

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

AUDIT REPORT
OF
TRI-CENTRAL COMMUNITY SCHOOLS
TIPTON COUNTY, INDIANA
July 1, 2008 to June 30, 2010



FILED
02/25/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sue Shockney	07-01-08 to 06-30-11
Superintendent of Schools	Dr. Lee Williford	07-01-08 to 06-30-11
President of the School Board	Michael Harlow	07-01-08 to 06-30-11



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

TO: THE OFFICIALS OF THE TRI-CENTRAL COMMUNITY SCHOOLS, TIPTON COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Tri-Central Community Schools (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 January 19, 2011, 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 Schedule of Funding Progress 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, 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.

The School Corporation's response to the Audit Results and Comments identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

January 19, 2011



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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 TRI-CENTRAL COMMUNITY SCHOOLS, TIPTON COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tri-Central Community Schools (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 January 19, 2011. 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 Official Response and 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, 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 19, 2011

TRI-CENTRAL COMMUNITY SCHOOLS
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>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	\$ 4,191,932	\$ -	\$ 137,513	\$ (4,054,419)
Support services	3,286,553	236,899	151,046	(2,898,608)
Noninstructional services	551,891	-	-	(551,891)
Facilities acquisition and construction	823,069	-	-	(823,069)
Debt service	1,165,881	-	-	(1,165,881)
Nonprogrammed charges	199,719	-	-	(199,719)
Total governmental activities	<u>\$ 10,219,045</u>	<u>\$ 236,899</u>	<u>\$ 288,559</u>	<u>(9,693,587)</u>
General receipts:				
Property taxes				3,570,281
Other local sources				752,298
State aid				4,595,294
Grants and contributions not restricted to specific programs				728,267
Investment earnings				33,400
Other				<u>76,650</u>
Total general receipts				<u>9,756,190</u>
Change in net assets				62,603
Net assets - beginning				<u>3,111,347</u>
Net assets - ending				<u>\$ 3,173,950</u>
<u>Assets</u>				
Cash and investments				\$ 3,073,782
Restricted assets:				
Cash and investments				<u>100,168</u>
Total assets				<u>\$ 3,173,950</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 100,168
Unrestricted				<u>3,073,782</u>
Total net assets				<u>\$ 3,173,950</u>

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

TRI-CENTRAL COMMUNITY SCHOOLS
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	\$ 4,335,333	\$ -	\$ 108,595	\$ (4,226,738)
Support services	3,549,910	300,738	176,714	(3,072,458)
Noninstructional services	537,037	-	-	(537,037)
Facilities acquisition and construction	470,215	-	-	(470,215)
Debt service	1,176,159	-	-	(1,176,159)
Nonprogrammed charges	129,996	-	-	(129,996)
Total governmental activities	<u>\$ 10,198,650</u>	<u>\$ 300,738</u>	<u>\$ 285,309</u>	<u>(9,612,603)</u>
General receipts:				
Property taxes				3,762,702
Other local sources				585,409
State aid				5,886,513
Grants and contributions not restricted to specific programs				529,661
Investment earnings				18,663
Other				<u>47,086</u>
Total general receipts				<u>10,830,034</u>
Change in net assets				1,217,431
Net assets - beginning				<u>3,173,950</u>
Net assets - ending				<u>\$ 4,391,381</u>
<u>Assets</u>				
Cash and investments				\$ 3,465,625
Restricted assets:				
Cash and investments				<u>925,756</u>
Total assets				<u>\$ 4,391,381</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 925,756
Unrestricted				<u>3,465,625</u>
Total net assets				<u>\$ 4,391,381</u>

