

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

AUDIT REPORT
OF
SOUTH CENTRAL AREA SPECIAL EDUCATION COOPERATIVE
ORANGE COUNTY, INDIANA
July 1, 2007 to June 30, 2009



FILED
02/09/2010

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Ruth D. Gilbert	07-01-07 to 06-30-10
Director	Melissa D. Lancaster	07-01-07 to 06-30-12
President of the School Board	Dr. Alva L. Sibbitt, Jr.	07-01-07 to 06-30-10



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 SOUTH CENTRAL AREA SPECIAL
EDUCATION COOPERATIVE, ORANGE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Central Area Special Education Cooperative (School Corporation), as of and for the years ended June 30, 2008 and 2009, which collectively comprise the School Corporation'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 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 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 and investment 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, 2008 and 2009, 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 January 20, 2010, 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 audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. 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.

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's 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Combining Schedules, as listed in the Table of Contents, and the Schedule of Capital Assets, are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

January 20, 2010



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE SOUTH CENTRAL AREA SPECIAL
EDUCATION COOPERATIVE, ORANGE COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Central Area Special Education Cooperative (School Corporation), as of and for the years ended June 30, 2008 and 2009, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated January 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the School Corporation's management, the school board, 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

January 20, 2010

SOUTH CENTRAL AREA SPECIAL EDUCATION COOPERATIVE
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u> Charges for Services	<u>Net (Disbursements) Receipts and Changes in Net Assets</u> <u>Totals</u>
Governmental activities:			
Instruction	\$ 4,536,211	\$ -	\$ (4,536,211)
Support services	1,060,493	5,804	(1,054,689)
Facilities acquisition and construction	50	-	(50)
Debt service	720	-	(720)
Nonprogrammed charges	<u>41,100</u>	<u>-</u>	<u>(41,100)</u>
Total governmental activities	<u>\$ 5,638,574</u>	<u>\$ 5,804</u>	<u>(5,632,770)</u>
General receipts:			
Other local sources			3,264,600
Grants and contributions not restricted to specific programs			2,426,392
Sale of property			115
Investment earnings			<u>22,794</u>
Total general receipts			<u>5,713,901</u>
Change in net assets			81,131
Net assets - beginning			<u>438,479</u>
Net assets - ending			<u>\$ 519,610</u>
<u>Assets</u>			
Cash and investments			<u>\$ 519,610</u>
<u>Net Assets</u>			
Unrestricted			<u>\$ 519,610</u>

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

SOUTH CENTRAL AREA SPECIAL EDUCATION COOPERATIVE
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>	<u>Charges for Services</u>	<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
				<u>Totals</u>
Governmental activities:				
Instruction	\$ 4,731,872	\$ -	\$ -	(4,731,872)
Support services	1,203,857	26,769	-	(1,177,088)
Facilities acquisition and construction	1,550	-	-	(1,550)
Debt service	740	-	-	(740)
Nonprogrammed charges	12,203	-	-	(12,203)
Total governmental activities	\$ 5,950,222	\$ 26,769		(5,923,453)
General receipts:				
Other local sources				3,313,995
Grants and contributions not restricted to specific programs				2,235,251
Investment earnings				14,199
Total general receipts				5,563,445
Change in net assets				(360,008)
Net assets - beginning				519,610
Net assets - ending				\$ 159,602
 <u>Assets</u>				
Cash and investments				\$ 159,602
 <u>Net Assets</u>				
Unrestricted				\$ 159,602

