

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

EXAMINATION REPORT
OF
SOUTH CENTRAL AREA VOCATIONAL SCHOOL
ORANGE COUNTY, INDIANA
July 1, 2006 to June 30, 2007



FILED
01/16/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Mary Durbin Sonya McKeighen	07-01-06 to 11-05-06 11-06-06 to 06-30-08
Director	David D. Embree	07-01-06 to 06-30-08
President of the School Board	Rick Roberts Larry Pritchett	07-01-06 to 06-30-07 07-01-07 to 06-30-08



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE SOUTH CENTRAL AREA
VOCATIONAL SCHOOL, ORANGE COUNTY, INDIANA

We have examined the financial information presented herein of the South Central Area Vocational School (School Corporation), for the period of July 1, 2006 to June 30, 2007. The School Corporation's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the School Corporation for the year ended June 30, 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

October 18, 2007

SOUTH CENTRAL AREA VOCATIONAL SCHOOL
 SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
 ALL GOVERNMENTAL FUND TYPES
 As Of And For The Year Ended June 30, 2007

	Cash and Investments 07-01-06	Receipts	Disbursements	Cash and Investments 06-30-07
Governmental Fund: General	<u>\$ 25,384</u>	<u>\$ 27,424</u>	<u>\$ 5,509</u>	<u>\$ 47,299</u>

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

SOUTH CENTRAL AREA VOCATIONAL SCHOOL
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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 and general administrative services.

Note 2. Fund Accounting

The School Corporation uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

Annual budgets are adopted on the cash basis. Prior to June 30, the Treasurer submits to the School Board a proposed operating budget for the year commencing July 1. The School Board reviews and approves the budget.

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

Note 4. Deposits and Investments

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

State 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 market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

The School Corporation had purchased term life insurance policies for its teachers as part of the 1999-2001 Master Contract. On March 23, 2000, the School Corporation received 536 shares of Sun Life Financial Inc. (SLF) because SLF de-mutualized and policy holders were awarded common stock. The value of the investment at June 30, 2007, was \$25,594.

SOUTH CENTRAL AREA VOCATIONAL SCHOOL
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 5. Subsequent Event

The four participating schools agreed to discontinue operation of the School Corporation as of June 30, 2003. All of the assets were sold at a public auction on July 31, 2003.

The sale of the real estate resulted in a lawsuit being filed against the School Corporation. The lawsuit was settled November 2, 2006, and the sale of the real estate was finalized March 6, 2007. A counter suit was filed on behalf of the School Corporation and is ongoing as of October 18, 2007. Therefore, the School Corporation could not be dissolved even though classes are no longer being held there. The School Corporation's Board continues to meet and pay necessary claims.

Paoli Community School Corporation, Springs Valley Community School Corporation and West Washington School Corporation formed a new cooperative as of July 1, 2003. The new cooperative is named Lost River Career Cooperative and the office is located at 610 Elm Street, Paoli, IN 47454.

SOUTH CENTRAL AREA VOCATIONAL SCHOOL
EXAMINATION RESULTS AND COMMENTS

INTERNAL CONTROLS

The controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient. The School Corporation had purchased term life insurance policies for teachers as part of the 1999-2001 Master Contract. The School Corporation received 536 shares of Sun Life Financial Inc., (SLF) on March 23, 2000, because SLF de-mutualized and policy holders were awarded common stock. The School Corporation kept no record of the investment and was not aware of the holdings. The value of the investment was never reflected in the financial statements of the School Corporation.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

TRANSACTION RECORDING

The School Corporation did not post the receipt of funds generated from the sale of the school building and attached land into records of the School Corporation or deposit the proceeds into their bank account. The building and attached land was sold for \$188,650, less closing costs and realtor fees of \$14,857.50. The member school corporation received the following: Paoli Community School Corporation (30%) \$52,137.75, Crawford County School Corporation (30%) \$52,137.75, Springs Valley Community School Corporation (20%) \$34,758.50, and West Washington School Corporation (20%) \$34,758.50 for a total of \$173,792.50. Tucker and Tucker, P.C., conducted the closing of the sale and also disbursed the funds to the member school corporation on March 6, 2007, (real estate closing date).

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

SOUTH CENTRAL AREA VOCATIONAL SCHOOL
EXIT CONFERENCE

The contents of this report were discussed on October 18, 2007, with David D. Embree, Director; and Sonya McKeighen, Treasurer.