

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

OLD NATIONAL TRAIL SPECIAL SERVICES COOPERATIVE  
PUTNAM COUNTY, INDIANA

July 1, 2011 to June 30, 2013



**FILED**  
02/12/2014



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Melinda Shrout	07-01-11 to 06-30-14
Director	Dr. Nancy Holsapple	07-01-11 to 06-30-14
President of the Board of Directors	Dr. Patrick Spray Dr. Dan Noel Dr. Bruce Bernhardt	07-01-11 to 06-30-12 07-01-12 to 06-30-13 07-01-13 to 06-30-14



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INDEPENDENT AUDITOR'S REPORT

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

***Report on the Financial Statement***

We have audited the accompanying financial statement of the Old National Trail Special Services Cooperative (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement.

***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School Corporation's preparation and fair presentation of the financial statement in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As discussed in Note 1 of the financial statement, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a 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 the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance 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, 2011 to June 30, 2013.

***Opinion on Regulatory Basis of Accounting***

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, 2011 to June 30, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated January 14, 2014, 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* in considering the School Corporation's internal control over financial reporting and compliance.

***Accompanying Information***

*Supplementary Information*

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 records 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.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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, Schedule of Payables and Receivables, Schedule of Leases and Debt, 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.

  
Paul D. Joyce, CPA  
State Examiner

January 14, 2014



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INDEPENDENT AUDITOR'S 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 OLD NATIONAL TRAIL SPECIAL  
SERVICES COOPERATIVE, PUTNAM COUNTY, INDIANA

We have audited, 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, the financial statement of the Old National Trail Special Services Cooperative (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement, and have issued our report thereon dated January 14, 2014, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

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. A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***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

INDEPENDENT AUDITOR'S 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)

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*.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

January 14, 2014

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## 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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OLD NATIONAL TRAIL SPECIAL SERVICES COOPERATIVE  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2012 and 2013

	Cash and Investments 07-01-11			Cash and Investments 06-30-12			Cash and Investments 06-30-13		
	Receipts	Disbursements	Receipts	Disbursements	Receipts	Disbursements	Receipts	Disbursements	
Local	\$ 62,823	\$ 1,188,597	\$ 1,087,067	\$ 164,353	\$ 1,001,936	\$ 745,004	\$ 421,285		
Extra-Curricular Activities	1,262	873	2,001	134	-	-	134		
Miscellaneous Programs	-	1,542	-	1,542	200	1,520	222		
Medicaid Reimbursement	2,343	22,718	567	24,494	19,590	-	44,084		
School Technology	-	2,361	1,917	444	3,945	2,060	2,329		
Special Education - Part B FY 2013	-	-	-	-	1,053,060	1,110,824	(57,764)		
Special Education - Part B FY 2010	9,275	118,515	127,790	-	-	-	-		
Special Education - Part B FY 2011	78,313	429,077	508,101	(711)	4,103	3,392	-		
Special Education - Part B FY 2012	-	899,896	966,138	(66,242)	645,686	579,444	-		
Preschool Outreach Speech	48,794	-	-	48,794	-	-	48,794		
Special Education - Part B - Preschool FY 2013	15,679	3,825	19,504	-	399	399	-		
Special Education - Part B - Preschool FY 2011	500	52,196	52,696	-	335	335	-		
Special Education - Part B - Preschool FY 2012	-	229	229	-	50,679	50,679	-		
Special Education - Part B (Stimulus)	34,455	32,190	66,645	-	-	-	-		
Payroll Withholdings and Benefits	1,300	548,866	551,049	(883)	553,301	547,633	4,785		
<b>Totals</b>	<b>\$ 254,744</b>	<b>\$ 3,300,885</b>	<b>\$ 3,383,704</b>	<b>\$ 171,925</b>	<b>\$ 3,333,234</b>	<b>\$ 3,041,290</b>	<b>\$ 463,869</b>		

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

OLD NATIONAL TRAIL SPECIAL SERVICES 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 Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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.

