

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

AUDIT REPORT

OF

ANDERSON COMMUNITY SCHOOL CORPORATION

MADISON COUNTY, INDIANA

July 1, 2004 to June 30, 2006



FILED

02/28/2007

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials.....	3
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	4-5
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.....	6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Cash and Investments	7-8
Statement of Cash Activities	9-10
Fund Financial Statements:	
Governmental Funds:	
Statement of Receipts, Disbursements, and Cash and Investment Balances – Governmental Funds.....	11-12
Reconciliation of the Statement of Receipts, Disbursements, and Cash and Investment Balances of Governmental Funds to the Statement of Cash Activities.....	11-12
Proprietary Funds:	
Statement of Receipts, Disbursements, and Changes in Cash and Investments – Proprietary Fund.....	13-14
Fiduciary Funds:	
Statement of Receipts, Disbursements, and Changes in Cash and Investments – Fiduciary Funds.....	15-16
Statement of Cash and Investments – Fiduciary Funds.....	17-18
Notes to Financial Statements	19-28
Required Supplementary Information:	
Schedule of Funding Progress	29
Supplementary Information:	
Schedule of Long-Term Debt.....	30

TABLE OF CONTENTS
(Continued)

<u>Description</u>	<u>Page</u>
Audit Results and Comments:	
Average Daily Membership (ADM) - Incorrect Reporting to the State	31
Average Daily Membership (ADM) - Honors Diplomas - Incorrect Reporting to the State	31-32
Investments	32
Deposits	32
All Day Kindergarten Policy and Practices	33
Prescribed Forms - Textbook Rental Receipts	33
Extra-Curricular Treasurers' Official Bond	33-34
Internal Controls	34
Bank Account Reconciliations	35
Receipt Issuance and Deposits	35
Receipt Issuance	35-36
Deposits	36
Student Activity Fund	36-37
Disbursements	37
Condition of Records	37
Athletic Change Fund	38
Petty Cash Fund Activity	38
Disbursement Documentation	38-39
Investments	39
Interest on Investments	39
Overdrawn Cash Balances	39
Sales Tax	40
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	42-43
Schedule of Expenditures of Federal Awards	44-45
Notes to Schedule of Expenditures of Federal Awards	46
Schedule of Findings and Questioned Costs	47
Auditee Prepared Schedule:	
Summary Schedule of Prior Audit Findings	48
Exit Conference	49
Official Response	50-52

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kevin J. Brown	07-01-04 to 06-30-07
Superintendent of Schools	Dr. Timothy D. Long Mikella A. Lowe (Interim)	07-01-02 to 07-31-06 08-01-06 to 06-30-07
President of the School Board	Keith Millikan	07-01-04 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 ANDERSON COMMUNITY
SCHOOL CORPORATION, MADISON COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Anderson 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, 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 February 6, 2007, 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 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.

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

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. The Schedule of Long-Term Debt is presented for additional analysis and is not a required part of the basic financial statements. The Schedule of Long-Term Debt has 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 it.

STATE BOARD OF ACCOUNTS

February 6, 2007



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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 ANDERSON COMMUNITY
SCHOOL CORPORATION, MADISON COUNTY, INDIANA

We have audited the financial statements of the Anderson Community School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated February 6, 2007. 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.

We noted other matters involving the internal control over financial reporting that we have discussed with the management of the School Corporation on February 6, 2007. These immaterial instances of non-compliance were subsequently communicated to management in a separate letter.

This report is intended solely for the information and use of the School Corporation's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

February 6, 2007

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

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 29,126,664
Restricted assets:	
Cash and investments	<u>3,722,467</u>
Total assets	<u>\$ 32,849,131</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 3,722,467
Unrestricted	<u>29,126,664</u>
Total net assets	<u>\$ 32,849,131</u>

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

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

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 32,237,758
Restricted assets:	
Cash and investments	<u>8,114,337</u>
Total assets	<u>\$ 40,352,095</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 8,114,337
Unrestricted	<u>32,237,758</u>
Total net assets	<u>\$ 40,352,095</u>

