

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

AUDIT REPORT
OF
CASTON SCHOOL CORPORATION
FULTON COUNTY, INDIANA
July 1, 2008 to June 30, 2010



FILED
01/14/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Cozetta Grable	07-01-08 to 06-30-11
Superintendent of Schools	Danny L. Foster	07-01-08 to 06-30-11
President of the School Board	Bruce Cress Dr. James Ayers	07-01-08 to 06-30-10 07-01-10 to 06-30-11



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 CASTON SCHOOL CORPORATION, FULTON COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Caston School Corporation (School Corporation), as of and for the years ended June 30, 2009 and 2010, 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, 2009 and 2010, 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 December 8, 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 integral part of 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 School Corporation has not presented Management's Discussion and Analysis, Schedules of Funding Progress, Schedule of Contributions From the Employer and Other Contributing Entities, 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, Schedule of Capital Assets, and Schedule of Long-Term Debt 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 and Schedule of Long-Term Debt have 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 them.

STATE BOARD OF ACCOUNTS

December 8, 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 CASTON SCHOOL CORPORATION, FULTON COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Caston School Corporation (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated December 8, 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

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. We consider the deficiencies described in item 2010-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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.

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)

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. However, of the significant deficiencies described above, we consider item 2010-1 to be a material weakness.

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.

The School Corporation's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

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

December 8, 2010

CASTON SCHOOL CORPORATION
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>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				Net (Disbursement) Receipts and Changes in Net Assets
Instruction	\$ 3,129,856	\$ -	\$ 95,540	\$ (3,034,316)
Support services	2,578,614	228,571	196,516	(2,153,527)
Noninstructional services	466,037	-	-	(466,037)
Facilities acquisition and construction	473,452	-	-	(473,452)
Debt service	277,034	-	-	(277,034)
Nonprogrammed charges	376,905	-	-	(376,905)
Total governmental activities	<u>\$ 7,301,898</u>	<u>\$ 228,571</u>	<u>\$ 292,056</u>	<u>(6,781,271)</u>
General receipts:				
Property taxes				3,172,670
Other local sources				439,603
State aid				3,441,474
Grants and contributions not restricted to specific programs				557,941
Sale of property				143
Investment earnings				60,913
Other				<u>15,002</u>
Total general receipts				<u>7,687,746</u>
Change in net assets				906,475
Net assets - beginning				<u>4,336,683</u>
Net assets - ending				<u>\$ 5,243,158</u>
<u>Assets</u>				
Cash and investments				\$ 5,230,328
Restricted assets:				
Cash and investments				<u>12,830</u>
Total assets				<u>\$ 5,243,158</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 12,830
Unrestricted				<u>5,230,328</u>
Total net assets				<u>\$ 5,243,158</u>

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

CASTON SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 3,464,278	\$ -	\$ 115,855	\$ (3,348,423)
Support services	2,549,966	217,403	220,581	(2,111,982)
Noninstructional services	505,150	-	-	(505,150)
Facilities acquisition and construction	751,866	-	-	(751,866)
Debt service	278,068	-	-	(278,068)
Nonprogrammed charges	<u>501,248</u>	<u>-</u>	<u>-</u>	<u>(501,248)</u>
Total governmental activities	<u>\$ 8,050,576</u>	<u>\$ 217,403</u>	<u>\$ 336,436</u>	<u>(7,496,737)</u>
General receipts:				
Property taxes				2,607,637
Other local sources				368,597
State aid				4,829,984
Grants and contributions not restricted to specific programs				426,370
Investment earnings				66,837
Other				<u>3,999</u>
Total general receipts				<u>8,303,424</u>
Change in net assets				806,687
Net assets - beginning				<u>5,243,158</u>
Net assets - ending				<u>\$ 6,049,845</u>
<u>Assets</u>				
Cash and investments				\$ 5,889,826
Restricted assets:				
Cash and investments				<u>160,019</u>
Total assets				<u>\$ 6,049,845</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 160,019
Unrestricted				<u>5,889,826</u>
Total net assets				<u>\$ 6,049,845</u>