OLD NATIONAL TRAIL SPECIAL SERVICES COOPERATIVE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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.

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.

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

Debt services which include fixed obligations resulting from financial transactions previously entered into by the School Corporation. It includes all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

*F. 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 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. 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.

OLD NATIONAL TRAIL SPECIAL SERVICES COOPERATIVE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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 3. 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.

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 4. 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.

OLD NATIONAL TRAIL SPECIAL SERVICES COOPERATIVE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*B. Teachers' Retirement Fund*

*Plan Description*

The Indiana Teachers' 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 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.

**Note 5. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2012 and 2013.

**Note 6. Restatements**

For the year ended June 30, 2012, a change has been made to a beginning balance of the financial statement to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of the restated beginning balance.

OLD NATIONAL TRAIL SPECIAL SERVICES COOPERATIVE  
 NOTES TO FINANCIAL STATEMENT  
 (Continued)

Fund Name	Balance as of June 30, 2011	Prior Period Adjustment	Balance as of January 1, 2011
Payroll Withholdings and Benefits	\$ -	\$ 1,300	\$ 1,300

**Note 7. Other Postemployment Benefits**

The School Corporation provides to eligible retirees and their spouses the following benefits: health insurance. These benefits pose a liability to the School Corporation for this year and in future years. Information regarding the benefits can be obtained by contacting the School Corporation.

## 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.

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

	Local	Extra- Curricular Activities	Miscellaneous Programs	Medicaid Reimbursement	School Technology	Special Education Part B FY 2010	Special Education Part B FY 2011	Special Education Part B FY 2012
Cash and investments - beginning	\$ 62,823	\$ 1,262	\$ -	\$ 2,343	\$ -	\$ 9,275	\$ 78,313	\$ -
Receipts:								
Local sources	1,188,597	873	1,542	22,718	-	-	-	-
State sources	-	-	-	-	2,361	-	-	-
Federal sources	-	-	-	-	-	118,515	429,077	899,896
Other	-	-	-	-	-	-	-	-
Total receipts	<u>1,188,597</u>	<u>873</u>	<u>1,542</u>	<u>22,718</u>	<u>2,361</u>	<u>118,515</u>	<u>429,077</u>	<u>899,896</u>
Disbursements:								
Current:								
Instruction	112,148	2,001	-	-	-	-	232,321	474,347
Support services	958,298	-	-	567	1,917	71,029	266,780	464,791
Facilities acquisition and construction	16,621	-	-	-	-	56,761	9,000	27,000
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>1,087,067</u>	<u>2,001</u>	<u>-</u>	<u>567</u>	<u>1,917</u>	<u>127,790</u>	<u>508,101</u>	<u>966,138</u>
Excess (deficiency) of receipts over disbursements	<u>101,530</u>	<u>(1,128)</u>	<u>1,542</u>	<u>22,151</u>	<u>444</u>	<u>(9,275)</u>	<u>(79,024)</u>	<u>(66,242)</u>
Cash and investments - ending	<u>\$ 164,353</u>	<u>\$ 134</u>	<u>\$ 1,542</u>	<u>\$ 24,494</u>	<u>\$ 444</u>	<u>\$ -</u>	<u>\$ (711)</u>	<u>\$ (66,242)</u>

OLD NATIONAL TRAIL SPECIAL SERVICES 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)

