

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

NORTHWEST INDIANA SPECIAL  
EDUCATION COOPERATIVE  
LAKE COUNTY, INDIANA

July 1, 2010 to June 30, 2012



**FILED**  
03/19/2013



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Denise Bashore	07-01-10 to 06-30-13
Director of the Cooperative	Patricia Pierce Jane Winkoff	07-01-10 to 06-30-11 07-01-11 to 06-30-13
President of the Board of Managers	Larry Biggs	07-01-10 to 06-30-13



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statement of the Northwest Indiana Special Education Cooperative (School Corporation), for the period of July 1, 2010 to June 30, 2012. This financial statement is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinion.

As discussed in Note 1, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The basis of accounting noted above is a different basis than that used in the prior period.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2010 to June 30, 2012.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2010 to June 30, 2012, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated January 24, 2013, 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

## INDEPENDENT AUDITOR'S REPORT

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.

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. 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 financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other reports used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

January 24, 2013



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
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 statement of the Northwest Indiana Special Education Cooperative (School Corporation), for the period of July 1, 2010 to June 30, 2012, and have issued our report thereon dated January 24, 2013. 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

Management of the School Corporation is responsible for establishing and maintaining effective 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 opinion on the financial statement, 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
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 statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the School Corporation's management, Board of Managers, others within the entity, 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 24, 2013

## FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

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NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2011 and 2012

	Cash and Investments 07-01-10	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12
General	\$ 3,534,461	\$ 16,574,588	\$ 16,637,114	\$ (13,001)	\$ 3,458,934	\$ 15,624,408	\$ 14,733,819	\$ (4,485)	\$ 4,345,038
Capital Projects	360,739	252,918	204,511	-	409,146	205,538	215,454	-	399,230
School Transportation	20,121	41,052	34,444	(6,077)	20,652	41,000	29,118	(14,232)	18,302
School Bus Replacement	154,644	23,705	-	6,077	184,426	23,705	-	14,232	222,363
Post-Retirement/Severance Future Benefits	747,447	103,297	121,010	-	729,734	2,995	113,874	-	618,855
School Lunch	-	5,486	8,767	3,281	-	7,408	8,693	1,285	-
Textbook Rental	6,109	2,830	934	-	8,005	3,258	1,511	-	9,752
Self-Insurance	416,207	3,305,653	2,528,033	-	1,193,827	2,063,270	2,398,672	-	858,425
Instruction Support	2,350	142	-	-	2,492	861	170	-	3,183
Summer Enrichment Program United Way	-	39,901	39,901	-	-	40,596	-	-	40,596
Adult and Continuing Education	887	-	887	-	-	1,805	1,805	-	-
Recreational Activities	8,939	1,000	1,266	-	8,673	600	937	-	8,336
Miscellaneous Programs	220	-	105	-	115	-	-	-	115
Inservice RTI	1,159	-	-	-	1,159	-	1,211	52	-
Inservice Disproportionality	-	660	-	-	660	20	-	(680)	-
Teacher Quality Improvement Program	4,292	-	-	-	4,292	-	-	-	4,292
Teacher Quality Improvement Workshop	2,148	2,450	3,886	-	712	9,734	2,709	680	8,417
Paraprofessional Testing	340	700	475	-	565	475	450	-	590
Very Special Arts	-	2,340	864	-	1,476	750	1,476	-	750
Contributions 10	15,000	-	15,000	-	-	-	-	-	-
Contributions 11	-	10,000	-	-	10,000	-	10,183	183	-
Contributions 12	-	-	-	-	-	10,000	-	-	10,000
Beginning Teacher Internship Program	310	-	3,545	3,235	-	-	1,772	1,772	-
PATINS Office	-	4,561	4,558	-	3	2,806	3,015	-	(206)
Lake County Summit	524	-	-	-	524	-	-	-	524
Art Department Grant	795	1,964	1,306	-	1,453	1,521	1,840	-	1,134
PATINS 8	-	-	-	-	-	-	-	-	-
PATINS 9	18,094	-	18,153	59	-	-	-	-	-
Special Education Grant 10	-	6,506,830	6,506,830	-	-	876,166	876,389	223	-
Special Education Grant 11	-	-	-	-	-	5,137,470	5,347,625	-	(210,155)
Special Education Grant 9	19,157	542,603	568,186	6,426	-	-	-	-	-
Special Education Early Childhood 10	-	140,745	140,745	-	-	16,550	17,520	970	-
Special Education Early Childhood 11	-	-	-	-	-	95,856	101,217	-	(5,361)
Special Education - Part B ARRA	203,782	3,578,527	3,782,309	-	-	1,337,519	1,337,519	-	-
Special Education - Part B - Preschool ARRA	78,306	160,369	238,675	-	-	-	-	-	-
Clearing	88,291	4,594,591	4,596,511	-	86,371	4,400,514	4,404,207	-	82,678
<b>Totals</b>	<b>\$ 5,684,322</b>	<b>\$ 35,896,912</b>	<b>\$ 35,458,015</b>	<b>\$ -</b>	<b>\$ 6,123,219</b>	<b>\$ 29,904,825</b>	<b>\$ 29,611,186</b>	<b>\$ -</b>	<b>\$ 6,416,858</b>

