

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

AUDIT REPORT
OF

SOUTH CENTRAL COMMUNITY
SCHOOL CORPORATION
LAPORTE COUNTY, INDIANA

July 1, 2008 to June 30, 2010



FILED
03/01/2011

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
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	5-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis	7-8
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds	9-10
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds	11-12
Notes to Financial Statements	13-21
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds.....	22-27
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Private-Purpose Trust Funds	28-29
Combining Schedule of Cash and Investment Balances – Agency Fund	30-31
Schedule of Capital Assets.....	32
Schedule of Long-Term Debt	33
Audit Result and Comment:	
Average Daily Membership (ADM) – Incorrect Reporting to the State.....	34
Supplemental Audit of Federal Awards:	
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.....	36-37
Schedule of Expenditures of Federal Awards	38
Notes to Schedule of Expenditures of Federal Awards.....	39
Schedule of Findings and Questioned Costs	40
Auditee Prepared Schedule:	
Summary Schedule of Prior Audit Findings	41
Exit Conference.....	42

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kara S. Schoch	07-01-08 to 06-30-11
Superintendent of Schools	Christopher A. Smith	07-01-08 to 06-30-11
President of the School Board	Daniel L. Younggreen Dennis Weiss	07-01-08 to 06-30-09 07-01-09 to 06-30-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF THE SOUTH CENTRAL COMMUNITY
SCHOOL CORPORATION, LAPORTE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Central Community 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 February 8, 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 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

February 8, 2011



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF THE SOUTH CENTRAL COMMUNITY
SCHOOL CORPORATION, LAPORTE COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Central Community 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 February 8, 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

Compliance and Other Matters

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

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

February 8, 2011

SOUTH CENTRAL COMMUNITY 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>	Program Receipts		<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	\$ 2,950,073	\$ -	\$ 48,069	\$ (2,902,004)
Support services	2,355,359	298,479	108,616	(1,948,264)
Noninstructional services	482,383	-	-	(482,383)
Facilities acquisition and construction	297,687	-	-	(297,687)
Debt service	2,961,039	-	-	(2,961,039)
Nonprogrammed charges	397,373	-	-	(397,373)
	<u>\$ 9,443,914</u>	<u>\$ 298,479</u>	<u>\$ 156,685</u>	<u>(8,988,750)</u>
Total government activities				
General receipts:				
Property taxes				2,710,417
Other local sources				544,897
State aid				3,294,830
Bonds and loans				1,489,486
Grants and contributions not restricted to specific programs				511,692
Sale of property				861
Investment earnings				6,495
Other				13,168
				<u>8,571,846</u>
Total general receipts				
Change in net assets				(416,904)
Net assets - beginning				1,961,127
Net assets - ending				\$ 1,544,223
<u>Assets</u>				
Cash and investments				\$ 1,130,958
Restricted assets:				
Cash and investments				413,265
Total assets				\$ 1,544,223
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 413,265
Unrestricted				1,130,958
Total net assets				\$ 1,544,223

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

SOUTH CENTRAL COMMUNITY 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>	Program Receipts		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		Charges for Services	Operating Grants and Contributions	<u>Totals</u>
Governmental activities:				
Instruction	\$ 3,060,641	\$ -	\$ 90,996	\$ (2,969,645)
Support services	2,407,628	315,780	144,197	(1,947,651)
Noninstructional services	474,724	-	-	(474,724)
Facilities acquisition and construction	291,644	-	-	(291,644)
Debt service	2,545,431	-	-	(2,545,431)
Nonprogrammed charges	520,426	-	-	(520,426)
Total government activities	\$ 9,300,494	\$ 315,780	\$ 235,193	(8,749,521)
General receipts:				
Property taxes				1,552,664
Other local sources				1,163,289
State aid				4,365,486
Bonds and loans				1,392,683
Grants and contributions not restricted to specific programs				337,546
Sale of property				1,052
Investment earnings				9
Other				16,876
Total general receipts				8,829,605
Change in net assets				80,084
Net assets - beginning				1,544,223
Net assets - ending				\$ 1,624,307
<u>Assets</u>				
Cash and investments				\$ 1,427,049
Restricted assets:				
Cash and investments				197,258
Total assets				\$ 1,624,307
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 197,258
Unrestricted				1,427,049
Total net assets				\$ 1,624,307