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

CASTON SCHOOL CORPORATION
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	Transportation Operating	Rainy Day	Capital Projects	Other	Totals
Receipts:						
Local sources	\$ 1,951,306	\$ 576,505	\$ -	\$ 698,214	\$ 675,558	\$ 3,901,583
Intermediate sources	173	-	-	-	-	173
State sources	3,508,293	-	-	-	80,529	3,588,822
Federal sources	-	-	-	-	702,650	702,650
Other	-	1,042	-	-	13,960	15,002
Total receipts	<u>5,459,772</u>	<u>577,547</u>	<u>-</u>	<u>698,214</u>	<u>1,472,697</u>	<u>8,208,230</u>
Disbursements:						
Current:						
Instruction	2,959,156	-	40,861	-	129,839	3,129,856
Support services	1,739,240	444,236	1,480	148,116	245,542	2,578,614
Noninstructional services	99,705	-	-	-	366,332	466,037
Facilities acquisition and construction	-	-	-	472,972	480	473,452
Debt services	-	-	-	-	277,034	277,034
Nonprogrammed charges	350,478	-	-	-	26,427	376,905
Total disbursements	<u>5,148,579</u>	<u>444,236</u>	<u>42,341</u>	<u>621,088</u>	<u>1,045,654</u>	<u>7,301,898</u>
Excess (deficiency) of receipts over disbursements	<u>311,193</u>	<u>133,311</u>	<u>(42,341)</u>	<u>77,126</u>	<u>427,043</u>	<u>906,332</u>
Other financing sources (uses):						
Sale of capital assets	143	-	-	-	-	143
Transfers in	-	-	129,000	-	-	129,000
Transfers out	(129,000)	-	-	-	-	(129,000)
Total other financing sources (uses)	<u>(128,857)</u>	<u>-</u>	<u>129,000</u>	<u>-</u>	<u>-</u>	<u>143</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>182,336</u>	<u>133,311</u>	<u>86,659</u>	<u>77,126</u>	<u>427,043</u>	<u>906,475</u>
Cash and investments - beginning	<u>2,686,736</u>	<u>559,616</u>	<u>449,974</u>	<u>412,369</u>	<u>227,988</u>	<u>4,336,683</u>
Cash and investments - ending	<u>\$ 2,869,072</u>	<u>\$ 692,927</u>	<u>\$ 536,633</u>	<u>\$ 489,495</u>	<u>\$ 655,031</u>	<u>\$ 5,243,158</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 2,869,072	\$ 692,927	\$ 536,633	\$ 489,495	\$ 642,201	\$ 5,230,328
Restricted assets:						
Cash and investments	-	-	-	-	12,830	12,830
Total cash and investment assets - ending	<u>\$ 2,869,072</u>	<u>\$ 692,927</u>	<u>\$ 536,633</u>	<u>\$ 489,495</u>	<u>\$ 655,031</u>	<u>\$ 5,243,158</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 12,830	\$ 12,830
Unrestricted	2,869,072	692,927	536,633	489,495	642,201	5,230,328
Total cash and investment fund balance - ending	<u>\$ 2,869,072</u>	<u>\$ 692,927</u>	<u>\$ 536,633</u>	<u>\$ 489,495</u>	<u>\$ 655,031</u>	<u>\$ 5,243,158</u>

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

CASTON SCHOOL CORPORATION
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, 2010

