

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

AUDIT REPORT  
OF  
SHOALS COMMUNITY SCHOOL CORPORATION  
MARTIN COUNTY, INDIANA  
July 1, 2008 to June 30, 2010



**FILED**  
02/28/2011



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lisa C. Elliott	07-01-08 to 06-30-11
Superintendent of Schools	Dr. Thomas Miller Dr. Anthony E. Nonte	07-01-08 to 07-31-08 08-01-08 to 06-30-11
President of the School Board	Glen Anthony Cundiff	07-01-08 to 06-30-11



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE SHOALS COMMUNITY SCHOOL  
CORPORATION, MARTIN COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Shoals 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 January 5, 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.

STATE BOARD OF ACCOUNTS

January 5, 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 SHOALS COMMUNITY SCHOOL  
CORPORATION, MARTIN COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Shoals 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 January 5, 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.

We noted certain matters that we reported to management in a separate letter dated January 5, 2011.

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 5, 2011

SHOALS 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>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 3,337,694	\$ -	\$ 114,209	\$ (3,223,485)
Support services	2,500,335	111,799	162,496	(2,226,040)
Noninstructional services	354,963	-	-	(354,963)
Facilities acquisition and construction	120,473	-	-	(120,473)
Debt service	674,415	-	-	(674,415)
Nonprogrammed charges	<u>125,536</u>	<u>-</u>	<u>-</u>	<u>(125,536)</u>
Total governmental activities	<u>\$ 7,113,416</u>	<u>\$ 111,799</u>	<u>\$ 276,705</u>	<u>(6,724,912)</u>
General receipts:				
Property taxes				2,680,436
Other local sources				376,779
State aid				3,653,770
Grants and contributions not restricted to specific programs				642,135
Investment earnings				14,302
Other				<u>1,282</u>
Total general receipts				<u>7,368,704</u>
Change in net assets				643,792
Net assets - beginning				<u>1,397,151</u>
Net assets - ending				<u>\$ 2,040,943</u>
<u>Assets</u>				
Cash and investments				\$ 2,040,255
Restricted assets:				
Cash and investments				<u>688</u>
Total assets				<u>\$ 2,040,943</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 688
Unrestricted				<u>2,040,255</u>
Total net assets				<u>\$ 2,040,943</u>

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

SHOALS 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>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 3,640,074	\$ -	\$ 82,655	\$ (3,557,419)
Support services	3,028,879	113,227	172,746	(2,742,906)
Noninstructional services	358,108	-	-	(358,108)
Facilities acquisition and construction	387,713	-	-	(387,713)
Debt service	696,108	-	-	(696,108)
Nonprogrammed charges	127,998	-	-	(127,998)
<b>Total governmental activities</b>	<b><u>\$ 8,238,880</u></b>	<b><u>\$ 113,227</u></b>	<b><u>\$ 255,401</u></b>	<b><u>(7,870,252)</u></b>
General receipts:				
Property taxes				2,753,500
Other local sources				361,171
State aid				4,498,729
Grants and contributions not restricted to specific programs				551,192
Investment earnings				36,363
Other				<u>3,556</u>
<b>Total general receipts</b>				<b><u>8,204,511</u></b>
<b>Change in net assets</b>				<b>334,259</b>
<b>Net assets - beginning</b>				<b><u>2,040,943</u></b>
<b>Net assets - ending</b>				<b><u>\$ 2,375,202</u></b>
<u>Assets</u>				
Cash and investments				\$ 2,200,094
Restricted assets:				
Cash and investments				<u>175,108</u>
<b>Total assets</b>				<b><u>\$ 2,375,202</u></b>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 175,108
Unrestricted				<u>2,200,094</u>
<b>Total net assets</b>				<b><u>\$ 2,375,202</u></b>

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

SHOALS 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	Rainy Day	Fiscal Stabilization- Education (Stimulus)	Other	Totals
<b>Receipts:</b>						
Local sources	\$ 1,135,234	\$ 627,328	\$ -	\$ -	\$ 1,420,052	\$ 3,182,614
Intermediate sources	533	-	-	-	169	702
State sources	3,739,851	-	-	-	72,148	3,811,999
Federal sources	-	-	-	390,740	369,871	760,611
Interfund loans	546,000	99,000	-	-	530,600	1,175,600
Other	-	1,192	-	-	90	1,282
<b>Total receipts</b>	<b>5,421,618</b>	<b>727,520</b>	<b>-</b>	<b>390,740</b>	<b>2,392,930</b>	<b>8,932,808</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	3,073,650	-	55,136	-	208,908	3,337,694
Support services	1,388,205	598,799	2,368	-	510,963	2,500,335
Noninstructional services	114,680	-	-	-	240,283	354,963
Facilities acquisition and construction	-	-	3,700	-	116,773	120,473
Debt services	-	-	1,913	-	672,502	674,415
Nonprogrammed charges	125,536	-	-	-	-	125,536
Interfund loans	629,600	9,000	-	-	537,000	1,175,600
<b>Total disbursements</b>	<b>5,331,671</b>	<b>607,799</b>	<b>63,117</b>	<b>-</b>	<b>2,286,429</b>	<b>8,289,016</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>89,947</b>	<b>119,721</b>	<b>(63,117)</b>	<b>390,740</b>	<b>106,501</b>	<b>643,792</b>
<b>Other financing sources (uses):</b>						
Transfers in	199	-	120,000	-	14,567	134,766
Transfers out	-	(120,000)	-	-	(14,766)	(134,766)
<b>Total other financing sources (uses)</b>	<b>199</b>	<b>(120,000)</b>	<b>120,000</b>	<b>-</b>	<b>(199)</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>90,146</b>	<b>(279)</b>	<b>56,883</b>	<b>390,740</b>	<b>106,302</b>	<b>643,792</b>
<b>Cash and investments - beginning</b>	<b>810,111</b>	<b>947</b>	<b>336,136</b>	<b>-</b>	<b>249,957</b>	<b>1,397,151</b>
<b>Cash and investments - ending</b>	<b>\$ 900,257</b>	<b>\$ 668</b>	<b>\$ 393,019</b>	<b>\$ 390,740</b>	<b>\$ 356,259</b>	<b>\$ 2,040,943</b>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 900,257	\$ 668	\$ 393,019	\$ 390,740	\$ 355,571	\$ 2,040,255
Restricted assets:						
Cash and investments	-	-	-	-	688	688
<b>Total cash and investment assets - ending</b>	<b>\$ 900,257</b>	<b>\$ 668</b>	<b>\$ 393,019</b>	<b>\$ 390,740</b>	<b>\$ 356,259</b>	<b>\$ 2,040,943</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 688	\$ 688
Unrestricted	900,257	668	393,019	390,740	355,571	2,040,255
<b>Total cash and investment fund balance - ending</b>	<b>\$ 900,257</b>	<b>\$ 668</b>	<b>\$ 393,019</b>	<b>\$ 390,740</b>	<b>\$ 356,259</b>	<b>\$ 2,040,943</b>