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

SOUTH CENTRAL COMMUNITY 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	ARRA- Fiscal Stabilization	Debt Service	Capital Projects	Other	Totals
Receipts:							
Local sources	\$ 1,515,415	\$ 370,633	\$ -	\$ 666,334	\$ 539,441	\$ 468,142	\$ 3,559,965
Intermediate sources	173	-	-	-	-	150	323
State sources	3,313,940	-	-	-	-	63,836	3,377,776
Federal sources	-	-	380,033	-	-	205,398	585,431
Temporary loans	274,895	291,986	-	539,836	277,054	105,715	1,489,486
Other	5,129	2,956	-	-	31	5,052	13,168
Total receipts	5,109,552	665,575	380,033	1,206,170	816,526	848,293	9,026,149
Disbursements:							
Current:							
Instruction	2,820,092	-	-	-	-	129,981	2,950,073
Support services	1,462,271	422,765	-	-	355,490	114,833	2,355,359
Noninstructional services	111,949	-	-	-	-	370,434	482,383
Facilities acquisition and construction	-	-	-	-	297,687	-	297,687
Debt services	1,079,065	269,693	-	1,199,396	256,042	156,843	2,961,039
Nonprogrammed charges	367,095	-	-	-	-	30,278	397,373
Total disbursements	5,840,472	692,458	-	1,199,396	909,219	802,369	9,443,914
Excess (deficiency) of receipts over disbursements	(730,920)	(26,883)	380,033	6,774	(92,693)	45,924	(417,765)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	535	326	861
Transfers in	19,879	-	-	-	-	-	19,879
Transfers out	-	-	-	-	-	(19,879)	(19,879)
Total other financing sources (uses)	19,879	-	-	-	535	(19,553)	861
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(711,041)	(26,883)	380,033	6,774	(92,158)	26,371	(416,904)
Cash and investments - beginning	835,446	139,746	-	386,544	449,269	150,122	1,961,127
Cash and investments - ending	\$ 124,405	\$ 112,863	\$ 380,033	\$ 393,318	\$ 357,111	\$ 176,493	\$ 1,544,223
Cash and Investment Assets - Ending							
Cash and investments	\$ 124,405	\$ 112,863	\$ 380,033	\$ -	\$ 357,111	\$ 156,546	\$ 1,130,958
Restricted assets:							
Cash and investments	-	-	-	393,318	-	19,947	413,265
Total cash and investment assets - ending	\$ 124,405	\$ 112,863	\$ 380,033	\$ 393,318	\$ 357,111	\$ 176,493	\$ 1,544,223
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ 393,318	\$ -	\$ 19,947	\$ 413,265
Unrestricted	124,405	112,863	380,033	-	357,111	156,546	1,130,958
Total cash and investment fund balance - ending	\$ 124,405	\$ 112,863	\$ 380,033	\$ 393,318	\$ 357,111	\$ 176,493	\$ 1,544,223