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

SOUTH CENTRAL AREA SPECIAL EDUCATION COOPERATIVE
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	General	Special Education Preschool	IDEA Part B SY 06-07	IDEA Part B SY 07-08	Other	Totals
Receipts:						
Local sources	\$ 2,839,249	\$ 453,949	\$ -	\$ -	\$ -	\$ 3,293,198
State sources	69,136	-	-	-	-	69,136
Federal sources	-	-	100,700	2,001,725	254,831	2,357,256
Interfund loans	30,003	-	-	-	-	30,003
Total receipts	<u>2,938,388</u>	<u>453,949</u>	<u>100,700</u>	<u>2,001,725</u>	<u>254,831</u>	<u>5,749,593</u>
Disbursements:						
Current:						
Instruction	2,473,887	339,354	56,735	1,468,412	197,823	4,536,211
Support services	400,699	36,246	4,241	537,662	81,645	1,060,493
Facilities acquisition and construction	50	-	-	-	-	50
Debt services	-	-	-	-	720	720
Nonprogrammed charges	41,100	-	-	-	-	41,100
Interfund loans	-	30,003	-	-	-	30,003
Total disbursements	<u>2,915,736</u>	<u>405,603</u>	<u>60,976</u>	<u>2,006,074</u>	<u>280,188</u>	<u>5,668,577</u>
Excess (deficiency) of receipts over disbursements	<u>22,652</u>	<u>48,346</u>	<u>39,724</u>	<u>(4,349)</u>	<u>(25,357)</u>	<u>81,016</u>
Other financing sources:						
Sale of capital assets	115	-	-	-	-	115
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	22,767	48,346	39,724	(4,349)	(25,357)	81,131
Cash and investments - beginning	473,117	-	(39,724)	-	5,086	438,479
Cash and investments - ending	<u>\$ 495,884</u>	<u>\$ 48,346</u>	<u>\$ -</u>	<u>\$ (4,349)</u>	<u>\$ (20,271)</u>	<u>\$ 519,610</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ 495,884</u>	<u>\$ 48,346</u>	<u>\$ -</u>	<u>\$ (4,349)</u>	<u>\$ (20,271)</u>	<u>\$ 519,610</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ 495,884</u>	<u>\$ 48,346</u>	<u>\$ -</u>	<u>\$ (4,349)</u>	<u>\$ (20,271)</u>	<u>\$ 519,610</u>

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

SOUTH CENTRAL AREA SPECIAL EDUCATION COOPERATIVE
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	General	Special Education Preschool	IDEIA Part B SY 08-09	IDEA Part B SY 07-08	Other	Totals
Receipts:						
Local sources	\$ 2,902,453	\$ 452,510	\$ -	\$ -	\$ -	\$ 3,354,963
State sources	63,375	-	-	-	500	63,875
Federal sources	-	-	1,996,000	24,000	151,376	2,171,376
Total receipts	2,965,828	452,510	1,996,000	24,000	151,876	5,590,214
Disbursements:						
Current:						
Instruction	2,835,211	373,823	1,422,432	-	100,406	4,731,872
Support services	570,044	52,541	525,608	12,926	42,738	1,203,857
Facilities acquisition and construction	1,550	-	-	-	-	1,550
Debt services	-	-	-	-	740	740
Nonprogrammed charges	12,203	-	-	-	-	12,203
Total disbursements	3,419,008	426,364	1,948,040	12,926	143,884	5,950,222
Excess (deficiency) of receipts over disbursements	(453,180)	26,146	47,960	11,074	7,992	(360,008)
Other financing sources (uses):						
Transfers in	-	-	-	-	6,725	6,725
Transfers out	-	-	-	(6,725)	-	(6,725)
Total other financing sources (uses)	-	-	-	(6,725)	6,725	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(453,180)	26,146	47,960	4,349	14,717	(360,008)
Cash and investments - beginning	495,884	48,346	-	(4,349)	(20,271)	519,610
Cash and investments - ending	<u>\$ 42,704</u>	<u>\$ 74,492</u>	<u>\$ 47,960</u>	<u>\$ -</u>	<u>\$ (5,554)</u>	<u>\$ 159,602</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 42,704</u>	<u>\$ 74,492</u>	<u>\$ 47,960</u>	<u>\$ -</u>	<u>\$ (5,554)</u>	<u>\$ 159,602</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 42,704</u>	<u>\$ 74,492</u>	<u>\$ 47,960</u>	<u>\$ -</u>	<u>\$ (5,554)</u>	<u>\$ 159,602</u>