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

ANDERSON 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	\$ 36,698,639	\$ -	\$ 1,111,491	\$ (35,587,148)
Support services	67,223,530	1,876,639	2,509,188	(62,837,703)
Community services	1,507,015	-	-	(1,507,015)
Nonprogrammed charges	11,185,003	-	-	(11,185,003)
Debt service	<u>33,887,201</u>	<u>-</u>	<u>-</u>	<u>(33,887,201)</u>
Total governmental activities	<u>\$ 150,501,388</u>	<u>\$ 1,876,639</u>	<u>\$ 3,620,679</u>	<u>(145,004,070)</u>
General receipts:				
Property taxes				45,300,501
Other local sources				22,228,356
State aid				45,971,578
Grants and contributions not restricted				8,715,753
Bonds and loans				46,887,671
Sale of property, adjustments, and refunds				373,903
Investment earnings				376,551
Intergovernmental transfers				<u>2,606,840</u>
				Total general receipts and intergovernmental transfers <u>172,461,153</u>
				Change in cash and investments 27,457,083
				Net assets - beginning <u>5,392,048</u>
				Net assets - ending <u>\$ 32,849,131</u>

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

ANDERSON 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	\$ 42,225,164	\$ -	\$ 933,780	\$ (41,291,384)
Support services	76,235,805	1,853,582	2,577,124	(71,805,099)
Community services	1,305,830	-	-	(1,305,830)
Nonprogrammed charges	9,408,566	-	-	(9,408,566)
Debt service	<u>31,536,026</u>	<u>-</u>	<u>-</u>	<u>(31,536,026)</u>
Total governmental activities	<u>\$ 160,711,391</u>	<u>\$ 1,853,582</u>	<u>\$ 3,510,904</u>	<u>(155,346,905)</u>
General receipts:				
Property taxes				37,044,016
Other local sources				20,081,962
State aid				48,490,787
Grants and contributions not restricted				8,680,960
Bonds and loans				43,881,711
Sale of property, adjustments, and refunds				376,973
Investment earnings				1,310,114
Intergovernmental transfers				<u>2,983,346</u>
				Total general receipts and intergovernmental transfers
				<u>162,849,869</u>
				Change in cash and investments
				7,502,964
				Net assets - beginning
				<u>32,849,131</u>
				Net assets - ending
				<u>\$ 40,352,095</u>

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

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

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	High School Remodeling	Other	Totals
Receipts:								
Local sources	\$ 30,187,465	\$ 6,231,993	\$ 6,290,475	\$ 8,839,314	\$ 176,514	\$ 3,954	\$ 3,617,369	\$ 55,347,084
Intermediate sources	530	-	-	-	-	-	-	530
State sources	46,362,684	-	-	-	-	-	2,283,074	48,645,758
Federal sources	287,575	-	-	-	-	-	9,297,426	9,585,001
Bonds and loans	24,709,186	2,190,667	1,147,000	4,222,792	-	12,788,176	1,829,850	46,887,671
Sale of property, adjustments and refunds	258,465	-	-	-	-	-	115,438	373,903
Intergovernmental transfers	614,867	-	-	-	-	-	1,991,973	2,606,840
Total receipts	102,420,772	8,422,660	7,437,475	13,062,106	176,514	12,792,130	19,135,130	163,446,787
Disbursements:								
Current:								
Instruction	31,642,055	-	-	-	-	-	5,056,584	36,698,639
Support services	30,871,924	4,353,873	77,294	4,223,606	68,686	4,969,088	10,638,437	55,202,908
Community services	511,388	-	-	-	-	-	995,627	1,507,015
Nonprogrammed charges	3,389,058	360,000	3,022,367	2,420,000	205,000	-	1,788,578	11,185,003
Debt services	25,401,538	2,001,645	1,687,943	3,883,022	-	-	913,053	33,887,201
Total disbursements	91,815,963	6,715,518	4,787,604	10,526,628	273,686	4,969,088	19,392,279	138,480,766
Excess (deficiency) of total receipts over (under) total disbursements	10,604,809	1,707,142	2,649,871	2,535,478	(97,172)	7,823,042	(257,149)	24,966,021
Cash and investments - beginning	(3,347,841)	(211,664)	625,145	(1,342,071)	121,296	(179,087)	3,909,154	(425,068)
Cash and investments - ending	<u>\$ 7,256,968</u>	<u>\$ 1,495,478</u>	<u>\$ 3,275,016</u>	<u>\$ 1,193,407</u>	<u>\$ 24,124</u>	<u>\$ 7,643,955</u>	<u>\$ 3,652,005</u>	<u>\$ 24,540,953</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	\$ 24,966,021
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>2,491,062</u>
Change in cash and investments of governmental activities	<u>\$ 27,457,083</u>