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

SOUTH CENTRAL COMMUNITY 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	ARRA- Fiscal Stabilization	Debt Service	Capital Projects	Other	Totals
Receipts:							
Local sources	\$ 493,085	\$ 475,469	\$ -	\$ 854,931	\$ 689,560	\$ 518,549	\$ 3,031,594
Intermediate sources	35	-	-	-	-	113	148
State sources	4,427,771	-	-	-	-	56,788	4,484,559
Federal sources	-	-	163,333	-	-	290,333	453,666
Temporary loans	268,923	304,721	-	559,380	166,216	93,443	1,392,683
Other	9,004	5,584	-	1,515	7	766	16,876
Total receipts	5,198,818	785,774	163,333	1,415,826	855,783	959,992	9,379,526
Disbursements:							
Current:							
Instruction	2,504,024	-	417,670	-	-	138,947	3,060,641
Support services	1,265,849	460,102	123,840	-	338,103	219,734	2,407,628
Noninstructional services	96,751	-	1,856	-	-	376,117	474,724
Facilities acquisition and construction	-	-	-	-	283,965	7,679	291,644
Debt services	274,895	238,549	-	1,676,138	211,781	144,068	2,545,431
Nonprogrammed charges	509,555	-	-	-	-	10,871	520,426
Total disbursements	4,651,074	698,651	543,366	1,676,138	833,849	897,416	9,300,494
Excess (deficiency) of receipts over disbursements	547,744	87,123	(380,033)	(260,312)	21,934	62,576	79,032
Other financing sources (uses):							
Sale of capital assets	38	-	-	-	560	454	1,052
Transfers in	4,871	-	-	-	-	-	4,871
Transfers out	-	-	-	-	-	(4,871)	(4,871)
Total other financing sources (uses)	4,909	-	-	-	560	(4,417)	1,052
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	552,653	87,123	(380,033)	(260,312)	22,494	58,159	80,084
Cash and investments - beginning	124,405	112,863	380,033	393,318	357,111	176,493	1,544,223
Cash and investments - ending	<u>\$ 677,058</u>	<u>\$ 199,986</u>	<u>\$ -</u>	<u>\$ 133,006</u>	<u>\$ 379,605</u>	<u>\$ 234,652</u>	<u>\$ 1,624,307</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 677,058	\$ 199,986	\$ -	\$ -	\$ 379,605	\$ 170,400	\$ 1,427,049
Restricted assets:							
Cash and investments	-	-	-	133,006	-	64,252	197,258
Total cash and investment assets - ending	<u>\$ 677,058</u>	<u>\$ 199,986</u>	<u>\$ -</u>	<u>\$ 133,006</u>	<u>\$ 379,605</u>	<u>\$ 234,652</u>	<u>\$ 1,624,307</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ 133,006	\$ -	\$ 64,252	\$ 197,258
Unrestricted	677,058	199,986	-	-	379,605	170,400	1,427,049
Total cash and investment fund balance - ending	<u>\$ 677,058</u>	<u>\$ 199,986</u>	<u>\$ -</u>	<u>\$ 133,006</u>	<u>\$ 379,605</u>	<u>\$ 234,652</u>	<u>\$ 1,624,307</u>

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

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2009

	Pension Trust Fund	Private-Purpose Trust Funds	Agency Fund
Additions:			
Contributions:			
Other	\$ -	\$ 22,714	
Investment earnings:			
Interest	-	47	
Total additions	-	22,761	
Deductions:			
Benefits	15,638	-	
Administrative and general	-	21,657	
Total deductions	15,638	21,657	
Excess (deficiency) of total additions over total deductions	(15,638)	1,104	
Cash and investment fund balance - beginning	19,489	26,460	
Cash and investment fund balance - ending	\$ 3,851	\$ 27,564	\$ 21,259
Net assets:			
Cash and investments	\$ 3,851	\$ 27,564	

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

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2010

	Pension Trust Fund	Private-Purpose Trust Funds	Agency Fund
Additions:			
Contributions:			
Other	\$ -	\$ 28,205	
Investment earnings:			
Interest	-	32	
Total additions	-	28,237	
Deductions:			
Benefits	1,238	-	
Administrative and general	-	12,126	
Total deductions	1,238	12,126	
Excess (deficiency) of total additions over total deductions	(1,238)	16,111	
Cash and investment fund balance - beginning	3,851	27,564	
Cash and investment fund balance - ending	\$ 2,613	\$ 43,675	\$ 34,438
Net assets:			
Cash and investments	\$ 2,613	\$ 43,675	

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

SOUTH CENTRAL COMMUNITY 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: South Central Community 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 in a joint venture to operate South LaPorte County Special Education Cooperative which was created to provide appropriate public education to students identified as handicapped and legal residents of the member school corporations. The South LaPorte County Special Education Cooperative's continued existence depends on continued funding by the School Corporation. Complete financial statements for the South LaPorte County Special Education Cooperative can be obtained from the administrative office at LaPorte Community School Corporation, 1921 "A" Street, LaPorte, IN 46350.

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.

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.

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 schoolchildren to and from school.

