

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

AUDIT REPORT

OF

ALEXANDRIA COMMUNITY SCHOOL CORPORATION

MADISON COUNTY, INDIANA

July 1, 2004 to June 30, 2006



FILED
01/24/2007

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Peggy Jackson Cheryl D. Harvey	06-01-04 to 04-09-06 04-10-06 to 08-31-07
Superintendent of Schools	John McFarren James Willey	06-01-04 to 07-02-06 07-03-06 to 06-30-09
President of the School Board	George McFerran Jeff Montgomery Thomas Gaunt	07-01-04 to 06-30-06 07-01-05 to 06-30-06 07-01-06 to 06-30-07



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 ALEXANDRIA COMMUNITY
SCHOOL CORPORATION, MADISON COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Alexandria Community School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2005 and 2006, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated December 4, 2006, 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 and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the School Corporation taken as a whole. 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

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

Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Funding Progress as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The School Corporation has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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

STATE BOARD OF ACCOUNTS

December 4, 2006



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE ALEXANDRIA COMMUNITY
SCHOOL CORPORATION, MADISON COUNTY, INDIANA

We have audited the financial statements of the Alexandria Community School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated December 4, 2006. 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.

Compliance

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 grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

December 4, 2006

ALEXANDRIA COMMUNITY SCHOOL CORPORATION
 STATEMENT OF CASH AND INVESTMENTS
 June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 7,151,943
Restricted assets:	
Cash and investments	<u>145,779</u>
Total assets	<u>\$ 7,297,722</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 145,779
Unrestricted	<u>7,151,943</u>
Total net assets	<u>\$ 7,297,722</u>

The accompanying notes are an integral part of the financial statements.

ALEXANDRIA COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 8,404,185
Restricted assets:	
Cash and investments	<u>122,372</u>
Total assets	<u>\$ 8,526,557</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 122,372
Unrestricted	<u>8,404,185</u>
Total net assets	<u>\$ 8,526,557</u>

The accompanying notes are an integral part of the financial statements.

ALEXANDRIA COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 5,374,174	\$ -	\$ 109,722	\$ (5,264,452)
Support services	7,924,111	407,837	247,897	(7,268,377)
Community services	172,141	-	-	(172,141)
Nonprogrammed charges	51,593	-	-	(51,593)
Debt service	973,387	-	-	(973,387)
Total governmental activities	\$ 14,495,406	\$ 407,837	\$ 357,619	(13,729,950)
General receipts:				
Property taxes				4,799,555
Other local sources				906,302
State aid				7,984,594
Grants and contributions not restricted				1,613,543
Bonds and loans				250,000
Sale of property, adjustments, and refunds				9,027
Investment earnings				120,643
Total general receipts				15,683,664
Change in cash and investments				1,953,714
Net assets - beginning				5,344,008
Net assets - ending				\$ 7,297,722

The accompanying notes are an integral part of the financial statements.

ALEXANDRIA COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 5,199,606	\$ -	\$ 174,098	\$ (5,025,508)
Support services	8,896,839	434,962	317,383	(8,144,494)
Community services	173,295	-	-	(173,295)
Nonprogrammed charges	377,147	-	-	(377,147)
Debt service	556,309	-	-	(556,309)
Total governmental activities	<u>\$ 15,203,196</u>	<u>\$ 434,962</u>	<u>\$ 491,481</u>	<u>(14,276,753)</u>
General receipts:				
Property taxes				3,678,119
Other local sources				630,875
State aid				7,953,609
Grants and contributions not restricted				2,818,993
Bonds and loans				100,000
Sale of property, adjustments, and refunds				29,895
Investment earnings				<u>294,097</u>
Total general receipts				<u>15,505,588</u>
Change in cash and investments				1,228,835
Net assets - beginning				<u>7,297,722</u>
Net assets - ending				<u>\$ 8,526,557</u>

The accompanying notes are an integral part of the financial statements.