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

SOUTH CENTRAL AREA SPECIAL EDUCATION COOPERATIVE
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	Pension Trust Fund	Private-Purpose Trust Funds
Additions:		
Contributions:		
Employer	\$ 17,100	\$ -
Other	-	15,183
Total contributions	17,100	15,183
Deductions:		
Benefits	14,308	-
Administrative and general	-	15,087
Total deductions	14,308	15,087
Excess of total additions over total deductions	2,792	96
Cash and investment fund balance - beginning	-	2,502
Cash and investment fund balance - ending	\$ 2,792	\$ 2,598
Net assets:		
Cash and investments	\$ 2,792	\$ 2,598
Total net assets - cash and investment basis held in trust	\$ 2,792	\$ 2,598

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

SOUTH CENTRAL AREA SPECIAL EDUCATION COOPERATIVE
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2009

	Pension Trust Fund	Private-Purpose Trust Funds
Additions:		
Contributions:		
Employer	\$ 12,203	\$ -
Other	-	8,499
Total contributions	12,203	8,499
Deductions:		
Benefits	14,995	-
Administrative and general	-	8,499
Total deductions	14,995	8,499
Deficiency of total additions over total deductions	(2,792)	-
Cash and investment fund balance - beginning	2,792	2,598
Cash and investment fund balance - ending	\$ -	\$ 2,598
Net assets:		
Cash and investments	\$ -	\$ 2,598
Total net assets - cash and investment basis held in trust	\$ -	\$ 2,598

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

SOUTH CENTRAL AREA 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 School Corporation's financial reporting entity is composed of the following:

Primary Government: South Central Area Special Education Cooperative

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The special education preschool fund accounts for programs for preschool age children.

The IDEIA, Part B funds account for federal grants and distributions for the program for each program year.

SOUTH CENTRAL AREA SPECIAL EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Additionally, the School Corporation reports the following fund types:

The pension trust fund accounts for the activities of the post retirement/severance future benefits fund, which accumulates resources for pension benefit payments.

The private-purpose trust funds report a trust arrangement under which principal and income benefit the students.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment 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. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment 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.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

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

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 and Investment Balances

1. Cash and Investments

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

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

SOUTH CENTRAL AREA SPECIAL EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Program Receipts

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.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
2. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

SOUTH CENTRAL AREA SPECIAL EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
(Continued)

II. Stewardship, Compliance and Accountability

A. 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. All annual appropriations lapse at calendar year end.

The operating budget is initially prepared and approved at the local level by the local Board. The Board consists of superintendents or their designee of the six participating school corporations: Crawford County Community School Corporation, East Washington School Corporation, Paoli Community School Corporation, Salem Community Schools, Springs Valley Community School Corporation, and West Washington School Corporation.

B. Cash and Investment Balance Deficits

At June 30, 2008 and 2009, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as authorized by State statute:

Fund	2007-2008	2008-2009
IDEA, Part B, SY 07-08	\$ 4,349	\$ -
IDEA, P.L. 105-17, Part B, SY 07-08	6,078	-
Special Education, Preschool, SY 07-08	14,193	-
IDEA, P.L. 108-446, Part B, SY 08-09	-	5,554

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

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.

SOUTH CENTRAL AREA SPECIAL EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2008 and 2009, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2007-2008</u>	<u>2008-2009</u>
IDEA, Part B, SY07-08 Fund	Other governmental funds	<u>\$ -</u>	<u>\$ 6,725</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; 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; 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.

B. Termination Benefits

The School Corporation provides health 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 15 years of service. Currently one retiree meets these eligibility requirements. The School Corporation and retiree provide 50% each, of this retirement benefit. The School Corporation provides health, vision, and dental insurance benefits to the former director. The School Corporation provides 100% of these termination benefits. Disbursements for these termination benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2009, disbursements of \$9,172 were recognized for these termination benefits.

In addition to the termination benefits described above, the School Corporation provides termination wages to three retirees. Disbursements for these termination benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2009, disbursements of \$13,200 were recognized for these termination benefits.

