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REPORT OF THE  
STATE AUDITOR of MINNESOTA

880003

BOUNDARY WATERS SPECIAL EDUCATION COOPERATIVE CENTER 5-842  
BABBITT, MINNESOTA

YEAR ENDED JUNE 30, 1987



**ARNE H. CARLSON**

State Auditor  
St. Paul, Minnesota

REPORT OF THE STATE AUDITOR  
ON THE  
FINANCIAL AFFAIRS  
OF  
BOUNDARY WATERS SPECIAL EDUCATION COOPERATIVE CENTER 5-842  
BABBITT, MINNESOTA  
YEAR ENDED JUNE 30, 1987

Examination was made pursuant to request of the  
Center Board as provided for in Minn. Stat. § 6.55 (1986)

ARNE H. CARLSON  
State Auditor  
Saint Paul, Minnesota

BOUNDARY WATERS SPECIAL EDUCATION COOPERATIVE CENTER 5-842  
BABBITT, MINNESOTA

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**INTRODUCTORY SECTION**

BOUNDARY WATERS SPECIAL EDUCATION COOPERATIVE CENTER 5-842  
BABBITT, MINNESOTA

ORGANIZATION

	Term of Office	
	From	To
Center Board		
Directors		
Patricia Koski	July 1, 1981	July 1, 1987
Raymond Marolt	July 1, 1984	July 1, 1987
Sandra Loushin	October 12, 1982	July 1, 1987
Eldon Foster	July 1, 1985	July 1, 1987
James Dunstan	July 1, 1983	July 1, 1987
Newt Nickerson	July 1, 1986	July 1, 1987
Ex-officio member		
Special Education Director -		
Eugene W. Zabinski		
Officers		
Chairperson		
James Dunstan	August 1986	July 1987
Clerk		
Newt Nickerson	August 1986	July 1987
Treasurer		
Patricia Koski	August 1986	July 1987

FINANCIAL SECTION



# STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR  
SUITE 400  
555 PARK STREET  
SAINT PAUL 55103

ARNE H. CARLSON  
STATE AUDITOR

296-2551

## AUDITOR'S OPINION

Members of the Center Board  
Boundary Waters Special Education  
Cooperative Center 5-842  
South Drive  
Babbitt, Minnesota 55706

We have examined the general purpose financial statements of Boundary Waters Special Education Cooperative Center 5-842 as of and for the year ended June 30, 1987, as listed in the table of contents. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As explained in Note 8 to the financial statements, the Boundary Waters Special Education Cooperative Center 5-842 was abolished, effective June 30, 1987.

In our opinion, the general purpose financial statements referred to above present fairly the financial position of the Boundary Waters Special Education Cooperative Center 5-842 at June 30, 1987, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARNE H. CARLSON  
State Auditor

September 23, 1987

... ARE AN INTEGRAL PART OF THIS STATE

BOUNDARY WATERS SPECIAL EDUCATION COOPERATIVE CENTER 5-842  
BABBITT, MINNESOTA

EXHIBIT A

COMBINED BALANCE SHEET  
GENERAL FUND AND ACCOUNT GROUP  
JUNE 30, 1987

	<u>Governmental Fund Type General</u>	<u>Account Group General Fixed Assets</u>	<u>Total (Memorandum Only)</u>
<u>Assets</u>			
Cash	\$ (10,671)	\$ -	\$ (10,671)
Due from other Minnesota School districts	41,317	-	41,317
Due from Federal Department of Education	1,180	-	1,180
Furniture and equipment	<u>-</u>	<u>975</u>	<u>975</u>
Total Assets	<u>\$ 31,826</u>	<u>\$ 975</u>	<u>\$ 32,801</u>
 <u>Liabilities and Fund Equity</u>			
Liabilities			
Salaries payable	\$ 1,500	\$ -	\$ 1,500
Accounts payable	7	-	7
Due to other Minnesota school districts	21,122	-	21,122
Due to other governmental units	<u>9,197</u>	<u>-</u>	<u>9,197</u>
Total Liabilities	<u>\$ 31,826</u>	<u>\$ -</u>	<u>\$ 31,826</u>
Fund Equity			
Invested in general fixed assets	<u>\$ -</u>	<u>\$ 975</u>	<u>\$ 975</u>
Total Liabilities and Fund Equity	<u>\$ 31,826</u>	<u>\$ 975</u>	<u>\$ 32,801</u>