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

INDIANA SPECIAL EDUCATION COOPERATIVE  
NOTES TO FINANCIAL STATEMENT

**Note 1. 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 accompanying financial statement presents the financial information for the School Corporation.

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), 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 regulatory 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.

*C. Cash and Investments*

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

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Local sources which include taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, school corporation activities, revenue from community services activities, and other revenue from local sources.

State sources include distributions from the State of Indiana and are to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources include distributions from the federal government and are to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

INDIANA SPECIAL EDUCATION COOPERATIVE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

Other receipts which include amounts received from various sources which include return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Instruction which includes outflows for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services which include outflows for food service operations, and community service operations.

Facilities acquisition and construction which includes outflows for the acquisition, development, construction, and improvement of new and existing facilities.

Nonprogrammed charges which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, funds held temporarily for an authorized recipient, and self-insurance payments.

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

*F. Other Financing Sources and Uses*

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses include the following:

Transfers in which includes money received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

Transfers out which includes money paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other

INDIANA SPECIAL EDUCATION COOPERATIVE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

funds are internally restricted by the School Corporation. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. 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 to each of the member school corporations so they can include their portion of the budget within their own budgets. The budget for funds for which property taxes are levied is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. 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. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

**Note 4. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 5. Risk Management**

The School Corporation may be 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.

INDIANA SPECIAL EDUCATION COOPERATIVE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the School Corporation to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is 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 this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) 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 members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS 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. That report may be obtained by contacting:

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy and Annual Pension Cost*

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

*B. Teacher's Retirement Fund*

*Plan Description*

The Indiana Teacher's Retirement Fund (TRF) is 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 Indiana Public Retirement System (INPRS) 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

INDIANA SPECIAL EDUCATION COOPERATIVE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent 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.

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

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 286-3544

*Funding Policy and Annual Pension Cost*

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.

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the School Corporation. It is presented as intended by the School Corporation.