SOUTH CENTRAL AREA SPECIAL EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

a. 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	\$ 93,001
Interest on net pension obligation	(7,300)
Adjustment to annual required contribution	8,319
Annual pension cost	94,020
Contributions made	96,213
Decrease in net pension obligation	(2,193)
Net pension obligation, beginning of year	(100,691)
Net pension obligation, end of year	\$ (102,884)

SOUTH CENTRAL AREA SPECIAL EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF
Contribution rates:	
School Corporation	8.25%
Plan members	3%
Actuarial valuation date	07-01-08
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions	PERF
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	06-30-06	\$ 67,641	108%	\$ (91,019)
	06-30-07	69,724	114%	(100,691)
	06-30-08	94,020	102%	(102,884)

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

SOUTH CENTRAL AREA SPECIAL EDUCATION COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

Plan members are required to contribute 3% of their salary and 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, 2007, 2008, and 2009, were \$129,421, \$125,021, and \$142,899, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

SOUTH CENTRAL AREA SPECIAL EDUCATION COOPERATIVE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 510,333	\$ 672,949	\$ (162,616)	76%	\$ 856,387	(19%)
07-01-07	560,499	777,642	(217,143)	72%	1,116,789	(19%)
07-01-08	709,574	825,135	(115,561)	86%	1,107,886	(10%)

SOUTH CENTRAL AREA SPECIAL EDUCATION COOPERATIVE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008

	Early Intervention Grant	IDEA P.L. 105-17 Part B SY 06-07	IDEA P.L. 105-17 Part B SY 07-08	Special Education Preschool SY 07-08	Totals
Receipts:					
Federal sources	\$ 600	\$ 86,000	\$ 93,929	\$ 74,302	\$ 254,831
Disbursements:					
Current:					
Instruction	-	42,126	67,202	88,495	197,823
Support services	600	48,500	32,545	-	81,645
Debt services	-	460	260	-	720
Total disbursements	<u>600</u>	<u>91,086</u>	<u>100,007</u>	<u>88,495</u>	<u>280,188</u>
Deficiency of receipts over disbursements	<u>-</u>	<u>(5,086)</u>	<u>(6,078)</u>	<u>(14,193)</u>	<u>(25,357)</u>
Cash and investments - beginning	<u>-</u>	<u>5,086</u>	<u>-</u>	<u>-</u>	<u>5,086</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,078)</u>	<u>\$ (14,193)</u>	<u>\$ (20,271)</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,078)</u>	<u>\$ (14,193)</u>	<u>\$ (20,271)</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Unrestricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,078)</u>	<u>\$ (14,193)</u>	<u>\$ (20,271)</u>

SOUTH CENTRAL AREA SPECIAL EDUCATION COOPERATIVE
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009

	Access Indiana	IDEA P.L. 108-446 Part B SY 08-09	IDEA P.L. 105-17 Part B SY 07-08	Special Education Preschool SY 08-09	Special Education Preschool SY 07-08	Totals
Receipts:						
State sources	\$ 500	\$ -	\$ -	\$ -	\$ -	\$ 500
Federal sources	-	28,471	28,500	87,680	6,725	151,376
Total receipts	500	28,471	28,500	87,680	6,725	151,876
Disbursements:						
Current:						
Instruction	-	802	12,667	87,680	(743)	100,406
Support services	500	33,223	9,015	-	-	42,738
Debt services	-	-	740	-	-	740
Total disbursements	500	34,025	22,422	87,680	(743)	143,884
Excess (deficiency) of receipts over disbursements	-	(5,554)	6,078	-	7,468	7,992
Other financing sources:						
Transfers in	-	-	-	-	6,725	6,725
Excess (deficiency) of receipts and other financing sources over disbursements	-	(5,554)	6,078	-	14,193	14,717
Cash and investments - beginning	-	-	(6,078)	-	(14,193)	(20,271)
Cash and investments - ending	\$ -	\$ (5,554)	\$ -	\$ -	\$ -	\$ (5,554)
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ (5,554)	\$ -	\$ -	\$ -	\$ (5,554)
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ -	\$ (5,554)	\$ -	\$ -	\$ -	\$ (5,554)

