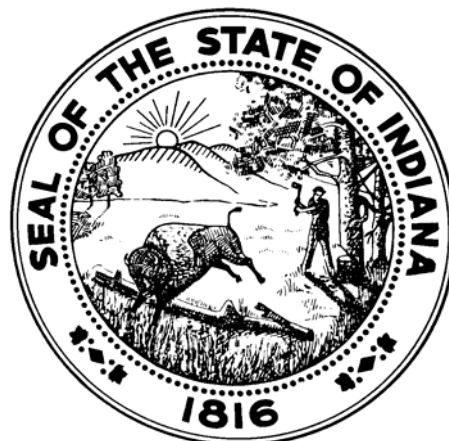


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF

NORTHWEST INDIANA SPECIAL
EDUCATION COOPERATIVE
LAKE COUNTY, INDIANA

July 1, 2004 to June 30, 2006



FILED
12/28/2006

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Denise Bashore	07-01-04 to 06-30-07
Director of Cooperative	Patricia Pierce	07-01-04 to 06-30-07
President of the Board of Managers	Donna Stath Karen Schrum	07-01-04 to 06-30-06 07-01-06 to 06-30-07



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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northwest Indiana Special Education Cooperative (School Corporation), as of and for the years ended June 30, 2005 and 2006, which collectively comprise the Northwest Indiana Special Education Cooperative's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2005 and 2006, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated October 2, 2006, 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 and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the School Corporation taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

The Schedule of Funding Progress, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The School Corporation has not presented Management Discussion and Analysis, or Budgetary Comparison Schedules, that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

October 2, 2006



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the Northwest Indiana Special Education Cooperative (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated October 2, 2006. 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.

Compliance

As part of obtaining reasonable assurance about whether the School Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

STATE BOARD OF ACCOUNTS

October 2, 2006

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
STATEMENT OF CASH AND INVESTMENTS
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	<u>\$ 2,820,520</u>
 <u>Net Assets</u>	
Unrestricted	<u>\$ 2,820,520</u>

The accompanying notes are an integral part of the financial statements.

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
STATEMENT OF CASH AND INVESTMENTS
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	<u>\$ 3,142,825</u>
<u>Net Assets</u>	
Unrestricted	<u>\$ 3,142,825</u>

The accompanying notes are an integral part of the financial statements.

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 13,545,483	\$ -	\$ 12,100	\$ (13,533,383)
Support services	7,388,491	9,249	-	(7,379,242)
Community services	4,452	-	-	(4,452)
Total governmental activities	\$ 20,938,426	\$ 9,249	\$ 12,100	(20,917,077)
General receipts:				
Property taxes				252,697
Other local sources				69,004
State aid				450,239
Grants and contributions not restricted				6,369,645
Sale of property, adjustments, and refunds				36,077
Investment earnings				23,001
Intergovernmental transfers				13,598,511
Total general receipts and intergovernmental transfers				20,799,174
Change in cash and investments				(117,903)
Net assets - beginning				2,938,423
Net assets - ending				\$ 2,820,520

The accompanying notes are an integral part of the financial statements.

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 14,102,877	\$ -	\$ 2,600	\$ (14,100,277)
Support services	7,588,494	11,798	-	(7,576,696)
Community services	1,910	-	-	(1,910)
Total governmental activities	\$ 21,693,281	\$ 11,798	\$ 2,600	(21,678,883)
General receipts:				
Property taxes				277,213
Other local sources				92,683
State aid				437,438
Grants and contributions not restricted				6,479,956
Sale of property, adjustments, and refunds				15,812
Investment earnings				82,962
Intergovernmental transfers				14,615,124
Total general receipts and intergovernmental transfers				22,001,188
Change in cash and investments				322,305
Net assets - beginning				2,820,520
Net assets - ending				\$ 3,142,825

The accompanying notes are an integral part of the financial statements.

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General	Transportation Operating	Special Education Grants	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 63,572	\$ -	\$ -	\$ 252,697	\$ -	\$ 37,682	\$ 353,951
State sources	450,239	-	-	-	-	12,100	462,339
Federal sources	-	-	5,685,640	-	-	684,005	6,369,645
Sale of property, adjustments and refunds	34,537	-	-	-	-	1,540	36,077
Intergovernmental transfers	<u>14,849,294</u>	<u>45,152</u>	<u>1,194,565</u>	<u>-</u>	<u>49,482</u>	<u>1,146,577</u>	<u>17,285,070</u>
Total receipts	<u>15,397,642</u>	<u>45,152</u>	<u>6,880,205</u>	<u>252,697</u>	<u>49,482</u>	<u>1,881,904</u>	<u>24,507,082</u>
Disbursements:							
Current:							
Instruction	9,181,984	-	3,418,704	-	-	944,795	13,545,483
Support services	5,064,402	37,420	1,434,128	407,218	79,088	366,235	7,388,491
Community services	-	-	-	-	-	4,452	4,452
Nonprogrammed charges	<u>1,353,000</u>	<u>-</u>	<u>1,782,928</u>	<u>-</u>	<u>8,213</u>	<u>542,418</u>	<u>3,686,559</u>
Total disbursements	<u>15,599,386</u>	<u>37,420</u>	<u>6,635,760</u>	<u>407,218</u>	<u>87,301</u>	<u>1,857,900</u>	<u>24,624,985</u>
Excess (deficiency) of total receipts over (under) total disbursements	(201,744)	7,732	244,445	(154,521)	(37,819)	24,004	(117,903)
Cash and investments - beginning	<u>2,164,088</u>	<u>10,309</u>	<u>313,935</u>	<u>295,944</u>	<u>40,562</u>	<u>113,585</u>	<u>2,938,423</u>
Cash and investments - ending	<u>\$ 1,962,344</u>	<u>\$ 18,041</u>	<u>\$ 558,380</u>	<u>\$ 141,423</u>	<u>\$ 2,743</u>	<u>\$ 137,589</u>	<u>\$ 2,820,520</u>