	Preschool Outreach Speech	Special Education Part B - Preschool FY 2013	Special Education Part B - Preschool FY 2011	Special Education Part B - Preschool FY 2012	Special Education Part B (Stimulus)	Payroll Withholdings and Benefits	Totals
Cash and investments - beginning	\$ 48,794	\$ 15,679	\$ 500	\$ -	\$ 34,455	\$ 1,300	\$ 254,744
Receipts:							
Local sources	-	-	-	-	-	-	1,213,730
State sources	-	-	-	-	-	-	2,361
Federal sources	-	3,825	52,196	229	32,190	-	1,535,928
Other	-	-	-	-	-	548,866	548,866
Total receipts	<u>-</u>	<u>3,825</u>	<u>52,196</u>	<u>229</u>	<u>32,190</u>	<u>548,866</u>	<u>3,300,885</u>
Disbursements:							
Current:							
Instruction	-	19,504	52,696	229	52,006	-	945,252
Support services	-	-	-	-	14,639	-	1,778,021
Facilities acquisition and construction	-	-	-	-	-	-	109,382
Nonprogrammed charges	-	-	-	-	-	551,049	551,049
Total disbursements	<u>-</u>	<u>19,504</u>	<u>52,696</u>	<u>229</u>	<u>66,645</u>	<u>551,049</u>	<u>3,383,704</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(15,679)</u>	<u>(500)</u>	<u>-</u>	<u>(34,455)</u>	<u>(2,183)</u>	<u>(82,819)</u>
Cash and investments - ending	<u>\$ 48,794</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (883)</u>	<u>\$ 171,925</u>

OLD NATIONAL TRAIL SPECIAL SERVICES COOPERATIVE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013

	Local	Extra- Curricular Activities	Miscellaneous Programs	Medicaid Reimbursement	School Technology	Special Education Part B FY 2013	Special Education Part B FY 2011
Cash and investments - beginning	\$ 164,353	\$ 134	\$ 1,542	\$ 24,494	\$ 444	\$ -	\$ (711)
Receipts:							
Local sources	1,001,936	-	200	19,590	-	-	-
State sources	-	-	-	-	3,945	-	-
Federal sources	-	-	-	-	-	1,053,060	4,103
Other	-	-	-	-	-	-	-
Total receipts	<u>1,001,936</u>	<u>-</u>	<u>200</u>	<u>19,590</u>	<u>3,945</u>	<u>1,053,060</u>	<u>4,103</u>
Disbursements:							
Current:							
Instruction	252,855	-	-	-	-	200,248	646
Support services	478,341	-	1,520	-	2,060	862,647	2,746
Facilities acquisition and construction	13,808	-	-	-	-	15,000	-
Debt services	-	-	-	-	-	32,929	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>745,004</u>	<u>-</u>	<u>1,520</u>	<u>-</u>	<u>2,060</u>	<u>1,110,824</u>	<u>3,392</u>
Excess (deficiency) of receipts over disbursements	<u>256,932</u>	<u>-</u>	<u>(1,320)</u>	<u>19,590</u>	<u>1,885</u>	<u>(57,764)</u>	<u>711</u>
Cash and investments - ending	<u>\$ 421,285</u>	<u>\$ 134</u>	<u>\$ 222</u>	<u>\$ 44,084</u>	<u>\$ 2,329</u>	<u>\$ (57,764)</u>	<u>\$ -</u>

OLD NATIONAL TRAIL SPECIAL SERVICES COOPERATIVE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

	Special Education Part B FY 2012	Preschool Outreach Speech	Special Education Part B - Preschool FY 2013	Special Education Part B - Preschool FY 2011	Special Education Part B - Preschool FY 2012	Payroll Withholdings and Benefits	Totals
Cash and investments - beginning	\$ (66,242)	\$ 48,794	\$ -	\$ -	\$ -	\$ (883)	\$ 171,925
Receipts:							
Local sources	-	-	-	-	-	-	1,021,726
State sources	-	-	-	-	-	-	3,945
Federal sources	645,686	-	399	335	50,679	-	1,754,262
Other	-	-	-	-	-	553,301	553,301
Total receipts	<u>645,686</u>	<u>-</u>	<u>399</u>	<u>335</u>	<u>50,679</u>	<u>553,301</u>	<u>3,333,234</u>
Disbursements:							
Current:							
Instruction	293,607	-	399	335	50,679	-	798,769
Support services	264,837	-	-	-	-	-	1,612,151
Facilities acquisition and construction	21,000	-	-	-	-	-	49,808
Debt services	-	-	-	-	-	-	32,929
Nonprogrammed charges	-	-	-	-	-	547,633	547,633
Total disbursements	<u>579,444</u>	<u>-</u>	<u>399</u>	<u>335</u>	<u>50,679</u>	<u>547,633</u>	<u>3,041,290</u>
Excess (deficiency) of receipts over disbursements	<u>66,242</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,668</u>	<u>291,944</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 48,794</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,785</u>	<u>\$ 463,869</u>