	General	Transportation Operating	Rainy Day	Capital Projects	Other	Totals
Receipts:						
Local sources	\$ 101,078	\$ 1,060,303	\$ -	\$ 1,067,848	\$ 1,031,069	\$ 3,260,298
Intermediate sources	173	-	-	-	-	173
State sources	4,919,357	-	-	-	113,625	5,032,982
Federal sources	-	-	-	-	559,812	559,812
Other	-	3,998	-	-	-	3,998
Total receipts	5,020,608	1,064,301	-	1,067,848	1,704,506	8,857,263
Disbursements:						
Current:						
Instruction	2,639,126	-	121,697	-	703,455	3,464,278
Support services	1,650,718	467,079	306	148,669	283,194	2,549,966
Noninstructional services	104,037	-	-	-	401,113	505,150
Facilities acquisition and construction	-	-	-	750,409	1,457	751,866
Debt services	-	-	-	-	278,068	278,068
Nonprogrammed charges	484,082	-	-	-	17,166	501,248
Total disbursements	4,877,963	467,079	122,003	899,078	1,684,453	8,050,576
Excess (deficiency) of receipts over disbursements	142,645	597,222	(122,003)	168,770	20,053	806,687
Other financing sources (uses):						
Transfers in	44,686	-	107,000	-	13,182	164,868
Transfers out	(120,182)	-	-	-	(44,686)	(164,868)
Total other financing sources (uses)	(75,496)	-	107,000	-	(31,504)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	67,149	597,222	(15,003)	168,770	(11,451)	806,687
Cash and investments - beginning	2,869,073	692,928	536,633	489,494	655,030	5,243,158
Cash and investments - ending	<u>\$ 2,936,222</u>	<u>\$ 1,290,150</u>	<u>\$ 521,630</u>	<u>\$ 658,264</u>	<u>\$ 643,579</u>	<u>\$ 6,049,845</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 2,936,222	\$ 1,290,150	\$ 521,630	\$ 658,264	\$ 483,560	\$ 5,889,826
Restricted assets:						
Cash and investments	-	-	-	-	160,019	160,019
Total cash and investment assets - ending	<u>\$ 2,936,222</u>	<u>\$ 1,290,150</u>	<u>\$ 521,630</u>	<u>\$ 658,264</u>	<u>\$ 643,579</u>	<u>\$ 6,049,845</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 160,019	\$ 160,019
Unrestricted	<u>2,936,222</u>	<u>1,290,150</u>	<u>521,630</u>	<u>658,264</u>	<u>483,560</u>	<u>5,889,826</u>
Total cash and investment fund balance - ending	<u>\$ 2,936,222</u>	<u>\$ 1,290,150</u>	<u>\$ 521,630</u>	<u>\$ 658,264</u>	<u>\$ 643,579</u>	<u>\$ 6,049,845</u>

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

CASTON SCHOOL CORPORATION
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: Caston School Corporation

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

Joint Venture

The School Corporation is a participant with four other school corporations in a Joint venture to operate Century Career Center which was created to provide vocational training. The School Corporation is obligated by contract to remit an amount based on Century Career Center's estimated expenditures and the School Corporation's level of participation. The Century Career Center pays its surplus to the participants. The Century Career Center's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Century Career Center can be obtained from Century Career Center, 2829 George St, Logansport, Indiana, 46947.

The School Corporation is a participant with nine other school corporations in a joint venture to operate the Logansport Area Joint Special Services Cooperative (LAJSSC) which was created to provide education to handicapped students. The School Corporation is obligated by contract to remit its proportionate share annually to supplement the LAJSSC's budget. The LAJSSC pays its surplus to the participants. The LAJSSC's continued existence depends on continued funding by the School Corporation. Complete financial statements for the LAJSSC can be obtained from 1501 Meadowlawn Avenue, Logansport, Indiana, 46947.

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. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

CASTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

The rainy day fund accounts for funds in accordance with Indiana Code 36-1-8-5.1 and a locally adopted resolution.

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

Additionally, the School Corporation reports the following fund type:

Agency funds account for assets held by the School Corporation as an agent for students and employees.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary 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, while the fund financial statements for proprietary fund types would use the 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.

CASTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds.

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. Property Taxes

Normally, property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which may become delinquent if not paid by May 10 and November 10, respectively.

3. Capital Assets

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

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as a liability in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

5. 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."

CASTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

Program Receipts

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

F. Internal and Interfund 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 in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. 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.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.
4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

Government-Wide Financial Statements

Interfund activity, if any, is 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 except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

CASTON SCHOOL CORPORATION
 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.

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. Prior to November 1, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Cash and Investment Balance Deficits

At June 30, 2009 and 2010, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

Fund	2008-2009	2009-2010
Fiscal Stabilization Title I	\$ <u> </u> -	\$ <u> 8,828</u>

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. IC 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 School Corporation does not have a deposit policy for custodial credit risk at June 30, 2010, the school Corporation had deposit balances in the amount of \$ 6,049,845.

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.

CASTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2009 and 2010 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2008-2009</u>	<u>2009-2010</u>
General Fund	Rainy Day Fund	\$ 129,000	\$ 107,000
General Fund	Other Governmental Funds	-	13,182
Other Governmental Funds	General Fund	-	<u>44,686</u>
Totals		<u>\$ 129,000</u>	<u>\$ 164,868</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; and natural disasters are covered by commercial insurance from independent third parties.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Holding Corporations

The School Corporation has entered into a capital lease with Caston Educational Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the year totaled \$278,068.

CASTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Pension Plan

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

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

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the School Corporation during the period were \$70,395.

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.

CASTON SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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's contributions to the plan during the period were \$210,719 and \$213,689 for the years ended June 30, 2009 and 2010, respectively.

CASTON SCHOOL CORPORATION
 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

	Special Education Preschool	School Lunch	Textbook Rental	SAFE School Haven	Early Intervention	Instructional Support
Receipts:						
Local sources	\$ 4,705	\$ 216,113	\$ 46,381	\$ -	\$ -	\$ -
State sources	17,002	4,078	29,227	1,000	500	28,722
Federal sources	-	163,211	-	-	-	-
Other	-	-	13,960	-	-	-
Total receipts	<u>21,707</u>	<u>383,402</u>	<u>89,568</u>	<u>1,000</u>	<u>500</u>	<u>28,722</u>
Disbursements:						
Current:						
Instruction	-	-	-	-	-	24,415
Support services	-	-	75,313	1,404	500	-
Noninstructional services	-	366,332	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	26,427	-	-	-	-	-
Total disbursements	<u>26,427</u>	<u>366,332</u>	<u>75,313</u>	<u>1,404</u>	<u>500</u>	<u>24,415</u>
Excess (deficiency) of receipts over disbursements	<u>(4,720)</u>	<u>17,070</u>	<u>14,255</u>	<u>(404)</u>	<u>-</u>	<u>4,307</u>
Cash and investments - beginning	<u>47,998</u>	<u>37,263</u>	<u>29,380</u>	<u>1,640</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 43,278</u>	<u>\$ 54,333</u>	<u>\$ 43,635</u>	<u>\$ 1,236</u>	<u>\$ -</u>	<u>\$ 4,307</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 43,278	\$ 54,333	\$ 43,635	\$ 1,236	\$ -	\$ 4,307
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 43,278</u>	<u>\$ 54,333</u>	<u>\$ 43,635</u>	<u>\$ 1,236</u>	<u>\$ -</u>	<u>\$ 4,307</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>43,278</u>	<u>54,333</u>	<u>43,635</u>	<u>1,236</u>	<u>-</u>	<u>4,307</u>
Total cash and investment fund balance - ending	<u>\$ 43,278</u>	<u>\$ 54,333</u>	<u>\$ 43,635</u>	<u>\$ 1,236</u>	<u>\$ -</u>	<u>\$ 4,307</u>

CASTON SCHOOL CORPORATION
 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
 (Continued)