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

BOUNDARY WATERS SPECIAL EDUCATION COOPERATIVE CENTER 5-842  
BABBITT, MINNESOTA

EXHIBIT B

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 1987

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
Local revenue from other Minnesota school districts	\$ 222,574	\$ 299,920	\$ 77,346
Other local revenue	1,610	4,287	2,677
State sources	309,814	306,265	(3,549)
Federal sources	<u>60,195</u>	<u>56,886</u>	<u>(3,309)</u>
Total Revenues	<u>\$ 594,193</u>	<u>\$ 667,358</u>	<u>\$ 73,165</u>
<b>Expenditures</b>			
Cooperative administration	\$ 50,150	\$ 56,190	\$ (6,040)
Cooperative support	8,250	9,661	(1,411)
Instruction - exceptional	443,639	589,698	(146,059)
Instructional support services	-	6,028	(6,028)
Fiscal and other fixed cost programs	<u>92,154</u>	<u>5,781</u>	<u>86,373</u>
Total Expenditures	<u>\$ 594,193</u>	<u>\$ 667,358</u>	<u>\$ (73,165)</u>
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -
Fund Balance - July 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

BOUNDARY WATERS SPECIAL EDUCATION  
COOPERATIVE CENTER 5-842

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1987

1. Organization

Boundary Waters Special Education Cooperative Center 5-842, Babbitt, was established pursuant to Minn. Stat. § 123.351 (1986) to provide special education services to participating districts. Member schools include Independent School Districts 692, Babbitt, and 696, Ely. The Center discontinued operations at June 30, 1987.

The Center's governing body consists of a six-member board. Three members are appointed from the school boards of each participating school district, by their respective boards. Officers of the board are selected on July 1 or as soon thereafter as practicable. The powers and duties of the Center's board are specified in Minn. Stat. § 123.351, subd. 4.

The Special Education Director was appointed as the administrative officer to administer board policy and directives. The Director is an ex-officio member of the board, but is not entitled to vote.

In accordance with generally accepted accounting principles, the Center's financial statements include all funds, account groups, departments, agencies, boards, commissions, and other organizations over which the Center Board exercises oversight responsibility. Oversight responsibility includes such duties as appointment of governing body members, budget review, approval of property tax levies, responsibility for funding deficits, and responsibility for outstanding debt.

2. Summary of Significant Accounting Policies

The accounting policies of the Center conform to generally accepted accounting principles.

A. Basis of Presentation - Fund Accounting

The accounts of the Center are organized into a General Fund and a General Fixed Assets Account Group, each of which is a separate accounting entity. The operations of the General Fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures.

The General Fund is the general operating fund and is used to account for financial resources of the Center. The General Fixed Assets Account Group is used to record the Center's fixed assets.

BOUNDARY WATERS SPECIAL EDUCATION  
COOPERATIVE CENTER 5-842

2. Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting - Modified Accrual Basis

The financial statements of the Center are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they are susceptible to accrual, that is, both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the corresponding liabilities are incurred. Exceptions to this are accumulated unpaid vacation and sick pay, which are not accrued.

C. Budget

The Center Board adopts an estimated revenue and expenditure budget for the General Fund. Comparisons of estimated revenues and budgeted expenditures to actual are presented in the financial statements in accordance with generally accepted accounting principles.

D. Fixed Assets

General fixed assets are recorded as expenditures in the General Fund at the time of purchase and are recorded at historical cost in the General Fixed Assets Account Group. No depreciation is recorded on the general fixed assets.

E. Cost Allocation

Costs which are not recovered from state or federal sources are allocated to the participating districts in accordance with the joint powers agreement.

F. Total Column

The total column on the combined balance sheet is captioned "Memorandum Only" to indicate that it is only to facilitate financial analysis. The data in this column do not present financial position in conformity with generally accepted accounting principles.