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

TRI-CENTRAL COMMUNITY SCHOOLS
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	Fiscal Stabilization	Debt Service	Capital Projects	Other	Totals
Receipts:						
Local sources	\$ 1,979,424	\$ -	\$ 825,963	\$ 765,932	\$ 1,021,221	\$ 4,592,540
Intermediate sources	-	-	-	-	338	338
State sources	4,699,988	-	-	-	95,378	4,795,366
Federal sources	-	516,757	-	-	296,850	813,607
Other	<u>54,796</u>	<u>-</u>	<u>-</u>	<u>15,747</u>	<u>6,106</u>	<u>76,649</u>
Total receipts	<u>6,734,208</u>	<u>516,757</u>	<u>825,963</u>	<u>781,679</u>	<u>1,419,893</u>	<u>10,278,500</u>
Disbursements:						
Current:						
Instruction	3,869,376	117,041	-	-	202,367	4,188,784
Support services	2,102,836	47,409	-	414,415	721,893	3,286,553
Noninstructional services	160,669	-	-	-	391,222	551,891
Facilities acquisition and construction	-	-	-	204,229	618,840	823,069
Debt services	-	-	942,977	-	222,904	1,165,881
Nonprogrammed charges	<u>155,672</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,047</u>	<u>199,719</u>
Total disbursements	<u>6,288,553</u>	<u>164,450</u>	<u>942,977</u>	<u>618,644</u>	<u>2,201,273</u>	<u>10,215,897</u>
Excess (deficiency) of receipts over disbursements	<u>445,655</u>	<u>352,307</u>	<u>(117,014)</u>	<u>163,035</u>	<u>(781,380)</u>	<u>62,603</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	5,782	5,782
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,782)</u>	<u>(5,782)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	445,655	352,307	(117,014)	163,035	(781,380)	62,603
Cash and investments - beginning	<u>803,788</u>	<u>-</u>	<u>207,946</u>	<u>876,347</u>	<u>1,223,266</u>	<u>3,111,347</u>
Cash and investments - ending	<u>\$ 1,249,443</u>	<u>\$ 352,307</u>	<u>\$ 90,932</u>	<u>\$ 1,039,382</u>	<u>\$ 441,886</u>	<u>\$ 3,173,950</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 1,249,443	\$ 352,307	\$ -	\$ 1,039,382	\$ 432,650	\$ 3,073,782
Restricted assets:						
Cash and investments	<u>-</u>	<u>-</u>	<u>90,932</u>	<u>-</u>	<u>9,236</u>	<u>100,168</u>
Total cash and investment assets - ending	<u>\$ 1,249,443</u>	<u>\$ 352,307</u>	<u>\$ 90,932</u>	<u>\$ 1,039,382</u>	<u>\$ 441,886</u>	<u>\$ 3,173,950</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ 90,932	\$ -	\$ 9,236	\$ 100,168
Unrestricted	<u>1,249,443</u>	<u>352,307</u>	<u>-</u>	<u>1,039,382</u>	<u>432,650</u>	<u>3,073,782</u>
Total cash and investment fund balance - ending	<u>\$ 1,249,443</u>	<u>\$ 352,307</u>	<u>\$ 90,932</u>	<u>\$ 1,039,382</u>	<u>\$ 441,886</u>	<u>\$ 3,173,950</u>

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

TRI-CENTRAL COMMUNITY SCHOOLS
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	Fiscal Stabilization	Debt Service	Capital Projects	Other	Totals
Receipts:						
Local sources	\$ 104,025	\$ -	\$ 1,659,152	\$ 1,213,007	\$ 1,691,179	\$ 4,667,363
Intermediate sources	-	-	-	-	150	150
State sources	5,961,913	-	-	-	86,833	6,048,746
Federal sources	-	198,610	-	-	454,127	652,737
Other	<u>40,388</u>	<u>-</u>	<u>-</u>	<u>3,010</u>	<u>3,688</u>	<u>47,086</u>
Total receipts	<u>6,106,326</u>	<u>198,610</u>	<u>1,659,152</u>	<u>1,216,017</u>	<u>2,235,977</u>	<u>11,416,082</u>
Disbursements:						
Current:						
Instruction	3,598,037	396,414	-	-	340,883	4,335,334
Support services	2,095,457	154,503	-	671,885	628,065	3,549,910
Noninstructional services	158,654	-	-	-	378,383	537,037
Facilities acquisition and construction	-	-	-	339,055	131,160	470,215
Debt services	-	-	955,000	-	221,159	1,176,159
Nonprogrammed charges	<u>118,053</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,943</u>	<u>129,996</u>
Total disbursements	<u>5,970,201</u>	<u>550,917</u>	<u>955,000</u>	<u>1,010,940</u>	<u>1,711,593</u>	<u>10,198,651</u>
Excess (deficiency) of receipts over disbursements	<u>136,125</u>	<u>(352,307)</u>	<u>704,152</u>	<u>205,077</u>	<u>524,384</u>	<u>1,217,431</u>
Other financing sources (uses):						
Transfers in	57,308	-	-	-	4,898	62,206
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(62,206)</u>	<u>(62,206)</u>
Total other financing sources (uses)	<u>57,308</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(57,308)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	193,433	(352,307)	704,152	205,077	467,076	1,217,431
Cash and investments - beginning	<u>1,249,443</u>	<u>352,307</u>	<u>90,932</u>	<u>1,039,382</u>	<u>441,886</u>	<u>3,173,950</u>
Cash and investments - ending	<u>\$ 1,442,876</u>	<u>\$ -</u>	<u>\$ 795,084</u>	<u>\$ 1,244,459</u>	<u>\$ 908,962</u>	<u>\$ 4,391,381</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 1,442,876	\$ -	\$ -	\$ 1,244,459	\$ 778,290	\$ 3,465,625
Restricted assets:						
Cash and investments	<u>-</u>	<u>-</u>	<u>795,084</u>	<u>-</u>	<u>130,672</u>	<u>925,756</u>
Total cash and investment assets - ending	<u>\$ 1,442,876</u>	<u>\$ -</u>	<u>\$ 795,084</u>	<u>\$ 1,244,459</u>	<u>\$ 908,962</u>	<u>\$ 4,391,381</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ 795,084	\$ -	\$ 130,672	\$ 925,756
Unrestricted	<u>1,442,876</u>	<u>-</u>	<u>-</u>	<u>1,244,459</u>	<u>778,290</u>	<u>3,465,625</u>
Total cash and investment fund balance - ending	<u>\$ 1,442,876</u>	<u>\$ -</u>	<u>\$ 795,084</u>	<u>\$ 1,244,459</u>	<u>\$ 908,962</u>	<u>\$ 4,391,381</u>