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OLD NATIONAL TRAIL SPECIAL SERVICES COOPERATIVE  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2013

<u>School Corporation</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 24,437</u>	<u>\$ 47,105</u>

OLD NATIONAL TRAIL SPECIAL SERVICES COOPERATIVE  
 SCHEDULE OF LEASES  
 June 30, 2013

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: Area 30 Career Center	Rent of office/classroom space	<u>\$ 36,000</u>	07-01-13	06-30-14

OLD NATIONAL TRAIL SPECIAL SERVICES COOPERATIVE  
SCHEDULE OF CAPITAL ASSETS  
June 30, 2013

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>
Governmental activities:	
Machinery, equipment, and vehicles	<u>\$ 375,394</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](http://www.in.gov/sboa)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

***Report on Compliance for Each Major Federal Program***

We have audited the Old National Trail Special Services 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 its major federal program for the period of July 1, 2011 to June 30, 2013. The School Corporation's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the School Corporation's major federal program based on our audit of the types of compliance requirements referred to above. 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the period of July 1, 2011 to June 30, 2013.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, 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 2013-001. Our opinion on the major federal program is not modified with respect to these matters.

The School Corporation's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

***Report on Internal Control Over Compliance***

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001 to be material weaknesses.

The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

January 14, 2014

#### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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OLD NATIONAL TRAIL SPECIAL SERVICES COOPERATIVE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2012 and 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 06-30-13
<u>Department of Education</u>					
Special Education Cluster					
Special Education - Grants to States	Indiana Department of Education	84.027			
IDEA, Part B			14210-048-PN01	\$ 118,515	\$ -
IDEA, Part B			14211-048-PN01	429,077	4,103
IDEA, Part B			14212-048-PN01	899,896	645,686
IDEA, Part B			14213-048-PN01	-	1,053,060
				<u>1,447,488</u>	<u>1,702,848</u>
Total - Special Education - Grants to States					
Special Education - Preschool Grants					
Special Education - Preschool Grants	Indiana Department of Education	84.173			
IDEA, Preschool			45710-048-PN01	3,825	-
IDEA, Preschool			45711-048-PN01	52,193	335
IDEA, Preschool			45712-048-PN01	229	50,679
IDEA, Preschool			45713-048-PN01	-	399
				<u>56,247</u>	<u>51,412</u>
Total - Special Education - Preschool Grants					
ARRA - Special Education - Grants to States, Recovery Act	Indiana Department of Education	84.391	33310-048-SN01	32,190	-
Total federal awards expended				<u>\$ 1,535,925</u>	<u>\$ 1,754,260</u>

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

OLD NATIONAL TRAIL SPECIAL SERVICES COOPERATIVE  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

***Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Old National Trail Special Services Cooperative 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.



OLD NATIONAL TRAIL SPECIAL SERVICES COOPERATIVE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The School Corporation did not have controls in place to monitor the grant reimbursement requests to ensure expenditures were incurred and/or paid prior to requesting the reimbursement. By not establishing such controls, the School Corporation claimed and received reimbursement of expenditures which were not incurred and/or paid prior to the date of claiming the reimbursement. Instances were noted where expenditure reports generated for the period were either for more or less than amounts claimed for reimbursement. Examination of supporting documentation for ten reimbursement claims showed four with differences ranging from \$10,714 to (\$24,493) from the amount requested. Inaccurate reimbursement requests resulted in unexpended grant funds being on hand. There should be no grant monies on hand for reimbursable grants. Month end cash balances for the Special Education - Grants to States, Part B, FY 2011 grant averaged \$36,235 for the months of July 2011 to November 2011, and ranged from \$15,287 to \$58,873. Total expenditures and reimbursements requested equaled the award amount by the end of the grant period.