ALEXANDRIA COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 3,321,132	\$ 453,202	\$ 7,050	\$ 701,068	\$ 1,159,101	\$ 61,330	\$ 516,033	\$ 6,218,916
Intermediate sources	-	-	-	-	-	-	675	675
State sources	8,080,850	-	-	-	-	-	715,482	8,796,332
Federal sources	-	-	-	-	-	-	1,159,424	1,159,424
Bonds and loans	-	-	-	250,000	-	-	-	250,000
Sale of property, adjustments and refunds	7,394	9	-	-	-	-	267,462	274,865
Intergovernmental transfers	<u>19,280</u>	<u>62,673</u>	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,451</u>	<u>427,404</u>
Total receipts	<u>11,428,656</u>	<u>515,884</u>	<u>257,050</u>	<u>951,068</u>	<u>1,159,101</u>	<u>61,330</u>	<u>2,754,527</u>	<u>17,127,616</u>
Disbursements:								
Current:								
Instruction	4,861,265	-	-	-	-	-	512,909	5,374,174
Support services	4,595,538	346,099	-	-	1,352,546	42,363	1,587,565	7,924,111
Community services	159,849	-	-	-	-	-	12,292	172,141
Nonprogrammed charges	540,037	-	-	-	-	-	204,797	744,834
Debt services	<u>-</u>	<u>-</u>	<u>-</u>	<u>877,704</u>	<u>-</u>	<u>-</u>	<u>95,683</u>	<u>973,387</u>
Total disbursements	<u>10,156,689</u>	<u>346,099</u>	<u>-</u>	<u>877,704</u>	<u>1,352,546</u>	<u>42,363</u>	<u>2,413,246</u>	<u>15,188,647</u>
Excess (deficiency) of total receipts over (under) total disbursements	1,271,967	169,785	257,050	73,364	(193,445)	18,967	341,281	1,938,969
Cash and investments - beginning	<u>1,947,701</u>	<u>(95,367)</u>	<u>750,179</u>	<u>72,415</u>	<u>807,539</u>	<u>83,427</u>	<u>722,464</u>	<u>4,288,358</u>
Cash and investments - ending	<u>\$ 3,219,668</u>	<u>\$ 74,418</u>	<u>\$ 1,007,229</u>	<u>\$ 145,779</u>	<u>\$ 614,094</u>	<u>\$ 102,394</u>	<u>\$ 1,063,745</u>	<u>\$ 6,227,327</u>

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF CASH ACTIVITIES

Net change in fund balances - total governmental funds	\$ 1,938,969
Amounts reported for governmental activities in the statement of cash activities are different because:	
Internal service funds are not reported as a part of governmental funds.	<u>14,745</u>
Change in cash and investments of governmental activities	<u>\$ 1,953,714</u>

ALEXANDRIA COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2006

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 2,541,755	\$ 660,040	\$ 31,425	\$ 340,379	\$ 538,389	\$ 78,353	\$ 815,357	\$ 5,005,698
Intermediate sources	156	-	-	-	-	-	656	812
State sources	8,135,404	-	-	-	-	-	1,991,330	10,126,734
Federal sources	-	-	-	-	-	-	1,137,349	1,137,349
Bonds and loans	-	100,000	-	-	-	-	-	100,000
Sale of property, adjustments and refunds	9,489	17	-	-	-	-	20,389	29,895
Intergovernmental transfers	100	-	-	-	-	-	172,348	172,448
Total receipts	10,686,904	760,057	31,425	340,379	538,389	78,353	4,137,429	16,572,936
Disbursements:								
Current:								
Instruction	4,610,239	-	-	-	-	-	589,367	5,199,606
Support services	4,331,200	428,613	-	-	904,696	-	3,232,330	8,896,839
Community services	170,059	-	-	-	-	-	3,236	173,295
Nonprogrammed charges	272,140	-	100,000	-	-	-	177,455	549,595
Debt services	-	-	-	363,786	-	-	192,523	556,309
Total disbursements	9,383,638	428,613	100,000	363,786	904,696	-	4,194,911	15,375,644
Excess (deficiency) of total receipts over (under) total disbursements	1,303,266	331,444	(68,575)	(23,407)	(366,307)	78,353	(57,482)	1,197,292
Cash and investments - beginning	3,219,668	74,418	1,007,229	145,779	614,094	102,394	1,063,745	6,227,327
Cash and investments - ending	<u>\$ 4,522,934</u>	<u>\$ 405,862</u>	<u>\$ 938,654</u>	<u>\$ 122,372</u>	<u>\$ 247,787</u>	<u>\$ 180,747</u>	<u>\$ 1,006,263</u>	<u>\$ 7,424,619</u>