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

TRI-CENTRAL COMMUNITY SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2009

	Pension Trust Funds	Agency Funds
Additions:		
Total additions	\$ -	
Deductions:		
Benefits	17,414	
Excess (deficiency) of total additions over total deductions	(17,414)	
Cash and investment fund balance - beginning	379,951	
Cash and investment fund balance - ending	\$ 362,537	\$ 86,044
Net assets:		
Cash and investments	\$ 362,537	\$ 86,044
Total net assets - cash and investment basis held in trust	\$ 362,537	\$ 86,044

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

TRI-CENTRAL COMMUNITY SCHOOLS
 STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 FIDUCIARY FUNDS
 For the Year Ended June 30, 2010

	Pension Trust Funds	Agency Funds
Additions: Total additions	\$ <u> -</u>	
Deductions: Benefits	<u> 6,400</u>	
Total deductions	<u> 6,400</u>	
Excess (deficiency) of total additions over total deductions	(6,400)	
Cash and investment fund balance - beginning	<u> 362,537</u>	
Cash and investment fund balance - ending	<u> \$ 356,137</u>	<u> \$ 86,939</u>
Net assets: Cash and investments	<u> \$ 356,137</u>	<u> \$ 86,939</u>
Total net assets - cash and investment basis held in trust	<u> \$ 356,137</u>	<u> \$ 86,939</u>

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

TRI-CENTRAL COMMUNITY SCHOOLS
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: Tri-Central Community Schools

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 in a joint venture to operate Kokomo Area Special Education Cooperative which was created to provide instruction to handicapped children. The School Corporation is obligated to pay an amount determined annually based upon student participation in the cooperative. Complete financial statements for the Kokomo Area Special Education Cooperative can be obtained from Kokomo Center Township Consolidated School Corporation.

The School Corporation is a participant in a joint venture to operate Kokomo Area Career Center which was created to provide instruction to vocational education students. The School Corporation is obligated to pay an amount determined annually based upon student participation in the cooperative. Complete financial statements for the Kokomo Area Career Center can be obtained from Kokomo Center Township Consolidated School Corporation.

The School Corporation is a participant in a joint venture to operate Hines Career Center which was created to provide instruction to vocational education students. The School Corporation is obligated to pay an amount determined annually based upon student participation in the Hines Career Center. Complete financial statements for the Hines Career Center can be obtained from Elwood Community School Corporation.

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 non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

TRI-CENTRAL COMMUNITY SCHOOLS
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 fiscal stabilization fund accounts for grants from the federal government made under the American Recovery and Reinvestment Act.

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

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

Additionally, the School Corporation reports the following fund types:

The pension trust fund accounts for bonds and payments anticipated to be made to employees on or after the termination of employment or to pay postretirement or severance benefits held by the school cooperation in a trustee capacity.

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

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.

TRI-CENTRAL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. 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.

3. 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.

4. 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.

5. 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.

TRI-CENTRAL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

6. 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."

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, (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 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.

TRI-CENTRAL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

G. Rounding Differences

The financial statements may contain immaterial differences due to rounding of amounts when the statements were compiled. These differences are considered trivial and do not affect the overall presentation of the financial statements.

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 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 Balance Deficits

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

TRI-CENTRAL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund	2009	2010
Transportation Operating	\$ 100,328	\$ -
Fiscal Stabilization	-	1,514
Stimulus Special Education	-	886
Stimulus Special Education Preschool		1,025

III. Detailed Notes on All Funds

A. Deposits and Investments

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 \$5,091,878.

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.

B. Interfund Transfers

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

Transfer From	Transfer To	2009	2010
Other Governmental Funds	General Fund	\$ -	\$ 57,308
Other Governmental Funds	Other Governmental Funds	5,782	4,898
Totals		<u>\$ 5,782</u>	<u>\$ 62,206</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.

TRI-CENTRAL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; 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.