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

SHOALS 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	Rainy Day	Fiscal Stabilization- Education (Stimulus)	Other	Totals
<b>Receipts:</b>						
Local sources	\$ 72,608	\$ 1,053,748	\$ -	\$ -	\$ 2,137,485	\$ 3,263,841
Intermediate sources	345	-	-	-	75	420
State sources	4,553,450	-	-	-	66,647	4,620,097
Federal sources	-	-	-	132,982	552,243	685,225
Interfund loans	688,600	-	-	-	59,000	747,600
Other	181	3,375	-	-	-	3,556
<b>Total receipts</b>	<b>5,315,184</b>	<b>1,057,123</b>	<b>-</b>	<b>132,982</b>	<b>2,815,450</b>	<b>9,320,739</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	2,993,150	-	-	334,807	312,117	3,640,074
Support services	1,432,069	613,525	122,122	99,827	761,336	3,028,879
Noninstructional services	118,985	-	-	-	239,123	358,108
Facilities acquisition and construction	-	-	297,694	-	90,019	387,713
Debt services	-	-	-	-	696,108	696,108
Nonprogrammed charges	38,910	-	-	89,088	-	127,998
Interfund loans	59,000	99,000	-	-	589,600	747,600
<b>Total disbursements</b>	<b>4,642,114</b>	<b>712,525</b>	<b>419,816</b>	<b>523,722</b>	<b>2,688,303</b>	<b>8,986,480</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>673,070</b>	<b>344,598</b>	<b>(419,816)</b>	<b>(390,740)</b>	<b>127,147</b>	<b>334,259</b>
<b>Other financing sources (uses):</b>						
Transfers in	97	-	175,000	-	64,628	239,725
Transfers out	-	(114,098)	-	-	(125,627)	(239,725)
<b>Total other financing sources (uses)</b>	<b>97</b>	<b>(114,098)</b>	<b>175,000</b>	<b>-</b>	<b>(60,999)</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>673,167</b>	<b>230,500</b>	<b>(244,816)</b>	<b>(390,740)</b>	<b>66,148</b>	<b>334,259</b>
<b>Cash and investments - beginning</b>	<b>900,257</b>	<b>668</b>	<b>393,019</b>	<b>390,740</b>	<b>356,259</b>	<b>2,040,943</b>
<b>Cash and investments - ending</b>	<b>\$ 1,573,424</b>	<b>\$ 231,168</b>	<b>\$ 148,203</b>	<b>\$ -</b>	<b>\$ 422,407</b>	<b>\$ 2,375,202</b>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 1,573,424	\$ 231,168	\$ 148,203	\$ -	\$ 247,299	\$ 2,200,094
Restricted assets:						
Cash and investments	-	-	-	-	175,108	175,108
<b>Total cash and investment assets - ending</b>	<b>\$ 1,573,424</b>	<b>\$ 231,168</b>	<b>\$ 148,203</b>	<b>\$ -</b>	<b>\$ 422,407</b>	<b>\$ 2,375,202</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 175,108	\$ 175,108
Unrestricted	1,573,424	231,168	148,203	-	247,299	2,200,094
<b>Total cash and investment fund balance - ending</b>	<b>\$ 1,573,424</b>	<b>\$ 231,168</b>	<b>\$ 148,203</b>	<b>\$ -</b>	<b>\$ 422,407</b>	<b>\$ 2,375,202</b>

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

SHOALS 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 Funds	Private-Purpose Trust Funds	Agency Funds
Additions:			
Contributions:			
Other	\$ -	\$ 39,141	
Deductions:			
Benefits	66,546	-	
Administrative and general	-	31,144	
Total deductions	66,546	31,144	
Excess (deficiency) of total additions over total deductions	(66,546)	7,997	
Cash and investment fund balance - beginning	407,437	10,562	
Cash and investment fund balance - ending	\$ 340,891	\$ 18,559	\$ -
Net assets:			
Cash and investments	\$ 340,891	\$ 18,559	\$ -

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

SHOALS 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 Funds	Private-Purpose Trust Funds	Agency Funds
Additions:			
Contributions:			
Other	\$ -	\$ 7,435	
Deductions:			
Benefits	68,347	-	
Administrative and general	-	5,167	
Total deductions	68,347	5,167	
Excess (deficiency) of total additions over total deductions	(68,347)	2,268	
Cash and investment fund balance - beginning	340,891	18,559	
Cash and investment fund balance - ending	\$ 272,544	\$ 20,827	\$ -
Net assets:			
Cash and investments	\$ 272,544	\$ 20,827	\$ -

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

SHOALS 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: Shoals 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 Orange, Lawrence, Jackson, Martin, Greene Joint Services which was created to provide free appropriate public education in accordance with State and Federal laws to eligible disabled students who are legal residents of the member school corporations. The School Corporation is required by contract to remit annually a prorated amount based upon each participating school corporation's ADM enrollment to supplement the joint services program. The School Corporation is obligated for the debts of the Orange, Lawrence, Jackson, Martin, Greene Joint Services. Complete financial statements for the Orange, Lawrence, Jackson, Martin, Greene Joint Services can be obtained from North Lawrence Community School Corporation, 460 W Street, P.O. Box 729, Bedford, IN 47421.