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2011

	General	Capital Projects	School Transportation	School Bus Replacement	Post- Retirement/ Severance Future Benefits	School Lunch	Textbook Rental	Self- Insurance	Instruction Support
Cash and investments - beginning	\$ 3,534,461	\$ 360,739	\$ 20,121	\$ 154,644	\$ 747,447	\$ -	\$ 6,109	\$ 416,207	\$ 2,350
Receipts:									
Local sources	14,007,391	252,768	41,052	23,705	2,720	5,486	2,830	3,305,653	142
State sources	438,873	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	2,126,415	-	-	-	-	-	-	-	-
Other	1,909	150	-	-	100,577	-	-	-	-
Total receipts	<u>16,574,588</u>	<u>252,918</u>	<u>41,052</u>	<u>23,705</u>	<u>103,297</u>	<u>5,486</u>	<u>2,830</u>	<u>3,305,653</u>	<u>142</u>
Disbursements:									
Current:									
Instruction	11,493,906	-	-	-	-	-	-	-	-
Support services	2,725,003	82,484	34,444	-	121,010	89	934	-	-
Noninstructional services	7,746	-	-	-	-	8,678	-	-	-
Facilities acquisition and construction	-	122,027	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	2,528,033	-
Interfund loans	2,410,459	-	-	-	-	-	-	-	-
Total disbursements	<u>16,637,114</u>	<u>204,511</u>	<u>34,444</u>	<u>-</u>	<u>121,010</u>	<u>8,767</u>	<u>934</u>	<u>2,528,033</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(62,526)</u>	<u>48,407</u>	<u>6,608</u>	<u>23,705</u>	<u>(17,713)</u>	<u>(3,281)</u>	<u>1,896</u>	<u>777,620</u>	<u>142</u>
Other financing sources (uses):									
Transfers in	-	-	-	6,077	-	3,281	-	-	-
Transfers out	(13,001)	-	(6,077)	-	-	-	-	-	-
Total other financing sources (uses)	<u>(13,001)</u>	<u>-</u>	<u>(6,077)</u>	<u>6,077</u>	<u>-</u>	<u>3,281</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(75,527)</u>	<u>48,407</u>	<u>531</u>	<u>29,782</u>	<u>(17,713)</u>	<u>-</u>	<u>1,896</u>	<u>777,620</u>	<u>142</u>
Cash and investments - ending	<u>\$ 3,458,934</u>	<u>\$ 409,146</u>	<u>\$ 20,652</u>	<u>\$ 184,426</u>	<u>\$ 729,734</u>	<u>\$ -</u>	<u>\$ 8,005</u>	<u>\$ 1,193,827</u>	<u>\$ 2,492</u>

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2011  
 (Continued)

	Summer Enrichment Program United Way	Adult and Continuing Education	Recreational Activities	Miscellaneous Programs	Inservice RTI	Inservice Disproportionality	Teacher Quality Improvement Program	Teacher Quality Improvement Workshop	Paraprofessional Testing
Cash and investments - beginning	\$ -	\$ 887	\$ 8,939	\$ 220	\$ 1,159	\$ -	\$ 4,292	\$ 2,148	\$ 340
Receipts:									
Local sources	39,901	-	1,000	-	-	660	-	2,450	700
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>39,901</u>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>660</u>	<u>-</u>	<u>2,450</u>	<u>700</u>
Disbursements:									
Current:									
Instruction	38,522	-	-	-	-	-	-	-	-
Support services	1,379	887	1,031	-	-	-	-	3,886	475
Noninstructional services	-	-	235	105	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	<u>39,901</u>	<u>887</u>	<u>1,266</u>	<u>105</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,886</u>	<u>475</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(887)</u>	<u>(266)</u>	<u>(105)</u>	<u>-</u>	<u>660</u>	<u>-</u>	<u>(1,436)</u>	<u>225</u>
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>(887)</u>	<u>(266)</u>	<u>(105)</u>	<u>-</u>	<u>660</u>	<u>-</u>	<u>(1,436)</u>	<u>225</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,673</u>	<u>\$ 115</u>	<u>\$ 1,159</u>	<u>\$ 660</u>	<u>\$ 4,292</u>	<u>\$ 712</u>	<u>\$ 565</u>

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2011  
 (Continued)