During 1999, the school corporation joined with nine other governmental entities in the Hoosier Heartland School Trust, a public entity risk pool currently operating as a common risk management and insurance program for seven member governmental entities. This risk pool was formed in 1999. The purpose of the risk pool is to provide a medium for the funding and administration of medical benefits to employees. The school corporation pays an annual premium to the risk pool for its coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$150,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$150,000 limit.

B. Holding Corporation

The School Corporation has entered into a capital lease with Northern Tipton School 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 years 2009 and 2010 totaled \$940,000, and \$955,000 respectively.

C. Pension Plans

1. Agent Multiple-Employer and Single-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:

TRI-CENTRAL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 \$95,932.

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

Teachers' Retirement Fund

Plan Description

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

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 \$473,088.

TRI-CENTRAL COMMUNITY SCHOOLS
 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)
07-01-07	\$ 548,526	\$ 605,213	\$ (56,687)	91%	\$ 645,935	(9%)
07-01-08	610,742	658,217	(47,475)	93%	561,031	(8%)
07-01-09	511,760	622,645	(110,885)	82%	695,676	(16%)

TRI-CENTRAL COMMUNITY SCHOOLS
 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

	Transportation Operating	Preschool Special Education	Rainy Day	School Lunch	Textbook Rental	License Plate Fees
Receipts:						
Local sources	\$ 549,085	\$ 4,523	\$ -	\$ 165,011	\$ 42,622	\$ -
Intermediate sources	-	-	-	-	-	338
State sources	-	39,225	-	3,194	23,287	-
Federal sources	-	-	-	124,565	-	-
Other	5,548	-	-	-	558	-
Total receipts	554,633	43,748	-	292,770	66,467	338
Disbursements:						
Current:						
Instruction	-	4,375	-	-	-	-
Support services	516,043	-	-	-	168,920	338
Noninstructional services	-	-	-	390,897	-	-
Facilities acquisition and construction	-	-	618,840	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	44,047	-	-	-	-
Total disbursements	516,043	48,422	618,840	390,897	168,920	338
Excess (deficiency) of receipts over disbursements	38,590	(4,674)	(618,840)	(98,127)	(102,453)	-
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	38,590	(4,674)	(618,840)	(98,127)	(102,453)	-
Cash and investments - beginning	(138,918)	48,936	883,297	159,979	134,586	38
Cash and investments - ending	<u>\$ (100,328)</u>	<u>\$ 44,262</u>	<u>\$ 264,457</u>	<u>\$ 61,852</u>	<u>\$ 32,133</u>	<u>\$ 38</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ (100,328)	\$ 44,262	\$ 264,457	\$ 61,852	\$ 32,133	\$ 38
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ (100,328)</u>	<u>\$ 44,262</u>	<u>\$ 264,457</u>	<u>\$ 61,852</u>	<u>\$ 32,133</u>	<u>\$ 38</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>(100,328)</u>	<u>44,262</u>	<u>264,457</u>	<u>61,852</u>	<u>32,133</u>	<u>38</u>
Total cash and investment fund balance - ending	<u>\$ (100,328)</u>	<u>\$ 44,262</u>	<u>\$ 264,457</u>	<u>\$ 61,852</u>	<u>\$ 32,133</u>	<u>\$ 38</u>

TRI-CENTRAL COMMUNITY SCHOOLS
 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)

	Cape Grant	Tipton County Foundation Grant Naviance	Tipton County Foundation	EDS Technology Grant	Pioneer Smart Board Grant	Recognition Award Grant
Receipts:						
Local sources	\$ -	\$ 400	\$ -	\$ -	\$ -	\$ 4,430
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	500	-	-	-
Other	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>400</u>	<u>500</u>	<u>-</u>	<u>-</u>	<u>4,430</u>
Disbursements:						
Current:						
Instruction	5,204	-	-	1,500	-	-
Support services	-	-	500	-	716	4,457
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	<u>5,204</u>	<u>-</u>	<u>500</u>	<u>1,500</u>	<u>716</u>	<u>4,457</u>
Excess (deficiency) of receipts over disbursements	<u>(5,204)</u>	<u>400</u>	<u>-</u>	<u>(1,500)</u>	<u>(716)</u>	<u>(27)</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(5,204)</u>	<u>400</u>	<u>-</u>	<u>(1,500)</u>	<u>(716)</u>	<u>(27)</u>
Cash and investments - beginning	<u>10,754</u>	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>2,314</u>	<u>5,772</u>
Cash and investments - ending	<u>\$ 5,550</u>	<u>\$ 400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,598</u>	<u>\$ 5,745</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 5,550	\$ 400	\$ -	\$ -	\$ 1,598	\$ 5,745
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 5,550</u>	<u>\$ 400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,598</u>	<u>\$ 5,745</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>5,550</u>	<u>400</u>	<u>-</u>	<u>-</u>	<u>1,598</u>	<u>5,745</u>
Total cash and investment fund balance - ending	<u>\$ 5,550</u>	<u>\$ 400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,598</u>	<u>\$ 5,745</u>