3. Summary of Changes in General Fixed Assets

Furniture and Equipment

Balance - July 1, 1986	\$ 975
Additions (Deductions)	<u>-</u>
Balance - June 30, 1987	<u>\$ 975</u>

BOUNDARY WATERS SPECIAL EDUCATION  
COOPERATIVE CENTER 5-842

4. Retirement Plans

Center employees are members of one of two retirement plans. The teachers and other certified employees are members of the Teachers Retirement Association (TRA). Other (non-teacher) employees are members of the Public Employees Retirement Association (PERA).

The Center pays the employer's share for these plans. Center contributions for the year ended June 30, 1987, were \$39,975 for TRA and \$1,410 for PERA. The TRA and PERA annual reports for the year ended June 30, 1986 (the latest reports available) show (in thousands):

	TRA	PERA
Total reserves needed	\$ 4,681,573	\$ 2,925,006
Assets (net)	3,104,264	2,148,114
Unfunded reserves	\$ 1,577,309	\$ 776,892

The Teachers Retirement Fund is 66 percent funded and the Public Employees Retirement Fund is 73 percent funded. Both TRA and PERA are state-wide pension plans, and statements reflecting an individual unit's share of the unfunded reserves are not available.

5. Change in Funding of Retirement Plan

Effective July 1, 1986, Minnesota Laws require the Center to pay the employer's contribution to Social Security and the Teachers Retirement Association. The Minnesota Department of Education has provided state aid to the Center to cover all or part of those contributions.

Prior to July 1, 1986, the employer's contribution to Social Security and the Teachers Retirement Association was paid by the State of Minnesota directly to the appropriate agency. The Center did not record these expenditures in the financial statements.

For the year ended June 30, 1987, the Center recorded \$61,356 in state aid and expenditures of \$67,954 for the employer contribution to Social Security and the Teachers Retirement Association.

6. Vacation and Sick Leave

All full-time non-contract employees receive from one to six weeks of vacation annually depending on their years of service. Sick leave is earned at the rate of 15 days per year by all employees, and may be accumulated to a maximum of 135 days.

Liabilities for unused vacation and sick leave are not recognized in the financial statements.

BOUNDARY WATERS SPECIAL EDUCATION  
COOPERATIVE CENTER 5-842

7. Deposits

Minn. Stat. § 118.005 authorizes the Center to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Center Board. At June 30, 1987, Center bank deposits totaled \$45,828, all of which were cash deposits. Minnesota statutes require that all Center deposits be covered by insurance, surety bond, or collateral.

Following is a summary of the bank deposits covered by insurance or collateral at June 30, 1987.

Covered Deposits

Insured, or collateralized with securities held by the Center or its agent in the Center's name	\$ 45,828
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Collateralized with securities held by the pledging financial institution's agent in the Center's name	-
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Total covered deposits	\$ 45,828
------------------------	-----------

Uncollateralized	-
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Total	<u>\$ 45,828</u>
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At June 30, 1987, the combined balance sheet had a negative cash balance of \$10,671.

8. Rescission of Joint Powers Agreement

The joint powers agreement enabling the Boundary Waters Special Education Cooperative Center 5-842 was rescinded, effective June 30, 1987, at which time the Center was abolished.

AUDITOR'S REPORTS ON COMPLIANCE AND INTERNAL ACCOUNTING CONTROLS



# STATE OF MINNESOTA

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ARNE H. CARLSON  
STATE AUDITOR

296-2551

## AUDITOR'S REPORT ON THE SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

Members of the Center Board  
Boundary Waters Special Education  
Cooperative Center 5-842  
South Drive  
Babbitt, Minnesota 55706

We have examined the general purpose financial statements of Boundary Waters Special Education Cooperative Center 5-842, Babbitt, for the year ended June 30, 1987, and have issued our report thereon dated September 23, 1987. Our examination of such general purpose financial statements was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U.S. General Accounting Office and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Our examination was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The Schedule of Federal Financial Assistance (page 11) is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information in that schedule has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

A handwritten signature in dark ink, appearing to read "Arne H. Carlson".