	Very Special Arts	Contributions 10	Contributions 11	Contributions 12	Beginning Teacher Internship Program	PATINS Office	Lake County Summit	Art Department Grant	PATINS 9
Cash and investments - beginning	\$ -	\$ 15,000	\$ -	\$ -	\$ 310	\$ -	\$ 524	\$ 795	\$ 18,094
Receipts:									
Local sources	2,215	-	10,000	-	-	-	-	1,964	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	3,844	-	-	-
Interfund loans	-	-	-	-	-	717	-	-	-
Other	125	-	-	-	-	-	-	-	-
Total receipts	2,340	-	10,000	-	-	4,561	-	1,964	-
Disbursements:									
Current:									
Instruction	-	-	-	-	3,545	-	-	-	-
Support services	-	15,000	-	-	-	3,841	-	1,306	18,153
Noninstructional services	864	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	717	-	-	-
Total disbursements	864	15,000	-	-	3,545	4,558	-	1,306	18,153
Excess (deficiency) of receipts over disbursements	1,476	(15,000)	10,000	-	(3,545)	3	-	658	(18,153)
Other financing sources (uses):									
Transfers in	-	-	-	-	3,235	-	-	-	59
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	3,235	-	-	-	59
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,476	(15,000)	10,000	-	(310)	3	-	658	(18,094)
Cash and investments - ending	\$ 1,476	\$ -	\$ 10,000	\$ -	\$ -	\$ 3	\$ 524	\$ 1,453	\$ -

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2011  
 (Continued)

	Special Education Grant 10	Special Education Grant 11	Special Education Grant 9	Special Education Early Childhood 10	Special Education Early Childhood 11	Special Education - Part B ARRA	Special Education - Part B - Preschool ARRA	Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ 19,157	\$ -	\$ -	\$ 203,782	\$ 78,306	\$ 88,291	\$ 5,684,322
Receipts:									
Local sources	-	-	-	-	-	-	-	-	17,700,637
State sources	-	-	-	-	-	-	-	-	438,873
Federal sources	4,849,843	-	542,603	108,133	-	2,858,384	160,369	-	8,523,176
Interfund loans	1,656,987	-	-	32,612	-	720,143	-	-	4,536,874
Other	-	-	-	-	-	-	-	4,594,591	4,697,352
Total receipts	<u>6,506,830</u>	<u>-</u>	<u>542,603</u>	<u>140,745</u>	<u>-</u>	<u>3,578,527</u>	<u>160,369</u>	<u>4,594,591</u>	<u>35,896,912</u>
Disbursements:									
Current:									
Instruction	4,761,826	-	491,802	111,655	-	2,590,448	65,788	-	19,557,492
Support services	295,262	-	76,384	-	-	544,995	172,887	-	4,099,450
Noninstructional services	-	-	-	-	-	-	-	-	17,628
Facilities acquisition and construction	-	-	-	-	-	-	-	-	122,027
Nonprogrammed charges	-	-	-	-	-	-	-	4,596,511	7,124,544
Interfund loans	1,449,742	-	-	29,090	-	646,866	-	-	4,536,874
Total disbursements	<u>6,506,830</u>	<u>-</u>	<u>568,186</u>	<u>140,745</u>	<u>-</u>	<u>3,782,309</u>	<u>238,675</u>	<u>4,596,511</u>	<u>35,458,015</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>(25,583)</u>	<u>-</u>	<u>-</u>	<u>(203,782)</u>	<u>(78,306)</u>	<u>(1,920)</u>	<u>438,897</u>
Other financing sources (uses):									
Transfers in	-	-	6,426	-	-	-	-	-	19,078
Transfers out	-	-	-	-	-	-	-	-	(19,078)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>6,426</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>-</u>	<u>(19,157)</u>	<u>-</u>	<u>-</u>	<u>(203,782)</u>	<u>(78,306)</u>	<u>(1,920)</u>	<u>438,897</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,371</u>	<u>\$ 6,123,219</u>