	Non-English Speaking Grant Fund	School Technology Fund	Title I 2008-2009	Title I 2007-2008	Innovative Education Program Strategies	Drug Free Schools
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	-	-	84,247	-	1,268	1,418
Other	-	-	-	-	-	-
Total receipts	-	-	84,247	-	1,268	1,418
Disbursements:						
Current:						
Instruction	162	-	72,753	1,938	1,268	-
Support services	-	-	-	-	-	1,880
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	480	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	162	480	72,753	1,938	1,268	1,880
Excess (deficiency) of receipts over disbursements	(162)	(480)	11,494	(1,938)	-	(462)
Cash and investments - beginning	162	5,667	-	1,938	-	537
Cash and investments - ending	\$ -	\$ 5,187	\$ 11,494	\$ -	\$ -	\$ 75
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ 5,187	\$ 11,494	\$ -	\$ -	\$ 75
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 5,187	\$ 11,494	\$ -	\$ -	\$ 75
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	5,187	11,494	-	-	75
Total cash and investment fund balance - ending	\$ -	\$ 5,187	\$ 11,494	\$ -	\$ -	\$ 75

CASTON SCHOOL CORPORATION
 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
 (Continued)

	Grants In Aid	Improving Teacher Quality	Fiscal Stabilization Education	Debt Service	Bus Replacement	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 272,162	\$ 136,197	\$ 675,558
State sources	-	-	-	-	-	80,529
Federal sources	6,000	28,261	418,245	-	-	702,650
Other	-	-	-	-	-	13,960
Total receipts	6,000	28,261	418,245	272,162	136,197	1,472,697
Disbursements:						
Current:						
Instruction	1,042	28,261	-	-	-	129,839
Support services	-	-	-	765	165,680	245,542
Noninstructional services	-	-	-	-	-	366,332
Facilities acquisition and construction	-	-	-	-	-	480
Debt services	-	-	-	277,034	-	277,034
Nonprogrammed charges	-	-	-	-	-	26,427
Total disbursements	1,042	28,261	-	277,799	165,680	1,045,654
Excess (deficiency) of receipts over disbursements	4,958	-	418,245	(5,637)	(29,483)	427,043
Cash and investments - beginning	-	-	-	18,467	84,936	227,988
Cash and investments - ending	<u>\$ 4,958</u>	<u>\$ -</u>	<u>\$ 418,245</u>	<u>\$ 12,830</u>	<u>\$ 55,453</u>	<u>\$ 655,031</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 4,958	\$ -	\$ 418,245	\$ -	\$ 55,453	\$ 642,201
Restricted assets:						
Cash and investments	-	-	-	12,830	-	12,830
Total cash and investment assets - ending	<u>\$ 4,958</u>	<u>\$ -</u>	<u>\$ 418,245</u>	<u>\$ 12,830</u>	<u>\$ 55,453</u>	<u>\$ 655,031</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ 12,830	\$ -	\$ 12,830
Unrestricted	4,958	-	418,245	-	55,453	642,201
Total cash and investment fund balance - ending	<u>\$ 4,958</u>	<u>\$ -</u>	<u>\$ 418,245</u>	<u>\$ 12,830</u>	<u>\$ 55,453</u>	<u>\$ 655,031</u>

CASTON SCHOOL CORPORATION
 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, 2010

	Special Education Preschool	School Lunch	Textbook Rental	SAFE School Haven	Instructional Support	School Technology Fund	Other Grants
Receipts:							
Local sources	\$ -	\$ 211,989	\$ 48,927	\$ -	\$ -	\$ -	\$ -
State sources	12,375	36,923	35,920	-	28,407	-	-
Federal sources	-	145,817	-	-	-	-	-
Total receipts	12,375	394,729	84,847	-	28,407	-	-
Disbursements:							
Current:							
Instruction	-	-	-	-	24,739	-	-
Support services	-	-	72,529	-	-	-	-
Noninstructional services	-	398,263	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	480	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	10,967	-	-	-	-	-	-
Total disbursements	10,967	398,263	72,529	-	24,739	480	-
Excess (deficiency) of receipts over disbursements	1,408	(3,534)	12,318	-	3,668	(480)	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	13,182
Transfers out	(44,685)	-	-	-	-	-	-
Total other financing sources (uses)	(44,685)	-	-	-	-	-	13,182
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(43,277)	(3,534)	12,318	-	3,668	(480)	13,182
Cash and investments - beginning	43,277	54,333	43,634	1,236	4,307	5,187	-
Cash and investments - ending	\$ -	\$ 50,799	\$ 55,952	\$ 1,236	\$ 7,975	\$ 4,707	\$ 13,182
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ -	\$ 50,799	\$ 55,952	\$ 1,236	\$ 7,975	\$ 4,707	\$ 13,182
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 50,799	\$ 55,952	\$ 1,236	\$ 7,975	\$ 4,707	\$ 13,182
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	50,799	55,952	1,236	7,975	4,707	13,182
Total cash and investment fund balance - ending	\$ -	\$ 50,799	\$ 55,952	\$ 1,236	\$ 7,975	\$ 4,707	\$ 13,182