TRI-CENTRAL COMMUNITY SCHOOLS
 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)

	High Ability Grant	Title I 2007-2008	Title I 2008-2009	State Grants for Innovative Programs 2007-2008	Title I Migrant 2008-2009	Safe and Drug-Free Communities 2007-2008
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	29,672	-	-	-	-	-
Federal sources	-	-	108,340	2,064	24,849	-
Other	-	-	-	-	-	-
Total receipts	29,672	-	108,340	2,064	24,849	-
Disbursements:						
Current:						
Instruction	29,672	5,971	103,183	-	22,236	-
Support services	-	-	-	1,990	2,288	278
Noninstructional services	-	-	-	-	325	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	29,672	5,971	103,183	1,990	24,849	278
Excess (deficiency) of receipts over disbursements	-	(5,971)	5,157	74	-	(278)
Other financing sources (uses):						
Transfers in	-	-	5,782	-	-	-
Transfers out	-	(5,782)	-	-	-	-
Total other financing sources (uses)	-	(5,782)	5,782	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(11,753)	10,939	74	-	(278)
Cash and investments - beginning	-	11,753	-	-	-	278
Cash and investments - ending	\$ -	\$ -	\$ 10,939	\$ 74	\$ -	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ 10,939	\$ 74	\$ -	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ -	\$ 10,939	\$ 74	\$ -	\$ -
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	-	10,939	74	-	-
Total cash and investment fund balance - ending	\$ -	\$ -	\$ 10,939	\$ 74	\$ -	\$ -

TRI-CENTRAL COMMUNITY SCHOOLS
 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)

	Safe and Drug-Free Communities 2008-2009	Improving Teacher Quality Grants 2008-2009	English Language Acquisition Grants 2008-2009	Retirement Bond/ Debt Service	School Bus Replacement	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 183,253	\$ 71,897	\$ 1,021,221
Intermediate sources	-	-	-	-	-	338
State sources	-	-	-	-	-	95,378
Federal sources	2,613	31,748	2,171	-	-	296,850
Other	-	-	-	-	-	6,106
Total receipts	2,613	31,748	2,171	183,253	71,897	1,419,893
Disbursements:						
Current:						
Instruction	-	28,055	2,171	-	-	202,367
Support services	2,613	-	-	-	23,750	721,893
Noninstructional services	-	-	-	-	-	391,222
Facilities acquisition and construction	-	-	-	-	-	618,840
Debt services	-	-	-	222,904	-	222,904
Nonprogrammed charges	-	-	-	-	-	44,047
Total disbursements	2,613	28,055	2,171	222,904	23,750	2,201,273
Excess (deficiency) of receipts over disbursements	-	3,693	-	(39,651)	48,147	(781,380)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	5,782
Transfers out	-	-	-	-	-	(5,782)
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	3,693	-	(39,651)	48,147	(781,380)
Cash and investments - beginning	-	3,362	-	48,887	50,728	1,223,266
Cash and investments - ending	\$ -	\$ 7,055	\$ -	\$ 9,236	\$ 98,875	\$ 441,886
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 7,055	\$ -	\$ -	\$ 98,875	\$ 432,650
Restricted assets:						
Cash and investments	-	-	-	9,236	-	9,236
Total cash and investment assets - ending	\$ -	\$ 7,055	\$ -	\$ 9,236	\$ 98,875	\$ 441,886
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	9,236	\$ -	\$ 9,236
Unrestricted	-	7,055	-	-	98,875	432,650
Total cash and investment fund balance - ending	\$ -	\$ 7,055	\$ -	\$ 9,236	\$ 98,875	\$ 441,886

TRI-CENTRAL COMMUNITY SCHOOLS
 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

	Transportation Operating	Special Education Preschool	Rainy Day	School Lunch	Textbook Rental	License Plate Fees
Receipts:						
Local sources	\$ 991,356	\$ -	\$ -	\$ 232,819	\$ 39,263	\$ -
Intermediate sources	-	-	-	-	-	150
State sources	-	19,250	-	3,814	22,213	-
Federal sources	-	-	-	150,688	-	-
Other	3,648	-	-	-	40	-
Total receipts	995,004	19,250	-	387,321	61,516	150
Disbursements:						
Current:						
Instruction	-	-	-	-	-	-
Support services	464,418	-	-	-	83,167	169
Noninstructional services	-	-	-	378,383	-	-
Facilities acquisition and construction	-	-	131,160	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	6,203	-	-	-	-
Total disbursements	464,418	6,203	131,160	378,383	83,167	169
Excess (deficiency) of receipts over disbursements	530,586	13,047	(131,160)	8,938	(21,651)	(19)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	(57,308)	-	-	-	-
Total other financing sources (uses)	-	(57,308)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	530,586	(44,261)	(131,160)	8,938	(21,651)	(19)
Cash and investments - beginning	(100,328)	44,261	264,457	61,852	32,133	38
Cash and investments - ending	\$ 430,258	\$ -	\$ 133,297	\$ 70,790	\$ 10,482	\$ 19
Cash and Investment Assets - Ending						
Cash and investments	\$ 430,258	\$ -	\$ 133,297	\$ 70,790	\$ 10,482	\$ 19
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 430,258	\$ -	\$ 133,297	\$ 70,790	\$ 10,482	\$ 19
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	430,258	-	133,297	70,790	10,482	19
Total cash and investment fund balance - ending	\$ 430,258	\$ -	\$ 133,297	\$ 70,790	\$ 10,482	\$ 19