ARNE H. CARLSON  
State Auditor

December 23, 1987

BOUNDARY WATERS SPECIAL EDUCATION COOPERATIVE CENTER 5-842  
BABBITT, MINNESOTA

Schedule 1

SCHEDULE OF FEDERAL GRANT INFORMATION  
YEAR ENDED JUNE 30, 1987

<u>Federal Funding Source</u>	<u>Administering Department</u>	<u>Federal Domestic Assistance Number</u>	<u>Grant Name</u>	<u>State or Other Contract Number</u>
U.S. Dept. of Education	Minn. Dept. of Education	84.027	EHA Title VI, Part B	D008300024

BOUNDARY WATERS SPECIAL EDUCATION COOPERATIVE CENTER 5-842  
BABBITT, MINNESOTA

Schedule 2

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 1987

	Federal Domestic Assistance Number
	<u>84.027</u>
Revenues	
Federal	
Flow-through	\$ <u>56,886</u>
Expenditures	
Salaries	\$ 44,759
Employee benefits	8,403
Supplies and materials	100
Capital expenditure	<u>3,624</u>
Total Expenditures	\$ <u>56,886</u>
Excess of Revenues Over (Under) Expenditures	\$ -
Unobligated funds - July 1	<u>-</u>
Unobligated funds - June 30	<u>\$ -</u>



ARNE H. CARLSON  
STATE AUDITOR

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## AUDITOR'S REPORT ON COMPLIANCE

Members of the Center Board  
Boundary Waters Special Education  
Cooperative Center 5-842  
South Drive  
Babbitt, Minnesota 55706

We have examined the general purpose financial statements of Boundary Waters Special Education Cooperative Center 5-842 for the year ended June 30, 1987, and have issued our report thereon dated September 23, 1987. Our examination was made in accordance with generally accepted auditing standards; the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U.S. General Accounting Office; and the provisions of the Minnesota Legal Compliance Audit Guide for Local Government, promulgated by the Legal Compliance Task Force pursuant to Minn. Stat. § 6.65. Accordingly, the examination included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The management of Boundary Waters Special Education Cooperative Center 5-842 is responsible for the Center's compliance with laws and regulations. In connection with our examination referred to above, we selected and tested transactions and records to determine the Center's compliance with laws and regulations, noncompliance with which could have a material effect on the general purpose financial statements of the Center.

The results of our tests indicate that for the items tested, Boundary Waters Special Education Cooperative Center 5-842 complied with those provisions of laws and regulations, noncompliance with which could have a material effect on the general purpose financial statements. Nothing came to our attention that caused us to believe that for the items not tested the Center was not in compliance with laws or regulations, noncompliance with which could have a material effect on the Center's general purpose financial statements.

The Minnesota Legal Compliance Audit Guide for Local Government covers five main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, and claims and disbursements. Our study included all of the listed categories. The results of our tests indicate that for the items tested, the Center complied with the

material terms and conditions of applicable legal provisions. Further, for the items not tested, based on our examination and the procedures referred to above, nothing came to our attention to indicate that the Center had not complied with legal provisions.

We also reviewed for compliance with other statutes, bylaws, administrative rules, and state grant regulations and contracts that we deemed necessary. This review did not include all possible regulatory provisions which may be applicable, and was not intended to provide assurance of full compliance with all regulatory provisions. However, we noted no instances of noncompliance with the provisions reviewed.

This report is intended solely for the Center and the Minnesota Department of Education and should not be used for any other purpose. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

  
ARNE H. CARLSON  
State Auditor

December 23, 1987



# STATE OF MINNESOTA

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ARNE H. CARLSON  
STATE AUDITOR

296-2551

## AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS RELATED TO NONMAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Members of the Center Board  
Boundary Waters Special Education  
Cooperative Center 5-842  
South Drive  
Babbitt, Minnesota 55706

We have examined the general purpose financial statements of Boundary Waters Special Education Cooperative Center 5-842 for the year ended June 30, 1987, and have issued our report thereon dated September 23, 1987. Our examination was made in accordance with generally accepted auditing standards; the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U.S. General Accounting Office; the Single Audit Act of 1984; and the provisions of OMB Circular A-128, Audits of State and Local Governments and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The management of Boundary Waters Special Education Cooperative Center 5-842 is responsible for the Center's compliance with laws and regulations. In connection with the examination referred to above, we selected and tested transactions and records from the nonmajor federal financial assistance program to determine the Center's compliance with laws and regulations, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

The results of our tests indicate that for the transactions and records tested, Boundary Waters Special Education Cooperative Center 5-842 complied with the laws and regulations referred to above. Our testing was more limited than would be necessary to express an opinion on whether Boundary Waters Special Education Cooperative Center 5-842 administered those programs in compliance in all material respects with laws and regulations, noncompliance with which we believe could have a material effect on the allowability of program expenditures; however, with respect to the transactions that were not tested by us, nothing came to our attention to indicate that Boundary Waters Special Education Cooperative Center 5-842 had violated laws and regulations.