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF CASH ACTIVITIES

Net change in fund balances - total governmental funds	\$ 1,197,292
Amounts reported for governmental activities in the statement of cash activities are different because:	
Internal service funds are not reported as a part of governmental funds.	<u>31,543</u>
Change in cash and investments of governmental activities	<u>\$ 1,228,835</u>

ALEXANDRIA COMMUNITY SCHOOL CORPORATION
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH AND INVESTMENTS
 PROPRIETARY FUND
 For The Year Ended June 30, 2005

	Internal Service Fund
Receipts:	
Local sources	\$ 14,745
Changes in cash and investments	14,745
Cash and investments - beginning	1,055,650
Cash and investments - ending	\$ 1,070,395

The accompanying notes are an integral part of the financial statements.

ALEXANDRIA COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
PROPRIETARY FUND
For The Year Ended June 30, 2006

		Internal Service Fund
Receipts:		
Local sources	\$	31,543
Changes in cash and investments		31,543
Cash and investments - beginning		1,070,395
Cash and investments - ending	\$	1,101,938

The accompanying notes are an integral part of the financial statements.

ALEXANDRIA COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2005

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Local sources	\$ 18,979	\$ -
Bonds and loans	1,500,000	-
Total additions	1,518,979	-
Deductions:		
Support services	-	36,837
Excess (deficiency) of total additions over (under) total deductions	1,518,979	(36,837)
Cash and investments - beginning	-	38,237
Cash and investments - ending	\$ 1,518,979	\$ 1,400

The accompanying notes are an integral part of the financial statements.

ALEXANDRIA COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2006

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Local sources	\$ 43,427	\$ -
Transfers	60,000	-
Total additions	103,427	-
Excess of total additions over total deductions	103,427	-
Cash and investments - beginning	1,518,979	1,400
Cash and investments - ending	\$ 1,622,406	\$ 1,400

The accompanying notes are an integral part of the financial statements.

ALEXANDRIA COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2005

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 1,518,979	\$ 1,400	\$ 10,480
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	<u>\$ 1,518,979</u>	<u>\$ 1,400</u>	

The accompanying notes are an integral part of the financial statements.

ALEXANDRIA COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2006

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 1,622,406	\$ 1,400	\$ (122,922)
 <u>Net Assets</u>			
Held in trust for employee benefits and other purposes	<u>\$ 1,622,406</u>	<u>\$ 1,400</u>	

The accompanying notes are an integral part of the financial statements.

ALEXANDRIA 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: Alexandria 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 with 46 other school corporations in a joint venture to operate the East Central Educational Service Center (Service Center) which was created to increase the school corporations buying power when purchasing services, materials, supplies, and equipment. The School Corporation is obligated by contract to remit \$3 per student as a membership fee, annually. The School Corporation paid \$5,701 and \$5,887 to the Service Center in the 2004-2005 and 2005-2006 school years, respectively. The Service Center uses its surplus resources to undertake special projects for the participants. The Service Center's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Service Center can be obtained from the East Central Educational Service Center, 1601 Indiana Avenue, Connersville, IN 47331.