The ARRA - fiscal stabilization fund accounts for the federal stimulus grant money received by the School Corporation to be used for local educational programs.

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

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 types:

The pension trust fund accounts for the activities of the retirement severance bond fund, which accumulates resources for pension benefit payments.

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

The agency fund accounts for assets held by the School Corporation as an agent for payroll and payroll withholdings.

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.

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected. Late billings for property taxes by the County Treasurer reduced the amount of property taxes that were available for distribution at June 30, 2009 and June 30, 2010.

4. Capital Assets

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

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.

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.

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

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

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. 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. 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.

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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.

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 \$1,705,033.

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:

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Transfer From	Transfer To	2009	2010
Other Governmental Funds	General Fund	\$ 19,879	\$ 4,871

The School Corporation typically uses transfers for cash flow purposes as provided by various statutory provisions.

C. Tax Anticipation Warrants

The School Corporation issued tax anticipation warrants for cash flow purposes in advance of property tax collections and/or state tuition support distributions, depositing the proceeds in the appropriate fund. Short-term debt balances for the years ended June 30, 2009 and 2010, were as follows:

Fund	2009	2010
General	\$ 396,164	\$ 390,192
Transportation Operating	333,909	400,081
Debt Service	615,206	729,504
Capital Projects	337,854	292,289
School Bus Replacement	82,043	85,837
Retirement Severance Bond	37,119	72,183

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 and dependents; and natural disasters.

During 1986, the School Corporation joined with other governmental entities to form the Midwest Area School Employees' Insurance Trust (MASE), a public entity risk pool currently operating as a common risk management and insurance program for 17 member governmental entities. The purpose of the risk pool is to provide a medium for the funding and administration of medical benefits to employees and dependents. The School Corporation pays an annual premium to the risk pool for its medical benefits to employees and dependents coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$175,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$2,000,000 limit.

During 2008, the School Corporation joined with other governmental entities to form the Educational Services Centers Risk Funding Trust (ESCRFT), a public entity risk pool currently operating as a common risk management and insurance program for 23 member governmental entities. The purpose of the risk pool is to provide a medium for the funding and administration of risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; and natural disasters. The School Corporation pays an annual

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

premium to the risk pool for its risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; and natural disasters coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members.

B. Holding Corporation

The School Corporation has entered into two capital leases with South Central Community 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 \$768,400 and \$1,187,200, respectively.

C. Subsequent Event

On May 23, 2008, the Indiana Department of Local Government Finance (DLGF) issued an order for a complete reassessment of LaPorte County residential, commercial, and industrial property for 2006 taxes payable 2007. The order was issued based upon a review by the DLGF that determined that there was a manipulation of data that led to the inaccuracies.

LaPorte County has not completed and settled an approved property tax cycle since the 2005 payable 2006 property tax year. Each subsequent year the County has sent out various forms of provisional bills with the notice that a reconciliation bill will be provided to taxpayers once assessments are approved and certified and final tax rates are established. These provisional bills were based upon the originally approved 2006 payable 2007 assessed values and tax rates, which were nullified by the DLGF order for a complete reassessment. These delays and uncertainties have resulted in a lower than budgeted property tax collection rate for the School Corporation. It is undeterminable how much property tax collections the School Corporation will receive once all the reconciliation bills have been distributed and the collections received. Provisional bills for taxes payable in 2010, based upon the 2006 payable 2007 tax rates, were mailed in June 2010 and were due in two installments, July 9, 2010, and November 10, 2010. Final settlement of these provisional collections did occur in December 2010.

In January 2011, the County received approval from the DLGF for the revised assessed values of property for the 2006 payable 2007 property tax year. The County is currently in the process of preparing the reconciliation bills for that property tax year.

D. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

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

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 years ending June 30, 2009 and 2010, were \$53,301 and \$57,373, respectively.

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

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 years ending June 30, 2009 and 2010, were \$153,733 and \$161,514, respectively.