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012

	General	Capital Projects	School Transportation	School Bus Replacement	Post- Retirement/ Severance Future Benefits	School Lunch	Textbook Rental	Self- Insurance	Instruction Support
Cash and investments - beginning	\$ 3,458,934	\$ 409,146	\$ 20,652	\$ 184,426	\$ 729,734	\$ -	\$ 8,005	\$ 1,193,827	\$ 2,492
Receipts:									
Local sources	14,214,076	205,538	41,000	23,705	2,241	7,404	3,258	2,063,270	861
State sources	435,031	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	974,329	-	-	-	-	-	-	-	-
Other	972	-	-	-	754	4	-	-	-
Total receipts	15,624,408	205,538	41,000	23,705	2,995	7,408	3,258	2,063,270	861
Disbursements:									
Current:									
Instruction	10,425,476	-	-	-	-	-	-	-	-
Support services	3,608,973	66,743	29,118	-	113,874	87	1,511	-	170
Noninstructional services	9,085	-	-	-	-	8,606	-	-	-
Facilities acquisition and construction	-	148,711	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	2,398,672	-
Interfund loans	690,285	-	-	-	-	-	-	-	-
Total disbursements	14,733,819	215,454	29,118	-	113,874	8,693	1,511	2,398,672	170
Excess (deficiency) of receipts over disbursements	890,589	(9,916)	11,882	23,705	(110,879)	(1,285)	1,747	(335,402)	691
Other financing sources (uses):									
Transfers in	-	-	-	14,232	-	1,285	-	-	-
Transfers out	(4,485)	-	(14,232)	-	-	-	-	-	-
Total other financing sources (uses)	(4,485)	-	(14,232)	14,232	-	1,285	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	886,104	(9,916)	(2,350)	37,937	(110,879)	-	1,747	(335,402)	691
Cash and investments - ending	\$ 4,345,038	\$ 399,230	\$ 18,302	\$ 222,363	\$ 618,855	\$ -	\$ 9,752	\$ 858,425	\$ 3,183

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	Summer Enrichment Program United Way	Adult and Continuing Education	Recreational Activities	Miscellaneous Programs	Inservice RTI	Inservice Disproportionality	Teacher Quality Improvement Program	Teacher Quality Improvement Workshop	Paraprofessional Testing
Cash and investments - beginning	\$ -	\$ -	\$ 8,673	\$ 115	\$ 1,159	\$ 660	\$ 4,292	\$ 712	\$ 565
Receipts:									
Local sources	40,596	1,805	600	-	-	20	-	9,734	475
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>40,596</u>	<u>1,805</u>	<u>600</u>	<u>-</u>	<u>-</u>	<u>20</u>	<u>-</u>	<u>9,734</u>	<u>475</u>
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	-	-
Support services	-	1,805	937	-	1,211	-	-	2,709	450
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>1,805</u>	<u>937</u>	<u>-</u>	<u>1,211</u>	<u>-</u>	<u>-</u>	<u>2,709</u>	<u>450</u>
Excess (deficiency) of receipts over disbursements	<u>40,596</u>	<u>-</u>	<u>(337)</u>	<u>-</u>	<u>(1,211)</u>	<u>20</u>	<u>-</u>	<u>7,025</u>	<u>25</u>
Other financing sources (uses):									
Transfers in	-	-	-	-	52	-	-	680	-
Transfers out	-	-	-	-	-	(680)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52</u>	<u>(680)</u>	<u>-</u>	<u>680</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>40,596</u>	<u>-</u>	<u>(337)</u>	<u>-</u>	<u>(1,159)</u>	<u>(660)</u>	<u>-</u>	<u>7,705</u>	<u>25</u>
Cash and investments - ending	<u>\$ 40,596</u>	<u>\$ -</u>	<u>\$ 8,336</u>	<u>\$ 115</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,292</u>	<u>\$ 8,417</u>	<u>\$ 590</u>

