistant to the Director; and Deborah J. Thompson, Treasurer. Our audit disclosed no material items that warrant comment at this time.