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, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary

ALEXANDRIA COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

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

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

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

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

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

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for the self-insurance plan established to pay for expenses for medical benefits to employees, retirees, and dependents.

The pension trust funds account for the activities of the retirement / severance bond fund and the postretirement/severance future benefit fund, which accumulate resources for pension benefit payments.

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the professional development of staff at the Intermediate School.

Agency funds account for assets held by the School Corporation as an agent for employees, federal and state agencies, and other insurance companies and serve as control of accounts for certain cash transactions during the time they are a liability to the School Corporation.

C. Measurement Focus and Basis of Accounting

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

ALEXANDRIA COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

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. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. 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 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.

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 5 to 12 days per year based on the employees' position and years of service. Unused sick leave does not accumulate from year to year for cooks. Aides may accumulate up to 10 sick days. Certified employees may accumulate sick days indefinitely. Accumulated sick leave is paid to certified employees through cash payments upon retirement.

ALEXANDRIA COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 5 days to 10 days per school year based upon the number of years of service. Vacation leave does not accumulate from year to year.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 2 days per school year. Unused personal leave does not accumulate from year to year for cooks and aides. For other employees, unused personal leave does accumulate as additional sick leave.

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 liabilities 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."

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

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

ALEXANDRIA COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

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

Fund Financial Statements

1. Interfund 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 reported as reimbursements.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

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

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

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 July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes

ALEXANDRIA COMMUNITY SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

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

B. Cash and Investment Balance Deficits

At June 30, 2005 and 2006, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	06-30-05	06-30-06
Retirement/Severance Bond	\$ 369	\$ 3,443
Debt Computer Common School Loan	-	43,520
Title I FY 06	-	36,624
Payroll Withholdings	-	122,922
Totals	\$ 369	\$ 206,509

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

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of June 30, 2006, the School Corporation had \$1,500,000 invested in "MBIA Invest Indiana pool," which is a 2a7-like investment pool, not subject to risk assessment.

ALEXANDRIA COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2005 and 2006, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2004</u>	<u>2005</u>
General Fund	Transportation Fund	\$ 62,673	\$ -
General Fund	Rainy day Fund	250,000	-
Other governmental	General Fund	19,280	100
Other governmental	Other governmental	<u>95,451</u>	<u>172,348</u>
Totals		<u>\$ 427,404</u>	<u>\$ 172,448</u>

The School Corporation typically uses transfers for cash flow purposes according to various statutes.

IV. Other Information

A. Risk Management

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

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees, Retirees, and Dependents (Excluding postemployment Benefits)

The School Corporation has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees, and dependents (excluding postemployment benefits). The risk financing fund is accounted for in the Self Insurance Fund, an internal service fund,) where assets are set aside for claim settlements.

On January 1, 2001, the School Corporation joined with other governmental entities to form the North Central Indiana School Insurance Consortium, a public entity risk pool currently operating as a common risk management and insurance program for six member governmental entities. The purpose of the risk pool is to provide a medium for the funding and administration of medical benefits to employees, retirees, and dependents (excluding postemployment benefits). The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$100,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$100,000 limit.

ALEXANDRIA COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment early retirement benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55, and until they reach the age 62, with at least 12 years of service. Currently, 14 retirees meet these eligibility requirements. Disbursements for those post-employment benefits are recognized on a pay-as-you-go basis. Disbursements for postemployment benefits cannot be reasonably estimated.

Also, in addition to the pension benefits described below, the School Corporation provides post-employment health insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55, and until they reach age 65, with at least 12 years of service. Currently, 14 retirees meet these postemployment benefits. Disbursements for these postemployment benefits are recognized on a pay-as-you-go basis. Disbursements for post-employment benefits cannot be reasonably estimated.