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

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	High School Remodeling	High School Remodeling Phase II	Other	Totals
Receipts:									
Local sources	\$ 21,688,106	\$ 4,558,601	\$ 9,683,412	\$ 5,585,476	\$ 56,712	\$ 29,176	\$ 76,667	\$ 4,333,716	\$ 46,011,866
Intermediate sources	1,059	-	-	-	-	-	-	-	1,059
State sources	48,697,107	-	-	-	-	-	-	2,358,669	51,055,776
Federal sources	373,381	-	-	-	-	-	-	9,253,494	9,626,875
Bonds and loans	19,061,100	2,020,495	1,157,500	3,523,105	205,000	794,624	16,299,245	820,642	43,881,711
Sale of property, adjustments and refunds	291,743	-	-	262	-	-	62,141	22,826	376,972
Intergovernmental transfers	-	-	4,444	-	-	-	-	2,830,550	2,834,994
Total receipts	90,112,496	6,579,096	10,845,356	9,108,843	261,712	823,800	16,438,053	19,619,897	153,789,253
Disbursements:									
Current:									
Instruction	36,344,142	-	-	-	-	-	-	5,881,022	42,225,164
Support services	31,726,318	4,759,955	70,395	5,095,726	79,546	8,141,133	5,536,685	9,179,374	64,589,132
Community services	634,864	-	-	-	-	-	-	670,966	1,305,830
Nonprogrammed charges	6,681,783	126,781	248,740	770,860	1,248	-	-	1,579,154	9,408,566
Debt services	19,303,392	1,809,501	7,459,528	2,048,790	-	-	-	914,815	31,536,026
Total disbursements	94,690,499	6,696,237	7,778,663	7,915,376	80,794	8,141,133	5,536,685	18,225,331	149,064,718
Excess (deficiency) of total receipts over (under) total disbursements	(4,578,003)	(117,141)	3,066,693	1,193,467	180,918	(7,317,333)	10,901,368	1,394,566	4,724,535
Cash and investments - beginning	7,256,968	1,495,478	3,275,016	1,193,407	24,124	7,643,955	-	3,652,005	24,540,953
Cash and investments - ending	<u>\$ 2,678,965</u>	<u>\$ 1,378,337</u>	<u>\$ 6,341,709</u>	<u>\$ 2,386,874</u>	<u>\$ 205,042</u>	<u>\$ 326,622</u>	<u>\$ 10,901,368</u>	<u>\$ 5,046,571</u>	<u>\$ 29,265,488</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	\$ 4,724,535
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>2,778,429</u>
Change in cash and investments of governmental activities	<u>\$ 7,502,964</u>

ANDERSON 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	\$ 14,511,683
Disbursements:	
Support services	12,020,621
Change in cash and investments	2,491,062
Cash and investments - beginning	5,817,116
Cash and investments - ending	\$ 8,308,178

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

ANDERSON 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	\$ 14,276,750
Transfers	148,352
Total receipts	14,425,102
Disbursements:	
Support services	11,646,673
Total disbursements	11,646,673
Changes in cash and investments	2,778,429
Cash and investments - beginning	8,308,178
Cash and investments - ending	\$ 11,086,607

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

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

	Pension Trust Fund	Private-Purpose Trust Funds
Additions:		
Local sources	\$ 147,216	\$ 368
Sale of property, adjustments and refunds	-	2,863
Total additions	147,216	3,231
Deductions:		
Support services	3,795,709	-
Debt services	-	2,913
Total deductions	3,795,709	2,913
Excess (deficiency) of total additions over (under) total deductions	(3,648,493)	318
Cash and investments - beginning	7,292,133	22,909
Cash and investments - ending	\$ 3,643,640	\$ 23,227