  
ARNE H. CARLSON  
State Auditor

December 23, 1987



ARNE H. CARLSON  
STATE AUDITOR

# STATE OF MINNESOTA

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## AUDITOR'S REPORT ON INTERNAL ACCOUNTING CONTROLS BASED SOLELY ON A STUDY AND EVALUATION MADE AS A PART OF AN EXAMINATION OF THE GENERAL PURPOSE FINANCIAL STATEMENTS

Members of the Center Board  
Boundary Waters Special Education  
Cooperative Center 5-842  
South Drive  
Babbitt, Minnesota 55706

We have examined the general purpose financial statements of Boundary Waters Special Education Cooperative Center 5-842 for the year ended June 30, 1987, and have issued our report thereon dated September 23, 1987. As part of our examination, we made a study and evaluation of the system of internal accounting control of Boundary Waters Special Education Cooperative Center 5-842, to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office's Standards for Audit of Governmental Organizations, Programs, Activities, and Functions. For the purpose of this report, we have classified the significant internal accounting controls in the following categories: cash receipts, cash disbursements, investments, payroll, and general ledger. Our study included all of the control categories listed.

The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Center's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

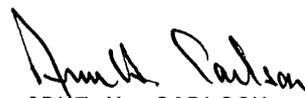
The management of Boundary Waters Special Education Cooperative Center 5-842 is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the

preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Boundary Waters Special Education Cooperative Center 5-842 taken as a whole or on any of the categories of controls identified. However, our study and evaluation disclosed no condition that we believe to be a material weakness.

This report is intended solely for the use of management and the Center Board and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Center Board, is a matter of public record.

We would like to express our appreciation to the Center Board and the staff for their cooperation and assistance during the audit.

  
ARNE H. CARLSON  
State Auditor

December 23, 1987



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**AUDITOR'S REPORT ON INTERNAL CONTROLS (ACCOUNTING AND ADMINISTRATIVE)  
BASED ON A STUDY AND EVALUATION  
MADE AS A PART OF AN EXAMINATION  
OF THE GENERAL PURPOSE FINANCIAL STATEMENTS  
AND THE ADDITIONAL TESTS REQUIRED BY THE SINGLE AUDIT**

Members of the Center Board  
Boundary Waters Special Education  
Cooperative Center 5-842  
South Drive  
Babbitt, Minnesota 55706

We have examined the general purpose financial statements of Boundary Waters Special Education Cooperative Center 5-842 for the year ended June 30, 1987, and have issued our report thereon dated September 23, 1987. Based on our examination, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U.S. General Accounting Office, the Single Audit Act of 1984, and the provisions of OMB Circular A-128, Audits of State and Local Governments. For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs in the following categories: accounting controls - cash receipts, cash disbursements, investments, payroll, and general ledger; administrative controls - political activity, civil rights, cash management, financial reporting, and eligibility.

The management of Boundary Waters Special Education Cooperative Center 5-842 is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to federal financial assistance programs, resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained, and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all of the applicable control categories listed above. During the year ended June 30, 1987, Boundary Waters Special Education Cooperative Center 5-842 had no major federal financial assistance programs and expended 100 percent of its total federal financial assistance under the following nonmajor federal financial assistance program: EHA Title VI, Part B. With respect to internal control systems used in administering this nonmajor federal financial assistance program, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance program of the Center. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance program of Boundary Waters Special Education Cooperative Center 5-842.

However, our study and evaluation and our examination disclosed no condition that we believe to be a material weakness in relation to a federal financial assistance program of Boundary Waters Special Education Cooperative Center 5-842.

This report is intended solely for the use of management, the Center Board, and the Minnesota Department of Education, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by Boundary Waters Special Education Cooperative Center 5-842 is, a matter of public record.

  
ARNE H. CARLSON  
State Auditor

December 23, 1987