TRI-CENTRAL COMMUNITY SCHOOLS
 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)

	Non-English Speaking 2007-2008	Cape Grant	Tipton County Foundation Grant Naviance	Tipton County Foundation Musical Grant	Pioneer Smart Board Grant	Excess Property Tax Replacement
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 1,000	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	3,832	-	-	-	-	8,362
Federal sources	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	3,832	-	-	1,000	-	8,362
Disbursements:						
Current:						
Instruction	3,832	5,236	-	1,000	-	-
Support services	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	3,832	5,236	-	1,000	-	-
Excess (deficiency) of receipts over disbursements	-	(5,236)	-	-	-	8,362
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(5,236)	-	-	-	8,362
Cash and investments - beginning	-	5,549	400	-	1,598	-
Cash and investments - ending	\$ -	\$ 313	\$ 400	\$ -	\$ 1,598	\$ 8,362
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 313	\$ 400	\$ -	\$ 1,598	\$ 8,362
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 313	\$ 400	\$ -	\$ 1,598	\$ 8,362
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	313	400	-	1,598	8,362
Total cash and investment fund balance - ending	\$ -	\$ 313	\$ 400	\$ -	\$ 1,598	\$ 8,362

TRI-CENTRAL COMMUNITY SCHOOLS
 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)

	Recognition Award Grant	High Ability Grant 2009-2010	Title I 2008-2009	Title I 2009-2010	State Grants for Innovative Programs 2007-2008	Title I Migrant 2009-2010
Receipts:						
Local sources	\$ 3,500	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	29,362	-	-	-	-
Federal sources	-	-	-	94,191	-	19,458
Other	-	-	-	-	-	-
Total receipts	3,500	29,362	-	94,191	-	19,458
Disbursements:						
Current:						
Instruction	-	29,362	6,041	90,173	-	19,331
Support services	5,036	-	-	-	74	127
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	5,036	29,362	6,041	90,173	74	19,458
Excess (deficiency) of receipts over disbursements	(1,536)	-	(6,041)	4,018	(74)	-
Other financing sources (uses):						
Transfers in	-	-	-	4,898	-	-
Transfers out	-	-	(4,898)	-	-	-
Total other financing sources (uses)	-	-	(4,898)	4,898	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,536)	-	(10,939)	8,916	(74)	-
Cash and investments - beginning	5,746	-	10,939	-	74	-
Cash and investments - ending	\$ 4,210	\$ -	\$ -	\$ 8,916	\$ -	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ 4,210	\$ -	\$ -	\$ 8,916	\$ -	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 4,210	\$ -	\$ -	\$ 8,916	\$ -	\$ -
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	4,210	-	-	8,916	-	-
Total cash and investment fund balance - ending	\$ 4,210	\$ -	\$ -	\$ 8,916	\$ -	\$ -

TRI-CENTRAL COMMUNITY SCHOOLS
 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)

	Safe and Drug-Free Communities 2009-2010	Improving Teacher Quality Grants 2008-2009	Improving Teacher Quality Grants 2009-2010	English Language Acquisition Grants 2008-2009	English Language Acquisition Grants 2009-2010	Fiscal Stabilization
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	3,003	-	30,294	1,309	1,309	44,656
Other	-	-	-	-	-	-
Total receipts	3,003	-	30,294	1,309	1,309	44,656
Disbursements:						
Current:						
Instruction	-	7,055	27,797	-	1,309	46,170
Support services	3,003	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	3,003	7,055	27,797	-	1,309	46,170
Excess (deficiency) of receipts over disbursements	-	(7,055)	2,497	1,309	-	(1,514)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(7,055)	2,497	1,309	-	(1,514)
Cash and investments - beginning	-	7,055	-	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ 2,497	\$ 1,309	\$ -	\$ (1,514)
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ 2,497	\$ 1,309	\$ -	\$ (1,514)
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ -	\$ 2,497	\$ 1,309	\$ -	\$ (1,514)
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	-	2,497	1,309	-	(1,514)
Total cash and investment fund balance - ending	\$ -	\$ -	\$ 2,497	\$ 1,309	\$ -	\$ (1,514)