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

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

	Pension Trust Fund	Private-Purpose Trust Funds
Additions:		
Local sources	\$ 372,996	\$ 520
Bonds and loans	71,517,140	-
Transfers	-	18,348
Total additions	71,890,136	18,868
Deductions:		
Support services	29,804,626	-
Nonprogrammed charges	-	18,448
Debt services	35,510,000	-
Total deductions	65,314,626	18,448
Excess of total additions over total deductions	6,575,510	420
Cash and investments - beginning	3,643,640	23,227
Cash and investments - ending	\$ 10,219,150	\$ 23,647

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

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

<u>Assets</u>	<u>Pension Trust Fund</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 3,643,640	\$ 23,227	\$ 163,124
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	<u>\$ 3,643,640</u>	<u>\$ 23,227</u>	

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

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

<u>Assets</u>	<u>Pension Trust Fund</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 10,219,150	\$ 23,647	\$ 350,032
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	\$ 10,219,150	\$ 23,647	

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

ANDERSON 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: Anderson 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*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Cash and Investments and the Statement of Cash Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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 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.

ANDERSON COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

The high school remodeling fund accounts for some of the high school planned construction, repair, and replacement or remodeling.

The high school remodeling phase II fund accounts for more of the high school planned construction, repair, replacement or remodeling.

Additionally, the School Corporation reports the following fund types:

The internal service fund (self-insurance fund) is a risk financing fund to account for the risk associated with the medical benefits to employees.

The pension trust fund accounts for the activities of retirement/severance benefits, which accumulate resources for pension benefit payments.

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

Agency funds account for assets held by the School Corporation as an agent for outside parties and serve as control 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.

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

ANDERSON COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

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 10 to 13 days per year. Unused sick leave may be accumulated indefinitely. Accumulated sick leave is paid to employees through cash payments upon retirement.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 4 days to 20 days per 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 4 days per year. Unused personal leave may be accumulated to a maximum of 8 days. Any days accumulated in excess of 8 days shall be accumulated as sick leave. Accumulated personal leave is not paid to employees.

ANDERSON 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 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.

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.

ANDERSON COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Cash and Investments and the Statement of Cash Activities, 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 Cash and Investments and the Statement of Cash Activities 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 Cash and Investments and the Statement of Cash Activities,

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following 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 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.

ANDERSON COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. 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. At June 30, 2006, 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, 2005 and 2006, were as follows:

Transfer From	Transfer To	2005	2006
General Fund	Other governmental	\$ 1,653,520	\$ -
General Fund	Internal Service	-	148,352
General Fund	All others	-	2,154,392
Debt Service	General Fund	614,867	-
Debt Service	Other governmental	-	236,640
Capital Projects	Other governmental	-	183,860
Transportation - Operating	Other governmental	-	126,781
School Bus Replacement	Other governmental	-	1,248
Other governmental	Debt Service	-	4,444
Other governmental	Other governmental	338,453	127,629
Totals		<u>\$ 2,606,840</u>	<u>\$ 2,983,346</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; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

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

ANDERSON COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Medical Benefits to Employees

The School Corporation has chosen to establish a risk financing fund for risks associated with medical benefits to employees. The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$100,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund.

B. Holding Corporation

The School Corporation has entered into a capital lease with Anderson School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. Lease payments during the years ended June 30, 2005 and 2006, totaled \$1,036,500 and \$6,622,500, respectively.

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment medical insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 50 with at least 15 years of service. Currently, 180 retirees meet these eligibility requirements. The School Corporation pays the full cost of the insurance for the first insurance year as designated by the retiree. Subsequent to the first year, any annual increase in the premium cost above the 9% is paid by the retiree for that year only. The benchmark year is determined on the average premium cost for September of the designated year through August of the following year. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the years ended June 30, 2005 and 2006, disbursements of \$1,662,373 and \$1,871,074, respectively, were recognized for postemployment benefits.

D. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of 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.

ANDERSON COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Actuarial Information for the Above Plan

		PERF
Annual required contribution	\$	349,541
Interest on net pension obligation		(51,185)
Adjustment to annual required contribution		58,329
Annual pension cost		356,685
Contributions made		457,862
Decrease in net pension obligation		(101,177)
Net pension obligation, beginning of year		(705,994)
Net pension obligation, end of year	\$	(807,171)
Contribution rates:		
School Corporation		5.5%
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

ANDERSON COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions	PERF
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	\$ 466,973	117%	\$ (494,155)
	06-30-04	318,705	166%	(705,994)
	06-30-05	356,685	144%	(807,171)

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

ANDERSON COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 \$1,007,328, \$979,434, and \$901,809, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years, respectively.