SOUTH CENTRAL COMMUNITY 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	Educational License Plates	Instruction Support	G/T Grant 2008-09	School Technology
Receipts:							
Local sources	\$ 3,440	\$ 261,961	\$ 89,436	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	150	-	-	-
State sources	14,158	6,770	8,898	-	-	28,959	5,051
Federal sources	-	92,948	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	-	240	405	-	-	-	4,407
Total receipts	17,598	361,919	98,739	150	-	28,959	9,458
Disbursements:							
Current:							
Instruction	-	-	-	-	9,875	9,339	-
Support services	-	2,384	96,224	-	1,657	9,421	-
Noninstructional services	-	369,494	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	30,278	-	-	-	-	-	-
Total disbursements	30,278	371,878	96,224	-	11,532	18,760	-
Excess (deficiency) of receipts over disbursements	(12,680)	(9,959)	2,515	150	(11,532)	10,199	9,458
Other financing sources (uses):							
Sale of capital assets	-	-	326	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	326	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(12,680)	(9,959)	2,841	150	(11,532)	10,199	9,458
Cash and investments - beginning	16,975	28,817	(368)	5,907	11,532	-	18,463
Cash and investments - ending	\$ 4,295	\$ 18,858	\$ 2,473	\$ 6,057	\$ -	\$ 10,199	\$ 27,921
Cash and Investment Assets - Ending							
Cash and investments	\$ 4,295	\$ 18,858	\$ 2,473	\$ 6,057	\$ -	\$ 10,199	\$ 27,921
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 4,295	\$ 18,858	\$ 2,473	\$ 6,057	\$ -	\$ 10,199	\$ 27,921
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	4,295	18,858	2,473	6,057	-	10,199	27,921
Total cash and investment fund balance - ending	\$ 4,295	\$ 18,858	\$ 2,473	\$ 6,057	\$ -	\$ 10,199	\$ 27,921

SOUTH CENTRAL COMMUNITY 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)

	Performance Based Awards	Access Indiana	IASA Title I	Title I 2008-09	IASA Title V	Title V 2008-09	Drug Free Schools 2007-08
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	8,100	80,158	-	1,519	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	-	8,100	80,158	-	1,519	-
Disbursements:							
Current:							
Instruction	57	-	18,642	65,692	-	-	949
Support services	-	-	1,566	1,507	169	666	40
Noninstructional services	-	-	415	525	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	57	-	20,623	67,724	169	666	989
Excess (deficiency) of receipts over disbursements	(57)	-	(12,523)	12,434	(169)	853	(989)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(57)	-	(12,523)	12,434	(169)	853	(989)
Cash and investments - beginning	612	1,138	12,523	-	169	-	989
Cash and investments - ending	\$ 555	\$ 1,138	\$ -	\$ 12,434	\$ -	\$ 853	\$ -
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 555	\$ 1,138	\$ -	\$ 12,434	\$ -	\$ 853	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 555	\$ 1,138	\$ -	\$ 12,434	\$ -	\$ 853	\$ -
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	555	1,138	-	12,434	-	853	-
Total cash and investment fund balance - ending	\$ 555	\$ 1,138	\$ -	\$ 12,434	\$ -	\$ 853	\$ -

SOUTH CENTRAL COMMUNITY 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)

	Drug Free Schools 2008-09	Carl Perkins Grant 08-09	Title II Part A	Retirement Severance Bond	School Bus Replacement	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 75,635	\$ 37,670	\$ 468,142
Intermediate sources	-	-	-	-	-	150
State sources	-	-	-	-	-	63,836
Federal sources	2,563	5,000	15,110	-	-	205,398
Temporary loans	-	-	-	27,933	77,782	105,715
Other	-	-	-	-	-	5,052
Total receipts	2,563	5,000	15,110	103,568	115,452	848,293
Disbursements:						
Current:						
Instruction	910	5,000	19,517	-	-	129,981
Support services	1,199	-	-	-	-	114,833
Noninstructional services	-	-	-	-	-	370,434
Debt services	-	-	-	129,432	27,411	156,843
Nonprogrammed charges	-	-	-	-	-	30,278
Total disbursements	2,109	5,000	19,517	129,432	27,411	802,369
Excess (deficiency) of receipts over disbursements	454	-	(4,407)	(25,864)	88,041	45,924
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	326
Transfers out	-	-	-	-	(19,879)	(19,879)
Total other financing sources (uses)	-	-	-	-	(19,879)	(19,553)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	454	-	(4,407)	(25,864)	68,162	26,371
Cash and investments - beginning	-	-	7,554	45,811	-	150,122
Cash and investments - ending	\$ 454	\$ -	\$ 3,147	\$ 19,947	\$ 68,162	\$ 176,493
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 454	\$ -	\$ 3,147	\$ -	\$ 68,162	\$ 156,546
Restricted assets:						
Cash and investments	-	-	-	19,947	-	19,947
Total cash and investment assets - ending	\$ 454	\$ -	\$ 3,147	\$ 19,947	\$ 68,162	\$ 176,493
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ 19,947	\$ -	\$ 19,947
Unrestricted	454	-	3,147	-	68,162	156,546
Total cash and investment fund balance - ending	\$ 454	\$ -	\$ 3,147	\$ 19,947	\$ 68,162	\$ 176,493