SOUTH CENTRAL AREA SPECIAL EDUCATION COOPERATIVE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2008

	WHAS Crusade SY 05-06	Donations	WHAS Crusade SY 07-08	Totals
Additions:				
Contributions:				
Other	\$ 1,683	\$ -	\$ 13,500	\$ 15,183
	<u>1,683</u>	<u>-</u>	<u>13,500</u>	<u>15,183</u>
Deductions:				
Administrative and general	1,188	399	13,500	15,087
	<u>1,188</u>	<u>399</u>	<u>13,500</u>	<u>15,087</u>
Excess (deficiency) of total additions over total deductions	495	(399)	-	96
Cash and investment fund balance - beginning	<u>2,103</u>	<u>399</u>	<u>-</u>	<u>2,502</u>
Cash and investments - ending	<u>\$ 2,598</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,598</u>
Net assets:				
Cash and investments	\$ 2,598	\$ -	\$ -	\$ 2,598
	<u>\$ 2,598</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,598</u>
Total net assets - cash and investment basis held in trust	<u>\$ 2,598</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,598</u>

SOUTH CENTRAL AREA SPECIAL EDUCATION COOPERATIVE
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2009

	WHAS Crusade SY 05-06	WHAS Crusade SY 08-09	WHAS Crusade SY 07-08	Totals
Additions:				
Contributions:				
Other	\$ -	\$ 4,999	\$ 3,500	\$ 8,499
Deductions:				
Administrative and general	-	4,999	3,500	8,499
Total additions over total deductions	-	-	-	-
Cash and investment fund balance - beginning	2,598	-	-	2,598
Cash and investments - ending	<u>\$ 2,598</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,598</u>
Net assets:				
Cash and investments	\$ 2,598	\$ -	\$ -	\$ 2,598
Total net assets - cash and investment basis held in trust	<u>\$ 2,598</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,598</u>

SOUTH CENTRAL AREA SPECIAL EDUCATION COOPERATIVE
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
For the Year Ended June 30, 2009

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:	
Machinery and equipment	<u>\$ 12,900</u>

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 SOUTH CENTRAL AREA SPECIAL
EDUCATION COOPERATIVE, ORANGE COUNTY, INDIANA

Compliance

We have audited the compliance of the South Central Area 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, 2008 and 2009. 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, 2008 and 2009.

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

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)

on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

A control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the School Corporation's management, the school board, 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

January 20, 2010

SOUTH CENTRAL AREA SPECIAL EDUCATION COOPERATIVE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2008 and 2009

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 06-30-08	Total Federal Awards Expended 06-30-09
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Special Education Cluster				
Special Education - Grants to States				
	84.027			
P.L. 105-17, Part B		14206-056-PY02	\$ 91,086	\$ -
Part B		14207-056-PN01	60,976	-
P.L. 108-446, Part B		14207-056-PY02	100,007	22,422
Part B		14208-056-PN01	1,980,816	16,438
P.L. 108-446, Part B		14208-056-PY02	-	34,025
Part B		14209-056-PN01	-	1,947,725
			<u>2,232,885</u>	<u>2,020,610</u>
Total for program				
Special Education - Preschool Grants				
	84.173			
Preschool Transition		45708-056-PN01	87,752	-
Preschool Transition		45709-056-PN01	-	87,680
			<u>87,752</u>	<u>87,680</u>
Total for program				
Total for federal grantor agency				
			<u>2,320,637</u>	<u>2,108,290</u>
Total federal awards expended				
			<u>\$ 2,320,637</u>	<u>\$ 2,108,290</u>

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

SOUTH CENTRAL AREA SPECIAL EDUCATION 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 South Central Area 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.

SOUTH CENTRAL AREA 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
Significant deficiencies 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
Significant deficiencies 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? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

SOUTH CENTRAL AREA SPECIAL EDUCATION COOPERATIVE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

SOUTH CENTRAL AREA SPECIAL EDUCATION COOPERATIVE
EXIT CONFERENCE

The contents of this report were discussed on January 20, 2010, with Dr. Alva L. Sibbitt, Jr., President of the School Board; Melissa D. Lancaster, Director; and Ruth D. Gilbert, Treasurer. Our audit disclosed no material items that warrant comment at this time.