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	Very Special Arts	Contributions 10	Contributions 11	Contributions 12	Beginning Teacher Internship Program	PATINS Office	Lake County Summit	Art Department Grant	PATINS 9
Cash and investments - beginning	\$ 1,476	\$ -	\$ 10,000	\$ -	\$ -	\$ 3	\$ 524	\$ 1,453	\$ -
Receipts:									
Local sources	750	-	-	10,000	-	-	-	1,521	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	2,218	-	-	-
Interfund loans	-	-	-	-	-	588	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	750	-	-	10,000	-	2,806	-	1,521	-
Disbursements:									
Current:									
Instruction	-	-	-	-	1,772	-	-	-	-
Support services	-	-	10,183	-	-	2,427	-	1,840	-
Noninstructional services	1,476	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	588	-	-	-
Total disbursements	1,476	-	10,183	-	1,772	3,015	-	1,840	-
Excess (deficiency) of receipts over disbursements	(726)	-	(10,183)	10,000	(1,772)	(209)	-	(319)	-
Other financing sources (uses):									
Transfers in	-	-	183	-	1,772	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	183	-	1,772	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(726)	-	(10,000)	10,000	-	(209)	-	(319)	-
Cash and investments - ending	\$ 750	\$ -	\$ -	\$ 10,000	\$ -	\$ (206)	\$ 524	\$ 1,134	\$ -

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

	Special Education Grant 10	Special Education Grant 11	Special Education Grant 9	Special Education Early Childhood 10	Special Education Early Childhood 11	Special Education - Part B ARRA	Special Education - Part B - Preschool ARRA	Clearing	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,371	\$ 6,123,219
Receipts:									
Local sources	-	-	-	-	-	-	-	-	16,626,854
State sources	-	-	-	-	-	-	-	-	435,031
Federal sources	827,692	4,511,487	-	14,380	82,786	1,337,519	-	-	6,776,082
Interfund loans	48,474	625,983	-	2,170	13,070	-	-	-	1,664,614
Other	-	-	-	-	-	-	-	4,400,514	4,402,244
Total receipts	876,166	5,137,470	-	16,550	95,856	1,337,519	-	4,400,514	29,904,825
Disbursements:									
Current:									
Instruction	549,182	3,884,373	-	11,828	88,147	1,040,789	-	-	16,001,567
Support services	71,488	837,269	-	-	-	223,453	-	-	4,974,248
Noninstructional services	-	-	-	-	-	-	-	-	19,167
Facilities acquisition and construction	-	-	-	-	-	-	-	-	148,711
Nonprogrammed charges	-	-	-	-	-	-	-	4,404,207	6,802,879
Interfund loans	255,719	625,983	-	5,692	13,070	73,277	-	-	1,664,614
Total disbursements	876,389	5,347,625	-	17,520	101,217	1,337,519	-	4,404,207	29,611,186
Excess (deficiency) of receipts over disbursements	(223)	(210,155)	-	(970)	(5,361)	-	-	(3,693)	293,639
Other financing sources (uses):									
Transfers in	223	-	-	970	-	-	-	-	19,397
Transfers out	-	-	-	-	-	-	-	-	(19,397)
Total other financing sources (uses)	223	-	-	970	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(210,155)	-	-	(5,361)	-	-	(3,693)	293,639
Cash and investments - ending	\$ -	\$ (210,155)	\$ -	\$ -	\$ (5,361)	\$ -	\$ -	\$ 82,678	\$ 6,416,858

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NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS  
June 30, 2012

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>Ending Balance</u>
Capital assets, not being depreciated:	
Land	\$ 40,000
Buildings	3,036,410
Machinery and equipment	<u>1,377,942</u>
Total capital assets not being depreciated	<u>\$ 4,454,352</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
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 Northwest Indiana Special Education Cooperative's (School Corporation) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the period of July 1, 2010 to June 30, 2012. 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 could have a direct and material effect on each of its major federal programs for the period of July 1, 2010 to June 30, 2012. 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 2012-1.

Internal Control Over Compliance

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 to determine our auditing procedures for the purpose of expressing our opinion on compliance and to

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 the response.