The School Corporation is a participant in a joint venture to operate Southern Indiana Education Center (SIEC) which was created to operate and maintain an educational service center in order to allow participating school corporations to cooperate and share certain programs and services. The School Corporation is obligated by contract to remit annually a fee for membership in an amount determined by the governing board of the SIEC. The School Corporation is obligated for the debts of the SIEC. The Southern Indiana Education Center's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Southern Indiana Education Center can be obtained from Southwest Dubois County School Corporation, 113 Jackson Street, Huntingburg, IN 47542.

The School Corporation is a participant in a joint venture to operate North Lawrence Area Vocational Technical Center which was created to provide for the vocational and technical education needs of the participating school corporations. The School Corporation is required by contract to remit annually a prorated amount based upon each participating school corporation's student participation to supplement vocational education program. The North Lawrence Area Vocational Technical Center's continued existence depends on continued funding by the School Corporation. Complete financial statements for the North Lawrence Area Vocational Technical Center can be obtained from North Lawrence Community School Corporation, 460 W Street, P.O. Box 729, Bedford, IN 47421.

SHOALS COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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. However, at this time, the School Corporation does not have any business-type activities.

Fund Financial Statements

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

The School Corporation reports the following major governmental funds:

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

The Transportation Operating Fund accounts for financial resources for the transportation of schoolchildren to and from school.

The Rainy Day Fund is used to account for funds in accordance with IC 36-1-8-5.1 and a locally adopted resolution.

Fiscal Stabilization-Education (Stimulus) Fund accounts for receipts and disbursements of cash received from the federal government to be used to supplement funding of local, state, and federal programs.

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.

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

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.

SHOALS COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, 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.

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.

SHOALS COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

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.

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.

SHOALS COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

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.

SHOALS COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Cash Balance Deficits

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

Fund	06-30-10
Title IV Drug Free 09/10 Fund	\$ 224
Nutrition Game On Mini-Grant Fund	136
Title II, Part D Class Reduction Fund	44,690
Special Ed Part B Stimulus Fund	14,293

Cash and investment deficits arose primarily from disbursements made from grants that are reimbursement in nature; these deficits will be repaid when grant reimbursements are received.

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. According to the School's investment policy, the School Corporation is authorized to deposit funds only with the financial institutions designated by the state Board of Finance as depositories and by the local board of finance. Investments are restricted to interest bearing obligations issued or fully insured or guaranteed by the United States. At June 30, 2010, the School Corporation had deposit balances in the amount of \$3,020,618.

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
Transportation Operating Fund	Rainy Day Fund	\$ 120,000	\$ 100,000
Transportation Operating Fund	Other Governmental Funds	-	14,098
Other Governmental Funds	General Fund	199	97
Other Governmental Funds	Rainy Day Fund	-	75,000
Other Governmental Funds	Other Governmental Funds	14,567	50,530
Totals		\$ 134,766	\$ 239,725

SHOALS COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

C. Restatements and Reclassifications

For the year ended June 30, 2008, certain changes have been made to the financial statements to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning balances by opinion unit.

Opinion Unit	Balance as Reported June 30, 2008	Prior Period Adjustments	Balance as Restated July 1, 2008
Fiduciary Funds	\$ -	\$ (404)	\$ (404)

IV. Other Information

A. Risk Management

The School Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters are covered by commercial insurance from independent third parties.

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

During 2009, the School Corporation joined with other governmental entities in the Indiana Public Employers' Plan, a public entity risk pool currently operating as a common risk management and insurance program for 512 member governmental entities. This risk pool was formed in 1990. The purpose of the risk pool is to provide a medium for the funding and administration of job related illnesses and injuries to employees. The School Corporation pays an annual premium to the risk pool for its job related illnesses and injuries to employees coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event.

B. Termination Benefits

For teachers who signed up to retire under the old plan, the School Corporation pays early retirement benefits to teachers and administrators who retire from the School Corporation on or after attaining age 55 with at least 20 years of service. Eight retirees met these eligibility requirements in 2009-2010. Disbursements for those early retirement benefits are recognized on a pay-as-you-go basis. During 2009-2010, disbursements of \$60,000 were recognized for these early retirement benefits.

SHOALS COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

For teachers and administrators who were hired after April 30, 2004, annually 1.0% of their individual Teacher's Contract salary is paid into an individual 401(a) plan and 0.5% of their individual Teacher's Contract salary is paid into an individual Voluntary Employees' Beneficiary Association (VEBA) account. The teacher or administrator is considered vested after five years of service with the School Corporation.

For teachers who were hired prior to April 30, 2004, annually 0.5% of their individual Teacher's Contract salary is paid into an individual Voluntary Employees' Beneficiary Association (VEBA) account. This payment is in addition to a lump-sum buy-out payment into the VEBA account equal to the present value of the health, dental, and vision plans in 2004 and a lump-sum buy-out payment into a 401(a) to replace the retirement bridge payment under the old plan. The teacher is considered vested upon retirement if teacher has reached at least 55 years of age as of the last day of the last school year the teacher works and at least 10 years of service with the School Corporation.

For the Superintendent, after five years of employment with the School Corporation, the School Corporation agrees to pay the cost of a single plan for health, dental, and vision coverage, in addition to an annual amount of \$7,500 until the Superintendent is eligible for full social security and Medicare benefits. This is in addition to a lump sum payment into a VEBA account of \$21,000 for accumulated sick leave and severance compensation made in 2007.

During 2009-2010, the School Corporation contributed \$11,895 into the VEBA accounts for 49 teachers and administrators and \$12,475 into the 401(a) accounts for 21 teachers and administrators. The VEBA accounts are administered by MidAmerica Administrative and Retirement Solutions, Inc.