SOUTH CENTRAL COMMUNITY 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	Educational License Plates	G/T Grant 2008-09	G/T Grant 2009-10	School Technology
Receipts:							
Local sources	\$ 447	\$ 282,728	\$ 88,325	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	113	-	-	-
State sources	11,000	-	11,365	-	-	28,711	5,712
Federal sources	-	132,832	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	-	366	400	-	-	-	-
Total receipts	11,447	415,926	100,090	113	-	28,711	5,712
Disbursements:							
Current:							
Instruction	-	-	-	-	2,820	19,192	-
Support services	-	306	106,168	-	763	8,196	920
Noninstructional services	-	375,075	-	-	-	-	-
Facilities acquisition and construction	-	1,063	-	-	6,616	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	10,871	-	-	-	-	-	-
Total disbursements	10,871	376,444	106,168	-	10,199	27,388	920
Excess (deficiency) of receipts over disbursements	576	39,482	(6,078)	113	(10,199)	1,323	4,792
Other financing sources (uses):							
Sale of capital assets	-	-	454	-	-	-	-
Transfers out	(4,871)	-	-	-	-	-	-
Total other financing sources (uses)	(4,871)	-	454	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,295)	39,482	(5,624)	113	(10,199)	1,323	4,792
Cash and investments - beginning	4,295	18,858	2,473	6,057	10,199	-	27,921
Cash and investments - ending	\$ -	\$ 58,340	\$ (3,151)	\$ 6,170	\$ -	\$ 1,323	\$ 32,713
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ -	\$ 58,340	\$ (3,151)	\$ 6,170	\$ -	\$ 1,323	\$ 32,713
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 58,340	\$ (3,151)	\$ 6,170	\$ -	\$ 1,323	\$ 32,713
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	58,340	(3,151)	6,170	-	1,323	32,713
Total cash and investment fund balance - ending	\$ -	\$ 58,340	\$ (3,151)	\$ 6,170	\$ -	\$ 1,323	\$ 32,713

SOUTH CENTRAL COMMUNITY 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)

	Performance Based Awards	Access Indiana	Title I 2008-09	Title I 2009-10	Title V 2008-09	Drug Free Schools 2008-09
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	7,382	89,935	-	-
Temporary loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	-	-	7,382	89,935	-	-
Disbursements:						
Current:						
Instruction	-	-	18,643	74,752	-	454
Support services	-	-	1,173	885	853	-
Noninstructional services	-	-	-	1,042	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	-	-	19,816	76,679	853	454
Excess (deficiency) of receipts over disbursements	-	-	(12,434)	13,256	(853)	(454)
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(12,434)	13,256	(853)	(454)
Cash and investments - beginning	555	1,138	12,434	-	853	454
Cash and investments - ending	\$ 555	\$ 1,138	\$ -	\$ 13,256	\$ -	\$ -
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 555	\$ 1,138	\$ -	\$ 13,256	\$ -	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 555	\$ 1,138	\$ -	\$ 13,256	\$ -	\$ -
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	555	1,138	-	13,256	-	-
Total cash and investment fund balance - ending	\$ 555	\$ 1,138	\$ -	\$ 13,256	\$ -	\$ -