TRI-CENTRAL COMMUNITY SCHOOLS
 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)

	Stimulus Special Education	Stimulus Special Education Preschool	Retirement Bond/ Debt Service	School Bus Replacement	Totals
Receipts:					
Local sources	\$ -	\$ -	\$ 342,594	\$ 80,647	\$ 1,691,179
Intermediate sources	-	-	-	-	150
State sources	-	-	-	-	86,833
Federal sources	104,504	4,715	-	-	454,127
Other	-	-	-	-	3,688
Total receipts	104,504	4,715	342,594	80,647	2,235,977
Disbursements:					
Current:					
Instruction	103,577	-	-	-	340,883
Support services	1,813	-	-	70,258	628,065
Noninstructional services	-	-	-	-	378,383
Facilities acquisition and construction	-	-	-	-	131,160
Debt services	-	-	221,159	-	221,159
Nonprogrammed charges	-	5,740	-	-	11,943
Total disbursements	105,390	5,740	221,159	70,258	1,711,593
Excess (deficiency) of receipts over disbursements	(886)	(1,025)	121,435	10,389	524,384
Other financing sources (uses):					
Transfers in	-	-	-	-	4,898
Transfers out	-	-	-	-	(62,206)
Total other financing sources (uses)	-	-	-	-	(57,308)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(886)	(1,025)	121,435	10,389	467,076
Cash and investments - beginning	-	-	9,237	98,875	441,886
Cash and investments - ending	<u>\$ (886)</u>	<u>\$ (1,025)</u>	<u>\$ 130,672</u>	<u>\$ 109,264</u>	<u>\$ 908,962</u>
Cash and Investment Assets - Ending					
Cash and investments	\$ (886)	\$ (1,025)	\$ -	\$ 109,264	\$ 778,290
Restricted assets:					
Cash and investments	-	-	130,672	-	130,672
Total cash and investment assets - ending	<u>\$ (886)</u>	<u>\$ (1,025)</u>	<u>\$ 130,672</u>	<u>\$ 109,264</u>	<u>\$ 908,962</u>
Cash and Investment Fund Balance - Ending					
Restricted for:					
Debt service	\$ -	\$ -	\$ 130,672	\$ -	\$ 130,672
Unrestricted	(886)	(1,025)	-	109,264	778,290
Total cash and investment fund balance - ending	<u>\$ (886)</u>	<u>\$ (1,025)</u>	<u>\$ 130,672</u>	<u>\$ 109,264</u>	<u>\$ 908,962</u>

TRI-CENTRAL COMMUNITY SCHOOLS
 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	\$ 60,000
Buildings	16,907,570
Improvements other than buildings	1,290,297
Machinery and equipment	<u>7,413,805</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 25,671,672</u>

TRI-CENTRAL COMMUNITY SCHOOLS
 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:		
2009 energy savings contract	\$ 1,995,000	\$ 214,500
School buildings and improvements	9,810,000	969,000
Bonds payable:		
General obligation bonds:		
Pension benefits	<u>1,990,000</u>	<u>226,117</u>
Total governmental activities debt	<u>\$ 13,795,000</u>	<u>\$ 1,409,617</u>

TRI-CENTRAL COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

OVERDRAWN FUND BALANCES

The Transportation Operating Fund was overdrawn \$100,328 at June 30, 2009. At June 30, 2010, the Fiscal Stabilization Fund was overdrawn \$1,514, the Stimulus Special Education Fund was overdrawn \$886, and the Stimulus Special Education Preschool Fund was overdrawn \$1,025.

The balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (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
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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 TRI-CENTRAL COMMUNITY SCHOOLS, TIPTON COUNTY, INDIANA

Compliance

We have audited the compliance of the Tri-Central Community Schools (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)

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.

The School Corporation's response to the findings identified in our audit is described in the accompanying Official Response and 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, 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 19, 2011