C. Other Postemployment Benefits

Defined Contribution Healthcare Plan

Plan Description

Shoals Community School Corporation Healthcare Plan is a defined contribution healthcare plan administered by Anthem Insurance Companies, Inc. The plan provides single health, dental, and vision insurance for the lessor of ten years or until eligible for Medicare to eligible retirees and their spouses. Indiana Code 5-10-8 assigns the authority to establish and amend benefit provisions to the School Corporation.

Funding Policy

The contribution requirements of plan members for the Shoals Community School Corporation Healthcare Plan are established by the School Corporation's governing board. For the year ended June 30, 2010, the School Corporation contributed \$60,580 to the plan. Plan members receiving benefits contributed \$0.

SHOALS COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

D. Pension Plans

1. Agent Multiple-Employer and Single-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 the system and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the School Corporation during the period were \$277,292.

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

SHOALS COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 \$197,555.

SHOALS COMMUNITY SCHOOL CORPORATION  
 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	\$ 168,986	\$ 945,521	\$ (776,535)	18%	\$ 750,048	(104%)
07-01-08	268,054	1,028,793	(760,739)	26%	791,844	(96%)
07-01-09	375,114	1,010,308	(635,194)	37%	828,117	(77%)

SHOALS 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	Education License Plate	High Ability 08-09
<b>Receipts:</b>					
Local sources	\$ 3,281	\$ 104,391	\$ 28,280	\$ -	\$ -
Intermediate sources	-	-	-	169	-
State sources	21,994	2,534	19,492	-	28,128
Federal sources	-	140,470	-	-	-
Interfund loans	600	-	-	-	-
Other	90	-	-	-	-
	<u>25,965</u>	<u>247,395</u>	<u>47,772</u>	<u>169</u>	<u>28,128</u>
<b>Total receipts</b>					
<b>Disbursements:</b>					
<b>Current:</b>					
Instruction	25,027	-	-	-	12,368
Support services	-	-	48,623	-	-
Noninstructional services	-	234,443	-	-	-
Facilities acquisition and construction	-	-	-	-	-
Debt services	-	-	-	-	-
Interfund loans	1,000	-	-	-	-
	<u>26,027</u>	<u>234,443</u>	<u>48,623</u>	<u>-</u>	<u>12,368</u>
<b>Total disbursements</b>					
Excess (deficiency) of receipts over disbursements	<u>(62)</u>	<u>12,952</u>	<u>(851)</u>	<u>169</u>	<u>15,760</u>
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total other financing sources (uses)</b>					
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(62)</u>	<u>12,952</u>	<u>(851)</u>	<u>169</u>	<u>15,760</u>
Cash and investments - beginning	<u>148</u>	<u>21,519</u>	<u>36,692</u>	<u>2,625</u>	<u>-</u>
Cash and investments - ending	<u>\$ 86</u>	<u>\$ 34,471</u>	<u>\$ 35,841</u>	<u>\$ 2,794</u>	<u>\$ 15,760</u>
<b>Cash and Investment Assets - Ending</b>					
Cash and investments	\$ 86	\$ 34,471	\$ 35,841	\$ 2,794	\$ 15,760
Restricted assets:					
Cash and investments	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 86</u>	<u>\$ 34,471</u>	<u>\$ 35,841</u>	<u>\$ 2,794</u>	<u>\$ 15,760</u>
<b>Cash and Investment Fund Balance - Ending</b>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>86</u>	<u>34,471</u>	<u>35,841</u>	<u>2,794</u>	<u>15,760</u>
Total cash and investment fund balance - ending	<u>\$ 86</u>	<u>\$ 34,471</u>	<u>\$ 35,841</u>	<u>\$ 2,794</u>	<u>\$ 15,760</u>

SHOALS 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)

	High Ability 07/08	Welfare Early Intervention	Technology Planning Grant	Title I 07/08	Title I 08/09
<b>Receipts:</b>					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	-	4,841	-	-	155,176
Interfund loans	-	-	-	-	-
Other	-	-	-	-	-
<b>Total receipts</b>	<b>-</b>	<b>4,841</b>	<b>-</b>	<b>-</b>	<b>155,176</b>
<b>Disbursements:</b>					
<b>Current:</b>					
Instruction	8,607	2,770	-	-	78,410
Support services	-	-	-	-	41,494
Noninstructional services	-	-	-	-	12
Facilities acquisition and construction	-	-	9,896	-	-
Debt services	-	-	-	-	-
Interfund loans	-	-	-	-	-
<b>Total disbursements</b>	<b>8,607</b>	<b>2,770</b>	<b>9,896</b>	<b>-</b>	<b>119,916</b>
Excess (deficiency) of receipts over disbursements	(8,607)	2,071	(9,896)	-	35,260
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	14,567
Transfers out	-	-	-	(14,567)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(14,567)</b>	<b>14,567</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(8,607)	2,071	(9,896)	(14,567)	49,827
Cash and investments - beginning	8,607	(1,607)	54,613	14,567	-
Cash and investments - ending	<u>\$ -</u>	<u>\$ 464</u>	<u>\$ 44,717</u>	<u>\$ -</u>	<u>\$ 49,827</u>
<b><u>Cash and Investment Assets - Ending</u></b>					
Cash and investments	\$ -	\$ 464	\$ 44,717	\$ -	\$ 49,827
<b>Restricted assets:</b>					
Cash and investments	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b><u>\$ -</u></b>	<b><u>\$ 464</u></b>	<b><u>\$ 44,717</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 49,827</u></b>
<b><u>Cash and Investment Fund Balance - Ending</u></b>					
<b>Restricted for:</b>					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	464	44,717	-	49,827
<b>Total cash and investment fund balance - ending</b>	<b><u>\$ -</u></b>	<b><u>\$ 464</u></b>	<b><u>\$ 44,717</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 49,827</u></b>

SHOALS 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)