ANDERSON 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)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 10,726,175	\$ 10,136,758	\$ 589,417	106%	\$ 7,592,812	8%
07-01-04	10,875,650	10,534,333	341,317	103%	7,706,792	4%
07-01-05	11,243,162	11,509,553	(266,391)	98%	7,525,251	(4%)

ANDERSON COMMUNITY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2006

The School Corporation has entered into the following long-term debt obligations:

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Anderson Elementary School Construction	\$ 6,273,669	\$ 231,395
Erskine Elementary School Construction	15,778,305	581,960
East Side Elementary School Construction	19,985,397	737,132
High School Remodeling and Renovations	42,417,630	1,564,513
High School Remodeling and Renovations	12,100,000	-
Wireless Network	64,185	64,185
Bonds payable:		
General obligation bonds:		
Pension Obligation	7,975,000	505,000
Retirements/Severance Liability	<u>35,510,000</u>	<u>570,000</u>
Total governmental activities long-term debt	<u>\$ 140,104,186</u>	<u>\$ 4,254,185</u>

ANDERSON COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

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

The Student Administration Student Information (SASI) computer system was used to generate the numbers and names for the enrollment figures on Form 30A, Report of Average Daily Membership (ADM) in both years of the audit. Much of the filing has been done on the internet as required by the Indiana Department of Education (IDOE). No hardcopy listings of names were maintained from the initial filing and all lists of names had to be reproduced from computer files. Retention or identification of the correct files with student name listings became an audit issue with differing lists of names being submitted for audit as the actual ADM supporting list of student names. The building level officials did not review the final information or provide any written certification for the ADM data. Additionally, the supporting student lists of enrollment were not in agreement with the Form 30A.

The enrollment count dates for 2004-2005 and 2005-2006 were September 17, 2004 and September 16, 2005, respectively. The difference between the count reported on the ADM and the verified figures are shown below:

<u>School Year</u>	<u>Grade</u>	<u>Count as Reported on Form 30A</u>	<u>Actual Enrollment Figures</u>	<u>Difference</u>
2004-2005	Kindergarten	367.18	362.68	4.5
2004-2005	1 through 12	9,552.22	9,541.22	11
2005-2006	Kindergarten	375.56	375.56	-
2005-2006	1 through 12	9,377.19	9,376.19	1

The building level official (Principal, Assistant Principal, etc.) responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

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

AVERAGE DAILY MEMBERSHIP (ADM) -HONORS DIPLOMAS –
NCORRECT REPORTING TO THE STATE

The information presented for audit indicated honors diplomas figures on Form 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for the school year ending June 30, 2005. The report was filed September 16, 2005, and represents the honors diplomas from spring of 2004. The difference between the count reported on the ADM and the verified figures are shown below:

<u>School Year</u>	<u>Honors Diplomas Reported on Form 30A</u>	<u>Actual Honors Diplomas Per School Records</u>	<u>Difference</u>
2004-2005	185	178	7

ANDERSON COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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

INVESTMENTS

The actual investment activity was not correctly shown in the School Corporation records or on the financial reporting (Form 9).

The Investment Register did not include most of the investment information for the 2004-2005 school year. Significant differences between the 2005-2006 Biannual Financial Report (Form 9) to the Department of Education reporting of investment transactions and actual transactions were noted. Specifically, only \$4 million of approximately \$78 million in purchases were shown on the Form 9 report. Similarly, the Form 9 report indicated that \$9 million of investments were sold instead of approximately \$83 million.

Additionally, we noted that some investments were allowed to renew with the same certificate of deposit and the interest was allowed to accumulate.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulation. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

DEPOSITS

Receipts in numerous instances were deposited later than the next business day. We noted lapses in time where no receipts or deposits were made for a week or more. Additionally, some checks written by the food service extra-curricular account were held for up to 90 days with many held approximately 1 month.

Indiana Code 5-13-6-1(c) states in part: ". . . all local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance. . ."