TRI-CENTRAL COMMUNITY SCHOOLS
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	FY 08-09 FY 09-10	\$ 15,915 -	\$ - 18,652
Total for program			15,915	18,652
National School Lunch Program	10.555	FY 08-09 FY 09-10	120,727 -	- 145,517
Total for program			120,727	145,517
Total for federal grantor agency			136,642	164,169
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 07-08 FY 08-09 FY 09-10	11,753 103,183 -	- 10,939 90,173
Total for program			114,936	101,112
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 09-10	-	46,170
Total for cluster			114,936	147,282
Pass-Through Kokomo-Center Township Consolidated School Corporation				
Special Education Cluster				
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 09-10	-	105,390
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	FY 09-10	-	5,740
Total for cluster			-	111,130
Pass-Through Indiana Department of Education				
Migrant Education - State Grant Program				
	84.011	FY 08-09 FY 09-10	24,849 -	- 19,458
Total for program			24,849	19,458
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 07-08 FY 08-09 FY 09-10	278 2,613 -	- - 3,003
Total for program			2,891	3,003
State Grants for Innovative Programs	84.298	FY 08-09	1,990	74
Pass-Through Wabash Valley Educational Center				
English Language Acquisition Grants				
	84.365	FY 08-09 FY 09-10	2,171 -	- 1,309
Total for program			2,171	1,309
Pass-Through Indiana Department of Education				
Improving Teacher Quality State Grants				
	84.367	08-7935 09-7955	28,054 -	7,055 27,797
Total for program			28,054	34,852
State Fiscal Stabilization Fund Cluster				
Grants, Recovery Act	84.394	FY 08-09 FY 09-10	164,450 -	- 550,917
Total for program			164,450	550,917
Total for federal grantor agency			339,341	868,025
Total federal awards expended			\$ 475,983	\$ 1,032,194

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

TRI-CENTRAL COMMUNITY SCHOOLS
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 Tri-Central Community Schools (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 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
Child Nutrition Cluster	10.555	\$ 12,081	\$ 13,529

TRI-CENTRAL COMMUNITY SCHOOLS
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?	no

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

Child Nutrition 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

TRI-CENTRAL COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II – Financial Statement Findings

FEDERAL FINDING 2010-1. INTERNAL CONTROLS OVER
FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

Lack of Segregation of Duties: 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 cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to 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.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TRI-CENTRAL COMMUNITY SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TRI-CENTRAL COMMUNITY SCHOOLS

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Michael J. Harlow, President
Craig Smith, Vice President
Chris Kelley, Secretary
Dan DeLong
Jerry Fernung
Sam Humphries
Carol Kinder

SUPERINTENDENT
Lee Williford, Ph.D.

CORRECTIVE ACTION PLAN - SECTION III FINANCIAL STATEMENT FINDINGS

The management of the Tri-Central Community Schools has reviewed the Section II - financial statement finding 2010-1 Internal Controls Over Financial Transactions relating to their audit for the period July 1, 2008 through June 30, 2010. We offer the following corrective action:

Lack of segregation of duties: The school corporation will review their office procedures and attempt to institute duties that would involve, at least on a sample basis, reviews of the work being performed by the treasurer. However, the school corporation is a very small governmental unit and management has determined that the cost associated with employing the additional staff necessary to properly segregate duties in the business office would outweigh the benefits of a stronger internal control structure. Management acknowledges and assumes the risk inherent with the current design of their business office.



Superintendent, Tri-Central Community Schools



Treasurer, Tri-Central Community Schools

TRI-CENTRAL COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on January 26, 2011, with Sue Shockney, Treasurer, and Dr. Lee Williford, Superintendent of Schools. The official response has been made a part of this report and may be found on page 45.

TRI-CENTRAL COMMUNITY SCHOOLS

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January 31, 2011

State Board of Accounts

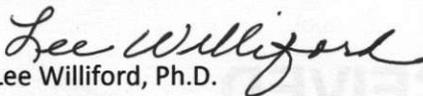
302 Washington St., Room E418
Indianapolis, IN 46204-2765

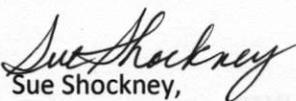
RE: Response to Audit

In response to the citation of overdrawn Transportation Operating Fund at June 30, 2009 in the amount of \$100,328 Tri-Central Community Schools provides the following data regarding that fund and its status at the end of the month for July, 2009 (-\$124,519); August, 2009 (+\$71,207); September, 2009 (+\$37,575); October, 2009 (+\$132,276); November, 2009 (+\$96,555); and December, 2009 (+\$298,182). The fund was not overdrawn at the end of calendar 2009.

The other funds cited as being overdrawn (Fiscal Stabilization Fund, Stimulus Special Education Fund and the Stimulus Special Education Preschool Fund) are funds that require Tri-Central and other Indiana Public Schools to 'spend' the dollars for needs and then request reimbursement from the state for the expenditures. A significant positive balance in those funds is not possible and that forces Tri-Central and other Indiana Public Schools to overdraw those funds until the reimbursements are received. We believe the State Board of Accounts needs to revise its policies in regard to funds that are designated 'reimbursable.' To require Tri-Central and all Indiana Public Schools to follow inter-fund transfer procedures to maintain positive balances in those funds may place other funds in jeopardy of being overdrawn as well as the potential of causing errors in maintenance of fund balances tracking the transfers.

Sincerely yours,


Lee Williford, Ph.D.
Superintendent


Sue Shockney,
Treasurer

Challenge Inspire Educate