	Title I School Improvement 07/08	Title V, Part A 07/08	Title IV Drug Free 06/07	Title IV Drug Free 07/08	Title IV Drug Free 09/10
<b>Receipts:</b>					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	-	1,141	-	3,490	-
Interfund loans	-	-	-	-	-
Other	-	-	-	-	-
<b>Total receipts</b>	<b>-</b>	<b>1,141</b>	<b>-</b>	<b>3,490</b>	<b>-</b>
<b>Disbursements:</b>					
<b>Current:</b>					
Instruction	18,686	1,005	-	-	-
Support services	6,053	-	2,675	500	-
Noninstructional services	5,828	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-
Debt services	-	-	-	-	-
Interfund loans	-	-	-	-	-
<b>Total disbursements</b>	<b>30,567</b>	<b>1,005</b>	<b>2,675</b>	<b>500</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	(30,567)	136	(2,675)	2,990	-
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	-
Transfers out	(199)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(199)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(30,766)	136	(2,675)	2,990	-
Cash and investments - beginning	30,766	-	2,675	-	-
Cash and investments - ending	\$ -	\$ 136	\$ -	\$ 2,990	\$ -
<b>Cash and Investment Assets - Ending</b>					
Cash and investments	\$ -	\$ 136	\$ -	\$ 2,990	\$ -
Restricted assets:					
Cash and investments	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ -</b>	<b>\$ 136</b>	<b>\$ -</b>	<b>\$ 2,990</b>	<b>\$ -</b>
<b>Cash and Investment Fund Balance - Ending</b>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	136	-	2,990	-
<b>Total cash and investment fund balance - ending</b>	<b>\$ -</b>	<b>\$ 136</b>	<b>\$ -</b>	<b>\$ 2,990</b>	<b>\$ -</b>

SHOALS 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)

	After School Rocks 08/09	After School Rocks 07/08	After School Jr. High Arts 06/07	Nutrition Game On Mini-Grant	Title II, Part D Class Reduction	Debt Service
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 507,110
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	14,700	-	-	-	50,053	-
Interfund loans	-	-	-	-	-	154,000
Other	-	-	-	-	-	-
<b>Total receipts</b>	<b>14,700</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,053</b>	<b>661,110</b>
Disbursements:						
Current:						
Instruction	5,849	6,612	5	-	49,569	-
Support services	40	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	462,066
Interfund loans	-	-	-	-	-	202,000
<b>Total disbursements</b>	<b>5,889</b>	<b>6,612</b>	<b>5</b>	<b>-</b>	<b>49,569</b>	<b>664,066</b>
Excess (deficiency) of receipts over disbursements	8,811	(6,612)	(5)	-	484	(2,956)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	8,811	(6,612)	(5)	-	484	(2,956)
Cash and investments - beginning	-	6,612	5	-	5,509	3,136
Cash and investments - ending	<u>\$ 8,811</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,993</u>	<u>\$ 180</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 8,811	\$ -	\$ -	\$ -	\$ 5,993	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	180
<b>Total cash and investment assets - ending</b>	<u>\$ 8,811</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,993</u>	<u>\$ 180</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 180
Unrestricted	8,811	-	-	-	5,993	-
<b>Total cash and investment fund balance - ending</b>	<u>\$ 8,811</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,993</u>	<u>\$ 180</u>

SHOALS 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)

	Retirement/ Severance Bond Debt	Capital Project	School Bus Replacement	Construction	Totals
<b>Receipts:</b>					
Local sources	\$ 203,271	\$ 482,501	\$ 91,218	\$ -	\$ 1,420,052
Intermediate sources	-	-	-	-	169
State sources	-	-	-	-	72,148
Federal sources	-	-	-	-	369,871
Interfund loans	106,000	270,000	-	-	530,600
Other	-	-	-	-	90
<b>Total receipts</b>	<b>309,271</b>	<b>752,501</b>	<b>91,218</b>	<b>-</b>	<b>2,392,930</b>
<b>Disbursements:</b>					
<b>Current:</b>					
Instruction	-	-	-	-	208,908
Support services	-	411,578	-	-	510,963
Noninstructional services	-	-	-	-	240,283
Facilities acquisition and construction	-	106,696	-	181	116,773
Debt services	210,436	-	-	-	672,502
Interfund loans	100,000	234,000	-	-	537,000
<b>Total disbursements</b>	<b>310,436</b>	<b>752,274</b>	<b>-</b>	<b>181</b>	<b>2,286,429</b>
Excess (deficiency) of receipts over disbursements	(1,165)	227	91,218	(181)	106,501
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	14,567
Transfers out	-	-	-	-	(14,766)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(199)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,165)	227	91,218	(181)	106,302
Cash and investments - beginning	1,673	500	61,736	181	249,957
Cash and investments - ending	<u>\$ 508</u>	<u>\$ 727</u>	<u>\$ 152,954</u>	<u>\$ -</u>	<u>\$ 356,259</u>
<b><u>Cash and Investment Assets - Ending</u></b>					
Cash and investments	\$ -	\$ 727	\$ 152,954	\$ -	\$ 355,571
Restricted assets:					
Cash and investments	508	-	-	-	688
<b>Total cash and investment assets - ending</b>	<u>\$ 508</u>	<u>\$ 727</u>	<u>\$ 152,954</u>	<u>\$ -</u>	<u>\$ 356,259</u>
<b><u>Cash and Investment Fund Balance - Ending</u></b>					
Restricted for:					
Debt service	\$ 508	\$ -	\$ -	\$ -	\$ 688
Unrestricted	-	727	152,954	-	355,571
<b>Total cash and investment fund balance - ending</b>	<u>\$ 508</u>	<u>\$ 727</u>	<u>\$ 152,954</u>	<u>\$ -</u>	<u>\$ 356,259</u>