ANDERSON COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

ALL DAY KINDERGARTEN POLICY AND PRACTICES

The School Board has established all day kindergarten in some schools, but adequate guidance has not been established concerning some of the day to day financial operations of the program. Policy and procedures for the Extra-Curricular Account (ECA) Treasurers do not cover any procedure for collection of non-payment. There is no guidance for collections of amounts due when parents have written nonsufficient funds checks. No policy has been established for ECA Treasurers to follow concerning the method of tracking payments, billings, notices, etc.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulation. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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

PRESCRIBED FORMS – TEXTBOOK RENTAL RECEIPTS

Most of the Schools were not using a prescribed or approved form as a textbook rental receipt. Both of the high schools were using an approved Form TBR-2, Official Receipt - Individual Textbook Rental List. We noted at the middle and elementary school levels, some nonuse of any prescribed receipt as well as some use of the prescribed general receipt.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

EXTRA-CURRICULAR TREASURERS' OFFICIAL BOND

The extra-curricular account treasurers were covered by an insurance policy for public employees' dishonesty. The period of coverage was not in accordance with the requirements. A continuation certificate was received for the current audit period, from the insurance company which extended the period of coverage, but did not provide the same coverage as a new bond. Additionally, the schedule of positions covered by the insurance policy did not provide coverage for East Side Elementary School Treasurer. Each position had a maximum dishonesty coverage of \$25,000 per person, which was for an insufficient amount in some instances. A similar comment appeared in prior Audit Report B24737.

ANDERSON COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 20-41-1-6 states in part: "(a) The treasurer shall give a bond in an amount fixed by the superintendent and principal of the school approximating the total amount of anticipated funds that will come into the possession of the treasurer at any one (1) time during the regular school year. Bonds shall be filed with the trustee or board of school trustees. . . . (b) The requirements of this chapter may be fulfilled by providing a comprehensive bonding instrument, including a single blanket position bond, for all extracurricular treasurers. A comprehensive bonding instrument is acceptable instead of individual separate personal position bonds."

INTERNAL CONTROLS (Applies to Southview and Valley Grove Elementary, and Eastside Middle Schools)

Some weaknesses were noted with the process of posting the records. The checks were manually written and then entered into the computer system to be posted to the accounting software. The accounting system will allow the Extra-Curricular Treasurer to post a check outside of the current month, which in effect keeps the transaction from posting on the current monthly reports. The transaction will only be reflected on the annual report.

In January and February 2005, eight bank counter checks were written at Valley Grove Elementary School, and some were not posted timely i.e., records did not reflect a \$945 check written in February until the check cleared in April. The system allowed the check to be entered with the February date as though posted. One error remaining to be corrected, was a duplicate posting of a check which continued to be on the outstanding check list.

Corrections at Southview Elementary, were made to the May 31, 2005, balances in September 2005. An adjustment was made on September 16, 2005, in the amount of \$227.77; however, the posting date indicated the entry was made on May 31, 2005. Additionally, at Southview Elementary, three individual educational fees deposits were posted to the ledger in the amount of \$177.50 on October 7, 2005. The Treasurer wrote another receipt on October 31, 2005, for the total amount of these educational fees deposits; however, the system allowed the receipt to be entered on October 7th instead of October 31st which resulted in a double posting of the actual money collected.

Receipt 5579 at Eastside Middle School was written and dated September 29, 2005, for \$22. A notation on the upper left corner of the receipt was indicated an additional \$6.34 was received for a donation to the Hurricane Katrina Relief Effort. The system then allowed two receipts numbered 5579 to be posted to the ledger, one for \$22 and one for \$6.34.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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 Extra-Curricular Accounts, Chapter 7)

ANDERSON COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

BANK ACCOUNT RECONCILIATIONS (Applies to North Anderson and Forest Hills Elementary Schools)

Depository reconciliations at North Anderson Elementary School, of the fund balances to the bank account balances were incorrect from October 2004 forward. The record balance was not supported by the bank reconciliation due to some recordkeeping errors caused by posting a receipt twice and failing to post various bank charges. Monthly bank reconciliations were presented but did not agree with the record balance. Errors totaled approximately \$460. North Anderson Elementary School closed at the end of the 2004-2005 school year and funds were transferred to East Side Elementary School.