CASTON SCHOOL CORPORATION
 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, 2010
 (Continued)

	Title I 2008-2009	Innovative Education Program Strategies	Drug Free Schools	Grants In Aid	Improving Teacher Quality	Fiscal Stabilization Education
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	84,142	495	2,349	2,500	31,064	161,738
Total receipts	84,142	495	2,349	2,500	31,064	161,738
Disbursements:						
Current:						
Instruction	79,934	494	-	7,458	31,064	458,378
Support services	-	-	1,200	-	-	118,755
Noninstructional services	-	-	-	-	-	2,850
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	79,934	494	1,200	7,458	31,064	579,983
Excess (deficiency) of receipts over disbursements	4,208	1	1,149	(4,958)	-	(418,245)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	(1)	-	-	-	-
Total other financing sources (uses)	-	(1)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,208	-	1,149	(4,958)	-	(418,245)
Cash and investments - beginning	11,494	-	75	4,958	-	418,245
Cash and investments - ending	<u>\$ 15,702</u>	<u>\$ -</u>	<u>\$ 1,224</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 15,702	\$ -	\$ 1,224	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 15,702</u>	<u>\$ -</u>	<u>\$ 1,224</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	15,702	-	1,224	-	-	-
Total cash and investment fund balance - ending	<u>\$ 15,702</u>	<u>\$ -</u>	<u>\$ 1,224</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CASTON SCHOOL CORPORATION
 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, 2010
 (Continued)

	Fiscal Stabilization Title I	IDEA Part B Stimulus	IDEA Part B Preschool Stimulus	Debt Service	Bus Replacement	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 431,455	\$ 338,698	\$ 1,031,069
State sources	-	-	-	-	-	113,625
Federal sources	40,546	87,905	3,256	-	-	559,812
Total receipts	40,546	87,905	3,256	431,455	338,698	1,704,506
Disbursements:						
Current:						
Instruction	49,374	52,014	-	-	-	703,455
Support services	-	894	3,256	-	86,560	283,194
Noninstructional services	-	-	-	-	-	401,113
Facilities acquisition and construction	-	977	-	-	-	1,457
Debt services	-	-	-	278,068	-	278,068
Nonprogrammed charges	-	-	-	6,199	-	17,166
Total disbursements	49,374	53,885	3,256	284,267	86,560	1,684,453
Excess (deficiency) of receipts over disbursements	(8,828)	34,020	-	147,188	252,138	20,053
Other financing sources (uses):						
Transfers in	-	-	-	-	-	13,182
Transfers out	-	-	-	-	-	(44,686)
Total other financing sources (uses)	-	-	-	-	-	(31,504)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(8,828)	34,020	-	147,188	252,138	(11,451)
Cash and investments - beginning	-	-	-	12,831	55,453	655,030
Cash and investments - ending	<u>\$ (8,828)</u>	<u>\$ 34,020</u>	<u>\$ -</u>	<u>\$ 160,019</u>	<u>\$ 307,591</u>	<u>\$ 643,579</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ (8,828)	\$ 34,020	\$ -	\$ -	\$ 307,591	\$ 483,560
Restricted assets:						
Cash and investments	-	-	-	160,019	-	160,019
Total cash and investment assets - ending	<u>\$ (8,828)</u>	<u>\$ 34,020</u>	<u>\$ -</u>	<u>\$ 160,019</u>	<u>\$ 307,591</u>	<u>\$ 643,579</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ 160,019	\$ -	\$ 160,019
Unrestricted	(8,828)	34,020	-	-	307,591	483,560
Total cash and investment fund balance - ending	<u>\$ (8,828)</u>	<u>\$ 34,020</u>	<u>\$ -</u>	<u>\$ 160,019</u>	<u>\$ 307,591</u>	<u>\$ 643,579</u>

CASTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2009

	Payroll Withholdings	Miscellaneous Clearing	Totals
Additions:			
Agency fund additions	\$ 1,151,045	\$ 138,037	\$ 1,289,082
Deductions:			
Agency fund deductions	1,151,045	138,037	1,289,082
Excess (deficiency) of total additions over total deductions	-	-	-
Cash and investment fund balance - beginning	-	-	-
Cash and investment fund balance - ending	\$ -	\$ -	\$ -

CASTON SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2010

	Payroll Withholdings	Miscellaneous Clearing	Totals
Additions:			
Agency fund additions	\$ 1,197,570	\$ 202,395	\$ 1,399,965
Deductions:			
Agency fund deductions	1,197,570	202,395	1,399,965
Excess (deficiency) of total additions over total deductions	-	-	-
Cash and investment fund balance - beginning	-	-	-
Cash and investment fund balance - ending	\$ -	\$ -	\$ -

CASTON SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended June 30, 2010

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	\$ 20,000
Buildings	7,387,069
Improvements other than buildings	6,077,596
Machinery and equipment	<u>3,131,597</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 16,616,262</u>

CASTON SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2010

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
School Building Lease	\$ 655,000	\$ 278,508
Notes and loans payable	<u>55,000</u>	<u>10,000</u>
Total governmental activities debt	<u>\$ 710,000</u>	<u>\$ 288,508</u>

CASTON SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

SEGREGATION OF DUTIES - INTERNAL CONTROLS OVER
FINANCIAL TRANSACTIONS AND REPORTING

Control activities were not selected and developed at various levels of the School Corporation to reduce risks to achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to all areas of the financial statements. The failure to establish these controls could enable material misstatements or frauds to go undetected.

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)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
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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 CASTON SCHOOL CORPORATION, FULTON COUNTY, INDIANA

Compliance

We have audited the compliance of the Caston School Corporation (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, 2009 and 2010. 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, 2009 and 2010.

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, 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.

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 internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in items 2010-2, 2010-3 and 2010-4 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

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. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

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

December 8, 2010

CASTON SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2009 and 2010

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 06-30-09	Total Federal Awards Expended 06-30-10
U.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 25,703	\$ 31,413
National School Lunch Program	10.555		<u>147,265</u>	<u>165,597</u>
Total for cluster			<u>172,968</u>	<u>197,010</u>
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010	FY 08/09	74,691	79,934
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 09/10	<u>-</u>	<u>49,374</u>
Total for cluster			<u>74,691</u>	<u>129,308</u>
Special Education Cluster (IDEA)				
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 09/10	-	53,885
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	FY 09/10	<u>-</u>	<u>3,256</u>
Total for cluster			<u>-</u>	<u>57,141</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186		<u>1,880</u>	<u>1,200</u>
State Grants for Innovative Programs	84.298		<u>1,268</u>	<u>495</u>
Improving Teacher Quality State Grants	84.367		<u>28,261</u>	<u>31,064</u>
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394		<u>-</u>	<u>579,983</u>
Total for federal grantor agency			<u>106,100</u>	<u>799,191</u>
Total federal awards expended			<u>\$ 279,068</u>	<u>\$ 996,201</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CASTON SCHOOL CORPORATION
NOTES 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 Caston School Corporation (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2009 and 2010. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2009	2010
National School Lunch Program	10.555	\$ 19,894	\$ 17,549