SHOALS 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	Levy Excess	Education License Plate	High Ability 08/09
<b>Receipts:</b>						
Local sources	\$ -	\$ 105,948	\$ 27,115	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	75	-
State sources	16,500	2,549	19,664	-	-	-
Federal sources	-	150,533	-	-	-	-
Interfund loans	-	-	-	-	-	-
<b>Total receipts</b>	<u>16,500</u>	<u>259,030</u>	<u>46,779</u>	<u>-</u>	<u>75</u>	<u>-</u>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	15,889	-	-	-	-	15,760
Support services	-	-	56,135	-	-	-
Noninstructional services	-	237,030	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Interfund loans	600	-	-	-	-	-
<b>Total disbursements</b>	<u>16,489</u>	<u>237,030</u>	<u>56,135</u>	<u>-</u>	<u>-</u>	<u>15,760</u>
Excess (deficiency) of receipts over disbursements	<u>11</u>	<u>22,000</u>	<u>(9,356)</u>	<u>-</u>	<u>75</u>	<u>(15,760)</u>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	41,433	-	-
Transfers out	(97)	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>(97)</u>	<u>-</u>	<u>-</u>	<u>41,433</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(86)	22,000	(9,356)	41,433	75	(15,760)
Cash and investments - beginning	<u>86</u>	<u>34,471</u>	<u>35,841</u>	<u>-</u>	<u>2,794</u>	<u>15,760</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 56,471</u>	<u>\$ 26,485</u>	<u>\$ 41,433</u>	<u>\$ 2,869</u>	<u>\$ -</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ 56,471	\$ 26,485	\$ 41,433	\$ 2,869	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<u>\$ -</u>	<u>\$ 56,471</u>	<u>\$ 26,485</u>	<u>\$ 41,433</u>	<u>\$ 2,869</u>	<u>\$ -</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	56,471	26,485	41,433	2,869	-
<b>Total cash and investment fund balance - ending</b>	<u>\$ -</u>	<u>\$ 56,471</u>	<u>\$ 26,485</u>	<u>\$ 41,433</u>	<u>\$ 2,869</u>	<u>\$ -</u>

SHOALS 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)

	High Ability 09/10	Welfare Early Intervention	Technology Planning Grant	Title I 09/10	Title I 08/09	Title V, Part A 07/08
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	27,934	-	-	-	-	-
Federal sources	-	-	-	154,205	-	445
Interfund loans	-	-	-	-	-	-
<b>Total receipts</b>	<b>27,934</b>	<b>-</b>	<b>-</b>	<b>154,205</b>	<b>-</b>	<b>445</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	14,505	464	-	77,774	24,584	581
Support services	-	-	-	37,604	23	-
Noninstructional services	-	-	-	12	2,025	-
Facilities acquisition and construction	-	-	44,717	-	-	-
Debt services	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
<b>Total disbursements</b>	<b>14,505</b>	<b>464</b>	<b>44,717</b>	<b>115,390</b>	<b>26,632</b>	<b>581</b>
Excess (deficiency) of receipts over disbursements	13,429	(464)	(44,717)	38,815	(26,632)	(136)
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	23,195	-	-
Transfers out	-	-	-	-	(23,195)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,195</b>	<b>(23,195)</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	13,429	(464)	(44,717)	62,010	(49,827)	(136)
Cash and investments - beginning	-	464	44,717	-	49,827	136
Cash and investments - ending	\$ 13,429	\$ -	\$ -	\$ 62,010	\$ -	\$ -
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 13,429	\$ -	\$ -	\$ 62,010	\$ -	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ 13,429</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 62,010</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	13,429	-	-	62,010	-	-
<b>Total cash and investment fund balance - ending</b>	<b>\$ 13,429</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 62,010</b>	<b>\$ -</b>	<b>\$ -</b>

SHOALS 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)

	Title IV Drug Free 09/10	Title IV Drug Free 08/09	After School Rocks 08/09	After School Rocks 09/10	Nutrition Game On Mini-Grant
<b>Receipts:</b>					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	-	2,208	-	12,830	-
Interfund loans	-	-	-	-	-
<b>Total receipts</b>	<u>-</u>	<u>2,208</u>	<u>-</u>	<u>12,830</u>	<u>-</u>
<b>Disbursements:</b>					
<b>Current:</b>					
Instruction	-	17	8,811	5,101	80
Support services	3,214	2,130	-	-	-
Noninstructional services	-	-	-	-	56
Facilities acquisition and construction	-	-	-	-	-
Debt services	-	-	-	-	-
Interfund loans	-	-	-	-	-
<b>Total disbursements</b>	<u>3,214</u>	<u>2,147</u>	<u>8,811</u>	<u>5,101</u>	<u>136</u>
Excess (deficiency) of receipts over disbursements	<u>(3,214)</u>	<u>61</u>	<u>(8,811)</u>	<u>7,729</u>	<u>(136)</u>
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<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>(3,214)</u>	<u>61</u>	<u>(8,811)</u>	<u>7,729</u>	<u>(136)</u>
Cash and investments - beginning	<u>2,990</u>	<u>-</u>	<u>8,811</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ (224)</u>	<u>\$ 61</u>	<u>\$ -</u>	<u>\$ 7,729</u>	<u>\$ (136)</u>
<b>Cash and Investment Assets - Ending</b>					
Cash and investments	\$ (224)	\$ 61	\$ -	\$ 7,729	\$ (136)
Restricted assets:					
Cash and investments	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<u>\$ (224)</u>	<u>\$ 61</u>	<u>\$ -</u>	<u>\$ 7,729</u>	<u>\$ (136)</u>
<b>Cash and Investment Fund Balance - Ending</b>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>(224)</u>	<u>61</u>	<u>-</u>	<u>7,729</u>	<u>(136)</u>
<b>Total cash and investment fund balance - ending</b>	<u>\$ (224)</u>	<u>\$ 61</u>	<u>\$ -</u>	<u>\$ 7,729</u>	<u>\$ (136)</u>

SHOALS 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)