The accompanying notes are an integral part of the financial statements.

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2006

	General	Transportation Operating	Special Education Grants	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 134,046	\$ -	\$ -	\$ 277,213	\$ -	\$ 53,399	\$ 464,658
State sources	425,561	-	-	-	-	14,477	440,038
Federal sources	-	-	6,140,704	-	-	339,252	6,479,956
Sale of property, adjustments and refunds	9,577	-	-	-	1,850	4,385	15,812
Intergovernmental transfers	<u>14,593,796</u>	<u>33,999</u>	<u>25,807</u>	<u>-</u>	<u>18,221</u>	<u>489,069</u>	<u>15,160,892</u>
Total receipts	<u>15,162,980</u>	<u>33,999</u>	<u>6,166,511</u>	<u>277,213</u>	<u>20,071</u>	<u>900,582</u>	<u>22,561,356</u>
Disbursements:							
Current:							
Instruction	9,377,571	-	4,156,347	-	-	568,964	14,102,882
Support services	5,229,331	31,014	1,794,919	188,866	-	344,364	7,588,494
Community services	-	-	-	-	-	1,910	1,910
Nonprogrammed charges	<u>46,244</u>	<u>-</u>	<u>494,438</u>	<u>-</u>	<u>-</u>	<u>5,083</u>	<u>545,765</u>
Total disbursements	<u>14,653,146</u>	<u>31,014</u>	<u>6,445,704</u>	<u>188,866</u>	<u>-</u>	<u>920,321</u>	<u>22,239,051</u>
Excess (deficiency) of total receipts over (under) total disbursements	509,834	2,985	(279,193)	88,347	20,071	(19,739)	322,305
Cash and investments - beginning	<u>1,962,344</u>	<u>18,041</u>	<u>558,380</u>	<u>141,423</u>	<u>2,743</u>	<u>137,589</u>	<u>2,820,520</u>
Cash and investments - ending	<u>\$ 2,472,178</u>	<u>\$ 21,026</u>	<u>\$ 279,187</u>	<u>\$ 229,770</u>	<u>\$ 22,814</u>	<u>\$ 117,850</u>	<u>\$ 3,142,825</u>

The accompanying notes are an integral part of the financial statements.

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2006

<u>Assets</u>	<u>Pension Trust Funds</u>
Cash and investments	\$ 300,075
<u>Net Assets</u>	
Held in trust for employee benefits and other purposes	\$ 300,075

The accompanying notes are an integral part of the financial statements.

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2006

	<u>Pension Trust Funds</u>
Additions:	
Sale of property, adjustments and refunds	\$ 300,075
Deductions:	
Total deductions	<u>-</u>
Excess of total additions over total deductions	300,075
Cash and investments - beginning	<u>-</u>
Cash and investments - ending	<u>\$ 300,075</u>

The accompanying notes are an integral part of the financial statements.

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

The accompanying financial statements present the activities of the School Corporation (primary government). There are no significant component units which require inclusion.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements, (i.e., the Statement of Cash and Investments and the Statement of Cash Activities) report information on all of the nonfiduciary activities of the School Corporation and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. However, there are no business-type activities to report at this time.

The Statement of Cash Activities demonstrates the degree to which direct disbursements of a given function or segment is offset by program receipts. Direct disbursements are clearly identifiable with a specific function or segment. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as general receipts.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

The School Corporation reports the following major governmental funds:

The general fund is the School Corporation's primary operating fund and accounts for all financial resources of the School Corporation, except those required to be accounted for in another fund.

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

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

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

Additionally, the School Corporation reports the following fund types:

Pension trust funds account for bonds and payments anticipated to be made to employees on or after the termination of employment or to pay post-retirement or severance benefits held by the School Corporation in a trustee capacity.

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

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

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

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

D. Assets and Cash Net Assets or Equity

1. Deposits and Investments

State statute (IC 5-13-9) authorizes the School Corporation to invest in securities, including but not limited to, federal government securities, repurchase agreements, and certain money markets mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

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

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

2. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 5 to 10 days per year. Unused sick leave may be accumulated indefinitely. Accumulated sick leave is paid to employees upon retirement.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 5 days to 20 days per year based upon the number of years of service. Vacation leave may be accumulated to a maximum of 5 days. Accumulated vacation leave must be used within the first 6 months of the succeeding year.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 2 to 3 days per year. Unused personal leave may be added to accumulated sick leave at January 1 of the following calendar year.