SOUTH CENTRAL COMMUNITY 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)

	Safe and Drug Free Schools 2009-10	Title II Part A	ARRA- Title I Stimulus Grants	Retirement Severance Bond	School Bus Replacement	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 98,724	\$ 48,325	\$ 518,549
Intermediate sources	-	-	-	-	-	113
State sources	-	-	-	-	-	56,788
Federal sources	2,047	22,450	35,687	-	-	290,333
Temporary loans	-	-	-	62,017	31,426	93,443
Other	-	-	-	-	-	766
Total receipts	2,047	22,450	35,687	160,741	79,751	959,992
Disbursements:						
Current:						
Instruction	9	22,754	323	-	-	138,947
Support services	478	-	6,538	-	93,454	219,734
Noninstructional services	-	-	-	-	-	376,117
Facilities acquisition and construction	-	-	-	-	-	7,679
Debt services	-	-	-	116,436	27,632	144,068
Nonprogrammed charges	-	-	-	-	-	10,871
Total disbursements	487	22,754	6,861	116,436	121,086	897,416
Excess (deficiency) of receipts over disbursements	1,560	(304)	28,826	44,305	(41,335)	62,576
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	454
Transfers out	-	-	-	-	-	(4,871)
Total other financing sources (uses)	-	-	-	-	-	(4,417)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,560	(304)	28,826	44,305	(41,335)	58,159
Cash and investments - beginning	-	3,147	-	19,947	68,162	176,493
Cash and investments - ending	<u>\$ 1,560</u>	<u>\$ 2,843</u>	<u>\$ 28,826</u>	<u>\$ 64,252</u>	<u>\$ 26,827</u>	<u>\$ 234,652</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 1,560	\$ 2,843	\$ 28,826	\$ -	\$ 26,827	\$ 170,400
Restricted assets:						
Cash and investments	-	-	-	64,252	-	64,252
Total cash and investment assets - ending	\$ 1,560	\$ 2,843	\$ 28,826	\$ 64,252	\$ 26,827	\$ 234,652
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ 64,252	\$ -	\$ 64,252
Unrestricted	1,560	2,843	28,826	-	26,827	170,400
Total cash and investment fund balance - ending	\$ 1,560	\$ 2,843	\$ 28,826	\$ 64,252	\$ 26,827	\$ 234,652

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2009

	South Central Elementary Computer	Scholarships And Awards	Shared Win*Tax	Indiana Next	Totals
Additions:					
Contributions:					
Other	\$ 3,131	\$ -	\$ 19,583	\$ -	\$ 22,714
Investment earnings:					
Interest	-	47	-	-	47
Total additions	3,131	47	19,583	-	22,761
Deductions:					
Administrative and general	-	100	19,057	2,500	21,657
Excess (deficiency) of total additions over total deductions	3,131	(53)	526	(2,500)	1,104
Cash and investment fund balance - beginning	3,125	1,980	18,855	2,500	26,460
Cash and investment fund balance - ending	\$ 6,256	\$ 1,927	\$ 19,381	\$ -	\$ 27,564
Net assets:					
Cash and investments	\$ 6,256	\$ 1,927	\$ 19,381	\$ -	\$ 27,564

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2010

	South Central Elementary Computer	Community Corner Donations	Scholarships And Awards	Shared Win*Tax	Totals
Additions:					
Contributions:					
Other	\$ 4,086	\$ 2,782	\$ -	\$ 21,337	\$ 28,205
Investment earnings:					
Interest	-	-	32	-	32
Total additions	4,086	2,782	32	21,337	28,237
Deductions:					
Administrative and general	3,267	-	100	8,759	12,126
Excess (deficiency) of total additions over total deductions	819	2,782	(68)	12,578	16,111
Cash and investment fund balance - beginning	6,256	-	1,927	19,381	27,564
Cash and Investment fund balance - ending	\$ 7,075	\$ 2,782	\$ 1,859	\$ 31,959	\$ 43,675
Net assets:					
Cash and investments	\$ 7,075	\$ 2,782	\$ 1,859	\$ 31,959	\$ 43,675

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUND
 For the Year Ended June 30, 2009