	Title II, Part D Class Reduction	Title I Stimulus	Special Ed Part B Stimulus	Special Ed Part B Preschool Stimulus	Education Technology Stimulus
<b>Receipts:</b>					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	-	52,869	100,799	5,818	72,536
Interfund loans	-	-	-	-	-
<b>Total receipts</b>	<b>-</b>	<b>52,869</b>	<b>100,799</b>	<b>5,818</b>	<b>72,536</b>
<b>Disbursements:</b>					
<b>Current:</b>					
Instruction	50,683	37,312	46,763	5,818	7,975
Support services	-	-	68,329	-	62,470
Noninstructional services	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-
Debt services	-	-	-	-	-
Interfund loans	-	-	-	-	-
<b>Total disbursements</b>	<b>50,683</b>	<b>37,312</b>	<b>115,092</b>	<b>5,818</b>	<b>70,445</b>
Excess (deficiency) of receipts over disbursements	(50,683)	15,557	(14,293)	-	2,091
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(50,683)	15,557	(14,293)	-	2,091
Cash and investments - beginning	5,993	-	-	-	-
Cash and investments - ending	<u>\$ (44,690)</u>	<u>\$ 15,557</u>	<u>\$ (14,293)</u>	<u>\$ -</u>	<u>\$ 2,091</u>
<b>Cash and Investment Assets - Ending</b>					
Cash and investments	\$ (44,690)	\$ 15,557	\$ (14,293)	\$ -	\$ 2,091
Restricted assets:					
Cash and investments	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b><u>\$ (44,690)</u></b>	<b><u>\$ 15,557</u></b>	<b><u>\$ (14,293)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,091</u></b>
<b>Cash and Investment Fund Balance - Ending</b>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	(44,690)	15,557	(14,293)	-	2,091
<b>Total cash and investment fund balance - ending</b>	<b><u>\$ (44,690)</u></b>	<b><u>\$ 15,557</u></b>	<b><u>\$ (14,293)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,091</u></b>

SHOALS 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)

	Debt Service	Retirement/ Severance Debt Service	Capital Projects	School Bus Replacement	Totals
<b>Receipts:</b>					
Local sources	\$ 831,835	\$ 339,867	\$ 822,936	\$ 9,784	\$ 2,137,485
Intermediate sources	-	-	-	-	75
State sources	-	-	-	-	66,647
Federal sources	-	-	-	-	552,243
Interfund loans	-	15,000	44,000	-	59,000
<b>Total receipts</b>	<u>831,835</u>	<u>354,867</u>	<u>866,936</u>	<u>9,784</u>	<u>2,815,450</u>
<b>Disbursements:</b>					
<b>Current:</b>					
Instruction	-	-	-	-	312,117
Support services	-	-	438,073	93,358	761,336
Noninstructional services	-	-	-	-	239,123
Facilities acquisition and construction	-	-	45,302	-	90,019
Debt services	489,360	206,748	-	-	696,108
Interfund loans	154,000	121,000	314,000	-	589,600
<b>Total disbursements</b>	<u>643,360</u>	<u>327,748</u>	<u>797,375</u>	<u>93,358</u>	<u>2,688,303</u>
Excess (deficiency) of receipts over disbursements	<u>188,475</u>	<u>27,119</u>	<u>69,561</u>	<u>(83,574)</u>	<u>127,147</u>
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	64,628
Transfers out	(36,551)	(4,623)	(16,161)	(45,000)	(125,627)
<b>Total other financing sources (uses)</b>	<u>(36,551)</u>	<u>(4,623)</u>	<u>(16,161)</u>	<u>(45,000)</u>	<u>(60,999)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	151,924	22,496	53,400	(128,574)	66,148
Cash and investments - beginning	180	508	727	152,954	356,259
Cash and investments - ending	<u>\$ 152,104</u>	<u>\$ 23,004</u>	<u>\$ 54,127</u>	<u>\$ 24,380</u>	<u>\$ 422,407</u>
<b>Cash and Investment Assets - Ending</b>					
Cash and investments	\$ -	\$ -	\$ 54,127	\$ 24,380	\$ 247,299
Restricted assets:					
Cash and investments	152,104	23,004	-	-	175,108
<b>Total cash and investment assets - ending</b>	<u>\$ 152,104</u>	<u>\$ 23,004</u>	<u>\$ 54,127</u>	<u>\$ 24,380</u>	<u>\$ 422,407</u>
<b>Cash and Investment Fund Balance - Ending</b>					
Restricted for:					
Debt service	\$ 152,104	\$ 23,004	\$ -	\$ -	\$ 175,108
Unrestricted	-	-	54,127	24,380	247,299
<b>Total cash and investment fund balance - ending</b>	<u>\$ 152,104</u>	<u>\$ 23,004</u>	<u>\$ 54,127</u>	<u>\$ 24,380</u>	<u>\$ 422,407</u>

SHOALS 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

	Donation	Leo Harding Endowment	PDK Grant 2002-2004	PDK Elementary Grant	Cape Guidance Grant 08/09	PDK Cape Counselor 07/08	Harding Donation	Totals
Additions:								
Contributions:								
Other	\$ 4,802	\$ 439	\$ -	\$ -	\$ 22,400	\$ 11,500	\$ -	\$ 39,141
Deductions:								
Administrative and general	3,009	-	40	1,924	22,027	3,898	246	31,144
Excess (deficiency) of total additions over total deductions	1,793	439	(40)	(1,924)	373	7,602	(246)	7,997
Cash and investment fund balance - beginning	5,378	2,986	40	3,372	-	(7,602)	6,388	10,562
Cash and investments - June 30	<u>\$ 7,171</u>	<u>\$ 3,425</u>	<u>\$ -</u>	<u>\$ 1,448</u>	<u>\$ 373</u>	<u>\$ -</u>	<u>\$ 6,142</u>	<u>\$ 18,559</u>
Net assets:								
Cash and investments	<u>\$ 7,171</u>	<u>\$ 3,425</u>	<u>\$ -</u>	<u>\$ 1,448</u>	<u>\$ 373</u>	<u>\$ -</u>	<u>\$ 6,142</u>	<u>\$ 18,559</u>