This report is intended solely for the information and use of the School Corporation's management, Board of Managers, others within the entity, 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 24, 2013

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying notes presented were prepared by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2011 and 2012

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 06-30-11	Total Federal Awards Expended 06-30-12
<u>U.S. Department of Education</u>				
Pass-Through Indiana Department of Education				
Special Education Cluster				
Special Education - Grants to States (IDEA, Part B)				
Individual with Disabilities Education Act (IDEA)				
	84.027			
		14210-047-PN01	\$ 542,602	\$ -
		14211-047-PN01	4,849,843	827,692
		14212-047-PN01	-	4,511,487
			<u>5,392,445</u>	<u>5,339,179</u>
Total for program				
			<u>5,392,445</u>	<u>5,339,179</u>
Special Education - Preschool Grants (IDEA Preschool)				
	84.173			
		45711-047-PN01	108,134	14,380
		45712-047-PN01	-	82,786
			<u>108,134</u>	<u>97,166</u>
Total for program				
			<u>108,134</u>	<u>97,166</u>
ARRA - Special Education - Grants to States (IDEA, Part B), Recovery Act				
	84.391	33310-047-SN01	<u>2,858,384</u>	<u>1,337,519</u>
ARRA - Special Education - Preschool Grants (IDEA Preschool), Recovery Act				
	84.392	44410-047-SN01	<u>160,369</u>	-
Total for cluster			<u>8,519,332</u>	<u>6,773,864</u>
Total for federal grantor agency			<u>8,519,332</u>	<u>6,773,864</u>
Total federal awards expended			<u>\$ 8,519,332</u>	<u>\$ 6,773,864</u>

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

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. 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 statement. 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 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.

**Note 2. Subrecipients**

Of the federal expenditures presented in the schedule, the School Corporation provided federal awards to subrecipients as follows for the years ended June 30, 2011 and 2012:

Program Title	Federal CFDA Number	2011	2012
ARRA – Special Education – Grants to States (IDEA, Part B), Recovery Act	84.391	\$ 2,858,384	\$ 1,337,519
ARRA – Special Education – Preschool Grants (IDEA Preschool), Recovery Act	84.392	160,369	-

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I – Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unqualified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	yes
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: \$458,796

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 2012-1 - Subrecipient Monitoring**

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

Northwest Indiana Special Education Cooperative (NISEC) applied for ARRA Special Education funding for its nine member school corporations through the Indiana Department of Education. The ARRA Special Education funding was originally an advance grant where NISEC requested cash drawdowns when using the grant money. Effective July 1, 2010, the Indiana Department of Education began modifying the grant process for their subrecipients. Under the new process, school corporations would no longer request grant advances; instead, school corporations would be required to spend the funds necessitating reimbursements on funds already spent.

The ARRA Special Education funding was passed through to the nine member school corporations of NISEC. One member school corporation, Lake Station Community School Corporation (Lake Station), was using part of its ARRA funding for the salary and fringe benefits of a certified teacher, an allowable activity of the grant. Lake Station would anticipate the next month's cash needs for the salary and benefits of the certified position. Lake Station would then request "reimbursement" of NISEC using the ARRA Special Education funding. The timing of the request for reimbursement was a problem. The "reimbursement" payment was made by NISEC to Lake Station prior to the actual expense being incurred. This process was allowable under the previous advance grant cash drawdown process, but is not allowed under the reimbursement method. Under the reimbursement method, the actual expense must be paid and then the grant funding would reimburse the school corporation. NISEC paid \$46,785.11 to Lake Station for certified salaries and fringe benefits before the expense was paid by Lake Station. Lake Station did provide documentation to NISEC for the expenses the following month. Both Lake Station and NISEC interpreted that the "in anticipation" expenses of the certified salary and benefits would still be allowed under the new reimbursement method since the expense was part of the approved budget.

The internal controls in place for the monitoring of NISEC's subrecipients were not changed since the officials thought this procedure was still allowed under the reimbursement grant process. The total paid by NISEC in advance of documented payments by the subrecipients was \$46,785.11. The ARRA IDEA grant had activity of \$4,195,903 during this audit period. All other payments using ARRA IDEA grant money were after the expense had occurred. All payments using ARRA IDEA grant money had supporting documentation.