CASTON SCHOOL CORPORATION
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?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	no

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?	yes

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? yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
	Child Nutrition Cluster
	Title I, Part A Cluster
	State Fiscal Stabilization Fund 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

FINDING 2010-1, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Control activities were not selected and developed at various levels of the School Corporation to reduce risks to achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to payroll. The failure to establish this control could enable material misstatements or irregularities to go undetected

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

CASTON SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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)

Section III – Federal Award Findings and Questioned Costs

FINDING 2010-2. INTERNAL CONTROL

Federal Agency: U.S. Department of Agriculture
Pass-Through: Indiana Department of Education
Federal Program: Child Nutrition Cluster – National School Lunch Program
CFDA Number: 10.555

Federal funds received as a part of the Child Nutrition Cluster are used to subsidize the cost of the school lunch program ran by the School Corporation. Financial accounting records for the lunch program are maintained in the School Corporation Business Office. Currently, due to the limited personnel in the School Corporation Business Office the School Corporation has not separated incompatible activities related to all areas of the financial statements. The failure to establish these controls could enable material misstatements to go undetected.

Circular A133 Subpart C section .300 states in part: "The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs." (b)

We recommended the School Corporation develop internal control procedures to properly segregate accounting activities in the School Corporation Business Office.

FINDING 2010-3. INTERNAL CONTROL

Federal agency: U.S. Department of Education
Pass-through: Indiana Department of Education
Federal Program: Title 1, Part A Cluster
CFDA Number: 84.010

Federal funds received as a part of the Title 1, Part A Cluster program are maintained in the School Corporation Business Office. Currently, due to the limited personnel in the School Corporation Business Office the School has not separated incompatible activities related to all areas of the financial statements. The failure to establish these controls could enable material misstatements to go undetected.

Circular A133 Subpart C section .300 states in part: "The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

We recommended the School Corporation develop internal control procedures to properly segregate accounting activities in the business office.

CASTON SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2010-4, INTERNAL CONTROLS

Federal Agency: U.S. Department of Education

Pass-through: Indiana Department of Education

Federal Program: State Fiscal Stabilization Fund (SFSF) Cluster – Education State Grants, Recovery Act
CFDA Number: 84.394

The financial records for federal funds received as a part of the State Fiscal Stabilization Fund (SFSF) Cluster – Education State Grants, Recovery Act program are maintained in the School Corporation Business Office. Currently, due to the limited personnel in the School Corporation Business Office the School Corporation has not separated incompatible activities related to all areas of the financial statements. The failure to establish these controls could enable material misstatements to go undetected.

Circular A133 Subpart C section .300 states in part: "The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

We recommended the School Corporation develop internal control procedures to properly segregate accounting activities in the business office.

CASTON SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

Caston School Corporation

P.O. Box 8

Fulton, Indiana 46931-0008

OFFICE OF THE SUPERINTENDENT

Phone 574-857-2035

FAX: 574-857-6795

January 4, 2011

Corrective Action Plan

Federal Findings - 2010-1, 2010-2, 2010-3 and 2010-4
Internal Controls Over Financial Transactions and Reporting

Federal Programs: Child Nutrition Cluster-National School Lunch Program
Title I Cluster-Title I Grants to Local Education Agencies
State Fiscal Stabilization Fund(SFSF)-Education State Grants, Recovery Act

Corrective Action Planned:

The Caston School Board of Trustees and Superintendent of Schools have chosen to accept the risks associated with the lack of segregation of duties associated with the internal controls over financial transactions and reporting.



Cozetta Grable, Corporation Treasurer



Dan L. Foster, Superintendent of Schools

CASTON SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on December 8, 2010, with Cozetta Grable, Treasurer; Dr. James Ayers, President of the School Board; and Danny L. Foster, Superintendent of Schools. The officials concurred with our audit findings.