	<u>Payroll Withholding</u>
Additions:	
Agency fund additions	\$ <u>1,055,266</u>
Deductions:	
Agency fund deductions	<u>1,051,875</u>
Excess (deficiency) of total additions over total deductions	3,391
Cash and investment fund balance - beginning	<u>17,868</u>
Cash and investment fund balance - ending	<u><u>\$ 21,259</u></u>

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUND
 For the Year Ended June 30, 2010

	<u>Payroll Withholding</u>
Additions:	
Agency fund additions	\$ <u>1,074,650</u>
Deductions:	
Agency fund deductions	<u>1,061,471</u>
Excess (deficiency) of total additions over total deductions	13,179
Cash and investment fund balance - beginning	<u>21,259</u>
Cash and investment fund balance - ending	<u><u>\$ 34,438</u></u>

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 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	\$ 16,150
Buildings	11,819,796
Improvements other than buildings	5,884,373
Machinery and equipment	4,447,031
Vehicles	<u>1,129,397</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 23,296,747</u>

SOUTH CENTRAL COMMUNITY 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:		
1996 building additions and renovations	\$ 4,865,000	\$ 765,200
2008 building additions and renovations	6,340,000	535,000
Bonds payable:		
Pension severance bond	940,000	87,764
Common school loan payable	<u>6,573</u>	<u>6,770</u>
Total governmental activities debt	<u>\$ 12,151,573</u>	<u>\$ 1,394,734</u>

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

AVERAGE DAILY MEMBERSHIP (ADM) - INCORRECT REPORTING TO THE STATE

The information presented for audit indicates enrollment figures on Form 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for the school year ending June 30, 2010.

The enrollment count date for 2009-2010 was September 18, 2009. The difference between the count reported on the ADM and the verified figures are shown below:

School Year	Grade	Count as Reported to the Department of Education	Actual Enrollment Figures	Difference
2009-2010	Kindergarten	26.5	26.5	-
2009-2010	1 through 12	754.0	762.0	(8.0)

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE SOUTH CENTRAL COMMUNITY
SCHOOL CORPORATION, LAPORTE COUNTY, INDIANA

Compliance

We have audited the compliance of the South Central Community 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 its major federal program for the years ended June 30, 2009 and 2010. The School Corporation's major federal program is 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 its major federal program 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 its major federal program 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.

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

February 8, 2011

SOUTH CENTRAL COMMUNITY 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>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 10,558	\$ 19,491
National School Lunch Program	10.555		<u>89,680</u>	<u>121,594</u>
Total for federal grantor agency			<u>100,238</u>	<u>141,085</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010	FY08 FY09 FY10	20,623 67,722 <u>-</u>	- 19,818 <u>76,676</u>
Total for program			<u>88,345</u>	<u>96,494</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389		<u>-</u>	<u>6,861</u>
Total for cluster			<u>88,345</u>	<u>103,355</u>
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394		<u>-</u>	<u>543,366</u>
Pass-Through Indiana Department of Education				
Career and Technical Education - Basic Grants to States	84.048	FY09	<u>5,000</u>	<u>-</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY08 FY09 FY10	989 2,109 <u>-</u>	- 454 <u>487</u>
Total for program			<u>3,098</u>	<u>941</u>
State Grants for Innovative Programs	84.298	FY08 FY09	169 <u>666</u>	- <u>853</u>
Total for program			<u>835</u>	<u>853</u>
Improving Teacher Quality State Grants	84.367	FY09/10	<u>19,517</u>	<u>22,754</u>
Total for federal grantor agency			<u>116,795</u>	<u>671,269</u>
Total federal awards expended			<u>\$ 217,033</u>	<u>\$ 812,354</u>

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

SOUTH CENTRAL COMMUNITY 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 South Central Community 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 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	\$ 15,760	\$ 5,133

SOUTH CENTRAL COMMUNITY 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?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

Name of Federal Program or Cluster

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

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 8, 2011, with Kara S. Schoch, Treasurer; Christopher A. Smith, Superintendent of Schools; and Dennis Weiss, President of the School Board. The officials concurred with our audit finding.