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

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

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

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

ALEXANDRIA COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 50,936
Interest on net pension obligation	(4,356)
Adjustment to annual required contribution	4,964
Annual pension cost	51,544
Contributions made	51,063
Increase in net pension obligation	481
Net pension obligation, beginning of year	(60,085)
Net pension obligation, end of year	\$ (59,604)
Contribution rates:	
School Corporation	6.85%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 46,370	107%	\$ (57,467)
	06-30-04	45,650	106%	(60,085)
	06-30-05	51,544	112%	(59,604)

ALEXANDRIA COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Teachers' Retirement Fund

Plan Description

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

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

Teachers' Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

Funding Policy and Annual Pension Costs

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2006, 2005, and 2004, were \$151,837, \$161,877, and \$130,809, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years, respectively.

ALEXANDRIA 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)
07-01-03	\$ 934,846	\$ 957,794	\$ (22,948)	98%	\$ 912,474	(3%)
07-01-04	949,106	1,020,782	(71,676)	93%	945,469	(8%)
07-01-05	989,489	1,138,143	(148,654)	87%	911,137	(16%)

ALEXANDRIA COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

OVERDRAWN FUND BALANCES

The Retirement/Severance Bond Fund was overdrawn at June 30, 2005, in the amount of \$369.40. The Retirement/Severance Bond Fund, The Debt Computer Common School Loan Fund, the Title I FY 06 Fund, and the Payroll Withholding Fund (Net) were overdrawn at June 30, 2006, in the amounts of \$3,442.57, \$43,519.75, \$36,624.33, and \$122,922.10, respectively.

The balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were noted.

1. Record balances were not properly reconciled to depository balances.

Indiana Code 5-13-6-1(e) states in part: "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)

2. Investments made from specific funds were not accounted for or reported on either the funds ledger or on the biannual financial report to the Indiana Department of Education (Form 9). As of June 30, 2005 and June 30, 2006, these fund investments amounted to \$2,900,000 and \$5,900,000, respectively.

When investments are made from a specific fund, a new fund entitled "Investment Fund" should be set up on the records. The net purchase price should be entered as a receipt to this fund. When the investment is sold, the net purchase price should be entered as a disbursement from the "Investment Fund." Thus, at any time, the amounts invested from specific funds would be a part of the fund balance and would be included in the balances and activities included in the biannual financial reports to the Indiana Department of Education (Form 9). (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 14)

ALEXANDRIA COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

3. Cash Transfer Tuition (Form 515) was not properly completed and documented. Records as maintained could not support the verification of correct charges and collections for cash transfer tuition.

Indiana Code 26-11-6 states in part: "(b) A transfer may not be accepted unless the requesting parents or student pays transfer tuition in an amount determined under the formula established."

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. (Accounting and Uniform Compliance Guidelines Manual for Public School Corporations, Chapter 9).

OFFICIAL BOND

The following official bonds were not filed in the Office of the County Recorder for the periods after July 1, 2005:

1. Peggy Jackson, Corporation Treasurer
2. Teresa Baker, Extra Curricular Treasurer

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder . . ."

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 ALEXANDRIA COMMUNITY
SCHOOL CORPORATION, MADISON COUNTY, INDIANA

Compliance

We have audited the compliance of the Alexandria 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, 2005 and 2006. 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; 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, 2005 and 2006.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