SHOALS 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

	<u>Donation</u>	<u>Leo Harding Endowment</u>	<u>PDK Elementary Grant</u>	<u>Cape Guidance Grant 08/09</u>	<u>Harding Donation</u>	<u>Totals</u>
Additions:						
Contributions:						
Other	\$ 4,695	\$ 240	\$ -	\$ 2,500	\$ -	\$ 7,435
Deductions:						
Administrative and general	<u>1,895</u>	<u>-</u>	<u>399</u>	<u>2,873</u>	<u>-</u>	<u>5,167</u>
Excess (deficiency) of total additions over total deductions	2,800	240	(399)	(373)	-	2,268
Cash and investment fund balance - beginning	<u>7,171</u>	<u>3,425</u>	<u>1,448</u>	<u>373</u>	<u>6,142</u>	<u>18,559</u>
Cash and investments - June 30	<u>\$ 9,971</u>	<u>\$ 3,665</u>	<u>\$ 1,049</u>	<u>\$ -</u>	<u>\$ 6,142</u>	<u>\$ 20,827</u>
Net assets:						
Cash and investments	<u>\$ 9,971</u>	<u>\$ 3,665</u>	<u>\$ 1,049</u>	<u>\$ -</u>	<u>\$ 6,142</u>	<u>\$ 20,827</u>

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

	Payroll	Cafeteria Clearing	Totals
Additions:			
Agency fund additions	\$ 1,006,618	\$ 270,411	\$ 1,277,029
Deductions:			
Agency fund deductions	1,006,214	270,411	1,276,625
Excess of total additions over total deductions	404	-	404
Cash and investment fund balance - beginning	(404)	-	(404)
Cash and investment fund balance - ending	\$ -	\$ -	\$ -

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

	<u>Payroll</u>	<u>Cafeteria Clearing</u>	<u>Totals</u>
Additions:			
Agency fund additions	\$ 996,984	\$ 285,767	\$ 1,282,751
Deductions:			
Agency fund deductions	<u>996,984</u>	<u>285,767</u>	<u>1,282,751</u>
Excess of total additions over total deductions	-	-	-
Cash and investment fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 90,948
Buildings	5,896,625
Improvements other than buildings	1,158,251
Machinery and equipment	947,342
Transportation equipment	<u>373,555</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 8,466,721</u>

SHOALS 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:		
School Buildings	\$ 1,745,000	\$ 104,000
Bonds payable:		
General obligation bonds:		
Retirement/Severance Liability Funding Bonds of 2004	1,300,000	106,201
Notes and Loans Payable:		
1990 Common School Fund Loan	37,500	38,625
2002 Common School Fund Loan	<u>837,210</u>	<u>178,370</u>
Total governmental activities debt	<u>\$ 3,919,710</u>	<u>\$ 427,196</u>

SHOALS COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

CAPITAL PROJECT FUND USES

Funds were disbursed from the Capital Project Fund for pest control.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

BANK RECONCILIATIONS (Applies to Jr/Sr High School)

Record balances were not properly reconciled to the depository balances for the audit period.

IC 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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](http://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 SHOALS COMMUNITY SCHOOL  
CORPORATION, MARTIN COUNTY, INDIANA

Compliance

We have audited the compliance of the Shoals 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 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.

This report is intended solely for the information and use of the School Corporation's management, 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 5, 2011

SHOALS 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
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 23,649	\$ 26,316
National School Lunch Program	10.555		132,075	141,622
Total for cluster			<u>155,724</u>	<u>167,938</u>
Team Nutrition Grants				
FY 10-11	10.574		-	136
Total for federal grantor agency			<u>155,724</u>	<u>168,074</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies				
FY 07-08, School Improvement	84.010	08-5520	30,766	-
FY 07-08		08-5520	14,567	-
FY 08-09		09-5520	119,916	49,827
FY 09-10		10-5520	-	115,391
Total for program			<u>165,249</u>	<u>165,218</u>
ARRA - Title I Grants to Local Educational Agencies				
FY 09-10	84.389	10-5520	-	37,312
Total for cluster			<u>165,249</u>	<u>202,530</u>
Educational Technology State Grants Cluster				
ARRA - Education Technology State Grants	84.386	C310S5520	-	56,831
Total for cluster			<u>-</u>	<u>56,831</u>
Special Education Cluster (IDEA)				
ARRA - Special Education - Grants to States	84.391	33310-049-SN-01	-	115,092
ARRA - Special Education - Preschool Grants	84.392	44410-SN-01	-	5,818
Total for cluster			<u>-</u>	<u>120,910</u>
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund - Education State Grants				
FY 2009	84.394		-	438,452
FY 2010			-	85,270
Total for cluster			<u>-</u>	<u>523,722</u>
Safe and Drug-Free Schools and Communities - State Grants				
FY 06-07	84.186	5520-06	2,675	-
FY 07-08		07-5520	500	2,990
FY 08-09		08-5520	-	224
FY 09-10		09-5520	-	2,147
Total for program			<u>3,175</u>	<u>5,361</u>
State Grants for Innovative Programs	84.298	07-5520	1,005	581
Improving Teacher Quality State Grants				
FY 07-08	84.367	07-5520	5,509	-
FY 08-09		08-5520	44,060	5,993
FY 09-10		09-5520	-	44,690
Total for Program			<u>49,569</u>	<u>50,683</u>
Total for federal grantor agency			<u>218,998</u>	<u>960,618</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Pass-Through Purdue University				
Block Grants for Prevention and Treatment of Substance Abuse				
	93.959	81211-01	6,612	-
		91211-01	5,889	8,811
		101209-01	-	5,101
Total for federal grantor agency			<u>12,501</u>	<u>13,912</u>
Total federal awards expended			<u>\$ 387,223</u>	<u>\$ 1,142,604</u>

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

SHOALS 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 Shoals 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
School Breakfast Program	10.553	\$ 2,409	\$ 2,638
National School Lunch Program	10.555	13,523	14,131

SHOALS 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

Child Nutrition Cluster  
Title I, Part A Cluster  
State Fiscal Stabilization Fund Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

SHOALS COMMUNITY SCHOOL CORPORATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

SHOALS COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on January 5, 2011, with Dr. Anthony E. Nonte, Superintendent of Schools; Lisa C. Elliott, Treasurer; and Glen Anthony Cundiff, President of the School Board. The officials concurred with our audit findings.