Failure to establish proper controls has affected the School Corporation's ability to provide accurate reimbursement requests to the pass-through agency. No procedures were in place to allow for the review of the reimbursement requests or the underlying documentation. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and Cash Management compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

An internal control system, including segregation of duties, should be designed and operated effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

We recommended that the School Corporation's management develop and implement procedures and establish controls to ensure that reimbursement basis grant expenditures are incurred and/or paid prior to the date that the reimbursement is claimed and amounts claimed agree to supporting documentation.

34 CFR 80.21 states in part:

"(b) *Basic standard.* Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205. . . .

(d) *Reimbursement.* Reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met. Grantees and subgrantees may also be paid by reimbursement for any construction grant. Except as otherwise specified in regulation, Federal agencies shall not use the percentage of completion method to pay construction grants. The grantee or subgrantee may use that method to pay its construction contractor, and if it does, the awarding agency's payments to the grantee or subgrantee will be based on the grantee's or subgrantee's actual rate of disbursement."

31 CFR 205.12 (b) states in part: "(5) Reimbursable funding means that a Federal Program Agency transfers Federal funds to a State after that State has already paid out the funds for Federal assistance program purposes."

OLD NATIONAL TRAIL SPECIAL SERVICES COOPERATIVE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

OMB Circular A-133, Subpart C, section .300 states in part:

"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."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the School Corporation.

OLD NATIONAL TRAIL  
Special Services Cooperative



Providing a Helping Hand on the  
Trail to Independence and Success

OLD NATIONAL TRAIL  
Special Services Cooperative  
1 North Calbert Way, Suite B  
Greencastle, IN 46135  
765-653-2781 Fax: 765-653-6110

Nancy Holsapple, Director  
Mendy Shrout, Treasurer  
Dana Bumgardner, Deputy Treasurer

December 17, 2013

### CORRECTIVE ACTION PLAN

#### Section III – Federal Award Findings and Questioned Costs

##### Findings 2013-001- Internal Controls and Compliance over Cash Management

Federal Agency: U.S. Department of Education

Federal Program: Special Education Cluster

CFDA Number: 84.027, 84.173, 84.391

Federal Award Numbers and Years: 14210-048-PN01, 45710-048-PN01, 33310-048-SN01, 7/1/09 TO 9/30/2011; 14211-048-PN01, 45711-048-PN01, 7/1/10 TO 9/30/12; 14212-048-PN01, 7/1/11 TO 9/30/13

Pass-Through Entity: Indiana Department of Education

#### Description of action to be taken:

Request for reimbursement along with supporting detailed expenditure documentation will be completed by the Treasurer or her designee and then reviewed and evidenced as reviewed by initial/date of the Business Manager before such requests are submitted to the granting or pass-through agencies.

Signed: Mendy Shrout, Treasurer

Date: 12-17-13

#### Providing a Helping Hand to Students attending:

Cloverdale Community Schools  
Eminence Community Schools

Mill Creek Community Schools  
North Putnam Community Schools  
South Putnam Community Schools

OLD NATIONAL TRAIL SPECIAL SERVICES COOPERATIVE  
EXIT CONFERENCE

The contents of this report were discussed on January 14, 2014, with Dr. Nancy Holsapple, Director; Melinda Shrouf, Treasurer; Dana Bumgardner, Deputy Treasurer; and Dr. Bruce Bernhardt, President of the Board of Directors. The officials concurred with our audit finding.