NISEC monitored its nine member schools (subrecipients) to ensure compliance with laws, regulations, and grant agreements. The following monitoring methods were used: review of each reimbursement request report of the member schools, visits to the member schools during the budget process for the grants, emails requesting more documentation when problems were found when reviewing the reimbursement requests, requests for semi-annual certifications for those paid with federal funds (including time and effort logs when necessary), and audit report follow up on single audits performed. NISEC sent the nine member schools a sample copy of the semi-annual certification for those paid with federal funds and samples of time and effort logs. Included was a message that the member schools were reminded that they were responsible for completing the semi-annual certifications and time and effort logs. The use of the ARRA funding would also need to be included on these forms. NISEC did not follow -up by requesting copies of the forms to see that each member school had completed the forms. On January 10, 2013, NISEC requested copies of the

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

forms from each of the nine member schools. Four of the member schools did not provide the requested information: Griffith Public Schools, School Town of Highland, Lake Station Community School Corporation, and Tri Creek School Corporation.

34 CFR 80.40(a) Monitoring by grantees states:

"Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity."

OMB Circular A-133, Subpart C, section .300 (b) states:

"The auditee shall: (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Failure to obtain from the nine member schools (subrecipients) copies of the semi-annual certification for those paid with federal funds, including ARRA funding, during the period July 1, 2010 to June 30, 2012 indicates noncompliance with subrecipient monitoring requirements established by federal agencies. Failure to modify the reimbursement requests from Lake Station Community School Corporation and not pay them with ARRA funding until after the expenses were paid also indicates noncompliance with subrecipient monitoring requirements.

We recommended NISEC officials follow the subrecipient monitoring requirements requiring the Special Education funding to be reimbursed after the funds have been properly spent. Also, we recommended NISEC officials obtain semiannual certification for those paid with federal funds in a timely manner from any subrecipients in the future.



# Northwest Indiana Special Education Cooperative

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TDD/TTY (219) 662-2149

November 21, 2012

## RE: SUMMARY SCHEDULE FOR PRIOR AUDIT FINDINGS

### Finding Number 2010-1, Cash Management Compliance

**Original SBA Audit Report Number:** B38470  
**Fiscal Year:** 2010

**Status of Finding:** The Northwest Indiana Special Education Cooperative moved to a reimbursement process as of July 1, 2010 to assure cash management compliance. The NISEC is submitting its reimbursement requests based on actual claims.

**Auditee Contact Person:** Denise Bashore  
**Title of Contact Person:** Assistant Director and Treasurer  
**Phone:** (219) 769-4000

Sincerely,

*Denise Bashore*

Assistant Director and Treasurer



# Northwest Indiana Special Education Cooperative

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January 17, 2013

## CORRECTIVE ACTION PLAN

### FINDINGS 2012-1, Subrecipient Monitoring Compliance

Federal Agency: U.S. Department of Education

Federal Program: ARRA – Special Education – Grants to States (IDEA, Part B) Recovery Act

CFDA Number 84.391

Federal Award Number: 3310-047-SN01

Pass-Through Entity: Indiana Department of Education

The Northwest Indiana Special Education Cooperative (NISEC) requested ARRA reimbursement for one of its member school corporations for a certified teacher's salary and benefits. It was the timing of the requests that was not following the newer reimbursement process. When the ARRA grant started, the NISEC followed an advance grant cash drawdown process. In that process NISEC would request the reimbursement needed for the month as those expenses were known and approved within the grant. Then the process changed to a reimbursement method. The method of requesting cash advances for the member district did not change to the new reimbursement method.

In the future, the NISEC will follow all current requirements of the federal grants. The NISEC will request all reimbursements based on paid out expenditures with the appropriate backup for payments to its member school corporations.

Respectively Submitted,

Denise Bashore  
Assistant Director

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE  
EXIT CONFERENCE

The contents of this report were discussed on January 24, 2013, with Jane Winkoff, 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.