II. Stewardship, Compliance and Accountability

Budgetary Information

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

The operating budget is initially prepared and approved at the local level as a management control device for the School Corporation's General Fund, Transportation Operating Fund, Transportation School Bus Replacement Fund, and Capital Project's Fund.

The School Corporation's management cannot transfer budgeted appropriations without approval of the School Board.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

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

B. Interfund Transfers

Interfund transfers for the fiscal years ended June 30, 2005 and 2006, were as follows:

Transfer From	Transfer To	2005	2006
General Fund	Special Education Grant	\$ 1,179,586	\$ 25,807
General Fund	School Bus Replacement	8,213	-
General Fund	Nonmajor governmental	173,414	20,437
Special Education Grant	General Fund	814,725	25,807
Special Education Grant	Nonmajor governmental	968,203	468,632
Nonmajor governmental	General Fund	514,266	5,082
Nonmajor governmental	Nonmajor governmental	28,152	-
Totals		<u>\$ 3,686,559</u>	<u>\$ 545,765</u>

The School Corporation typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. Other Information

A. Risk Management

The School Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55 with at least 20 years of service. Ten of these years have to be continuous with the Corporation. In addition, five of these years the employee had to be covered under the health insurance plan, and they have to meet TERF requirements of the 85 rule. Currently, 11 retirees meet these eligibility requirements. The School Corporation provides 80% the first year and the amount that is paid does not change from year to year for these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2006, disbursements of \$58,036 were recognized for post-employment benefits.

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

C. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 188,183
Interest on net pension obligation	3,383
Adjustment to annual required contribution	(3,856)
Annual pension cost	187,710
Contributions made	165,725
Increase in net pension obligation	21,985
Net pension obligation, beginning of year	46,668
Net pension obligation, end of year	\$ 68,653

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

	PERF
Contribution rates:	
School Corporation	5%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	4 year smoothed market

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 159,413	94%	\$ 37,542
	06-30-04	165,101	94%	46,668
	06-30-05	187,710	100%	68,653

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

Teachers' Retirement Fund

Plan Description

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

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

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

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

Funding Policy and Annual Pension Costs

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2006, 2005, and 2004, were \$485,776, \$425,070, and \$354,185, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 1,541,794	\$ 1,509,589	\$ 32,205	102%	\$ 3,344,803	1%
07-01-04	1,626,188	1,854,446	(228,258)	88%	3,268,156	(7%)
07-01-05	1,757,844	2,269,821	(511,977)	77%	3,213,875	(16%)

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended June 30, 2006

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 40,000
Buildings	2,915,691
Improvements other than buildings	120,000
Machinery and equipment	<u>439,973</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 3,515,664</u>

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
SUPPLEMENTARY INFORMATION
SCHEDULE OF DEBT

June 30, 2006

<u>Description of Asset</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities: Notes and loans payable	<u>\$ 67,818</u>	<u>\$ 14,278</u>

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
AUDIT RESULT AND COMMENT

TIMELY DEPOSITS

Eagle Park School deposits were remitted to the School Corporation up to 33 days from the date of receipt.

Indiana Code 5-13-6-1(c) states in part: ". . . all local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

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

Compliance

We have audited the compliance of the Northwest Indiana Special Education Cooperative (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2005 and 2006. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2005 and 2006.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

STATE BOARD OF ACCOUNTS

October 2, 2006

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2005 and 2006

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 06-30-05	Total Federal Awards Expended 06-30-06
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Special Education Cluster				
Special Education - Grants to States				
Individuals with Disabilities Acts				
	84.027			
		14204-047-PY02	\$ 943,957	\$ -
		14205-047-PN01	4,865,552	501,520
		14205-047-PY02	-	468,632
		14206-047-PN01	-	5,420,146
SLIVER		14205-047-SN01	63,438	8,667
		14205-047-DY01	-	72,105
PATINS		14204-021-DY10	100,504	9,496
		14205-088-DY11	-	98,867
Total for program			<u>5,973,451</u>	<u>6,579,433</u>
Special Education - Preschool Grants				
ECD				
	84.173			
		45705-047-PN01	157,946	-
		45706-047-PN01	-	153,241
Total for program			<u>157,946</u>	<u>153,241</u>
Total for federal grantor agency			<u>6,131,397</u>	<u>6,732,674</u>
Total federal awards expended			<u>\$ 6,131,397</u>	<u>\$ 6,732,674</u>

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

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

I. 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 requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of School Corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

Name of Federal Program or Cluster

Special Education Cluster

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No items are reportable.

NORTHWEST INDIANA SPECIAL EDUCATION COOPERATIVE
EXIT CONFERENCE

The contents of this report were discussed on October 11, 2006, with Patricia Pierce, Director of Cooperative; Denise Bashore, Treasurer; Larry R. Biggs, Vice President of the Board; Becky Krumwied, Financial Assistant; and Doris Handley, Payroll and Benefits Assistant. The officials concurred with our audit findings.