December 4, 2006

ALEXANDRIA COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2005 and 2006

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 06-30-05	Total Federal Awards Expended 06-30-06
U.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	FY 04/05	\$ 46,390	\$ -
		FY 05/06	-	62,911
National School Lunch Program	10.555	FY 04/05	183,474	-
		FY 05/06	-	225,313
Total for federal grantor agency and cluster			<u>229,864</u>	<u>288,224</u>
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Anderson Community Schools				
Special Education Cluster				
Special Education - Grants to States	84.027			
Part B FY 04		FY 04	255,898	-
CSPD FY 04/05		14205-002-PN01	87,414	193,124
Part B Carryover FY 06		14205-095-PY02	-	134,196
FY 05 Sliver		14205-002-SN01	4,366	1,412
Spec Ed Part B FY 05/06		14206-002-PN01	-	117,411
Total for program			<u>347,678</u>	<u>446,143</u>
Special Education - Preschool Grants				
Preschool FY 04 Carryover	84.173	4570-043-PY02	8,837	-
Spec Ed Preschool FY 05/06		45706-002-PN01	-	8,382
Spec Ed Preschool FY 04/05		45705-002-PN01	5,743	11,007
Preschool Carryover FY 06		45705-101-PY02	-	9,285
Total for program			<u>14,580</u>	<u>28,674</u>
Total for cluster			<u>362,258</u>	<u>474,817</u>
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies				
FY 04/05	84.010	05-5265	323,106	54,050
School Improvement		FY 05/06	8,742	11,175
FY 05/06		06-5265	-	195,358
Improvement FY 06		FY 06-07	-	12,156
Total for program			<u>331,848</u>	<u>272,739</u>
Migrant Education - State Grant Program				
	84.011	FY 04-05/RM-3	41,406	-
		FY 05-06/RM-2	-	59,044
Total for program			<u>41,406</u>	<u>59,044</u>
Safe and Drug Free Schools and Communities - State Grants				
	84.186	03-258	8,492	-
		04-257	2,919	8,031
		FY 06	-	8,758
Total for program			<u>11,411</u>	<u>16,789</u>
State Grants for Innovative Programs				
	84.298	03-275	8,122	-
		04-250	5,930	29,895
		FY 05/06	-	7,016
Total for program			<u>14,052</u>	<u>36,911</u>
Education Technology State Grants				
	84.318	110SY02-03	39,030	96,510
English Language Acquisition Grants				
	84.365	FY 02-03	111	-
		FY 04-05	4,451	5,993
		FY 05-06	-	7,223
Total for program			<u>4,562</u>	<u>13,216</u>
Improving Teacher Quality State Grants				
	84.367	04-212	74,252	55,433
Total for federal grantor agency			<u>878,819</u>	<u>1,025,459</u>
Total federal awards expended			<u>\$ 1,108,683</u>	<u>\$ 1,313,683</u>

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

ALEXANDRIA 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 Alexandria Community School Corporation (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2005 and 2006. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2004-2005	2005-2006
School Breakfast Program	10.553	\$ 3,494	\$ 3,631
National School Lunch Program	10.555	13,826	12,684

ALEXANDRIA 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
 Reportable conditions 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
 Reportable conditions 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:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I Grants to States Special Education 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.

Alexandria Community School Corporation

202 EAST WASHINGTON STREET
ALEXANDRIA, INDIANA 46001

Telephone: (765) 724-4496

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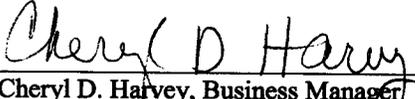
Cheryl Harvey, Business Manager

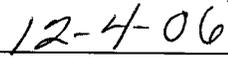
PRIOR FINDING LETTER

FINDING FOR THE 133 AUDIT

Auditee Contact Person: Cheryl D. Harvey
Title of Contract Person: Business Manager
Phone Number: 765-298-6508
Expected Completion Date: June 2008

We have increased the Capital Asset threshold to \$5000. We are still working on the plan from last audit. We will be doing manual audits and update what is in our current system. We will be able to make changes to the inventory by using our Accounts Payable program to help keep track of new items. We will have a system put in place to make sure any disposal of equipment will result in removal from the capital asset program.


Cheryl D. Harvey, Business Manager


Date

ALEXANDRIA COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on December 12, 2006, with James Willey, Superintendent of Schools; and Cheryl D. Harvey, Treasurer. The officials concurred with our audit findings.

The contents of this report were discussed on December 12, 2006, with Peggy Jackson, former Treasurer.