The 2006-2007 bank account reconciliations at Forest Hills Elementary, were not maintained up to date as of November 28, 2006. The last month that was reconciled to the bank was July 2006.

Indiana Code 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."

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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 Extra-Curricular Accounts, Chapter 7)

RECEIPT ISSUANCE AND DEPOSITS (Applies to Highland High School)

Receipts were not always issued at the time of transaction and deposits were not always made without unreasonable delay. Money in one instance, accumulated for 20 days before any receipts were issued or deposits were made. Receipts were not issued and deposits were not made at Highland High School from November 30, 2005 through December 20, 2005. Receipts were written on December 20th and 21st of 2005, for the monies collected from December 1st through December 20th and 2 deposits were made totaling \$38,550.09.

Indiana Code 20-41-1-9 states in part: ". . . receipts shall be deposited without unreasonable delay."

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

RECEIPT ISSUANCE (Applies to Anderson, Robinson, and Valley Grove Elementary Schools)

Receipts at Anderson and Robinson Elementary Schools, were prepared but not always issued or completed sufficiently. Some receipts were not written to individuals, but were written to groups of teachers, parents, or students. Several receipts did not include payment type information. Additionally, at Robinson Elementary, some receipts were never given to the person making the payment.

ANDERSON COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Similarly, at Valley Grove Elementary School, receipts were not written when funds were received, nor issued to the person paying, nor were they completed sufficiently. Receipts were written when funds were deposited. The receipts did not include payment type information and were not given to the person making the payment. The receipts in many cases, did not list the person paying, but listed the type or source of money received instead of the payer's name.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

The receipt, to be properly issued, shall show the date, the name of the person from whom the money was received, the payment type, the activity fund for which it was received, the amount and the source of the receipt. The receipt form must be signed by the treasurer of the extra-curricular account or collecting authority. The cash receipts collected by and for the benefit of any activity fund should be in charge of some designated official or sponsor of the activity, until turned over to the treasurer of the extra-curricular account. Posting to the control account and the activity funds will be made from the duplicate receipts (Register of Receipts) in the same manner as previously outlined for the posting of checks. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

DEPOSITS (Applies to Forest Hills and Southview Elementary Schools and Ebbertt Education Center)

Receipts were not always deposited within a reasonable time. As similarly stated in prior Audit Report B20654 and B24737, Southview Elementary held receipts for periods of 7 days before depositing the funds. Some of the receipts at Forest Hills Elementary in 1 instance, accumulated to \$7,075 and were held for 18 days before the monies were deposited. Finally, at Ebbertt Education Center, receipts accumulated to \$2,006 over a period of 13 days before being deposited.

Indiana Code 20-41-1-9 states in part: ". . . receipts shall be deposited without unreasonable delay."

STUDENT ACTIVITY FUND (Applies to Anderson Elementary School)

Disbursements from the Student Activity Fund were not always for student activities. A review of expenditures noted that on some occasions student activity funds were used for food and supplies for teacher and staff meetings, training, and appreciation parties. A payment from the Student Activity Fund for the purchase of sweats for staff costing \$352.60 was observed in March 2006. Additionally, student activity funds were used to pay for postage on a regular basis and personal services for assistance in closing school.

The State Board of Accounts consistently has been of the audit position to not take an audit exception to a school extra curricular account having a general fund if the fund consists of revenues received from functions (vending machines or sales of a similar nature, etc.) not generated by students for a specific class or organization (for which a fund should be established). Our audit position has been with the provision that the functions for which the expenditures are made benefit the student body as a whole (as opposed to a select group of students, school employees or administrators). Examples of appropriate expenditures in the past would be convocations, field trips which the entire student body has the opportunity to take during the course of the school year, etc. Our audit position has been based in part upon the substance of the transaction (the revenues are primarily from students or parents paying into vending machines, picture money, etc.). Naturally, we would not take audit exception to a public policy of a school corporation which would provide that a general fund does not exist and that money from these type of functions be used to offset the cost of the function reduced prices of vending machine items, reduce the costs of pictures, etc.). (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

ANDERSON COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

DISBURSEMENTS (Applies to Edgewood Elementary School)

The following items were noted from the information presented for audit:

- (1) Several disbursements lacked proper documentation.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

- (2) Payment Authorization Vouchers (Form SA-1), did not contain the check number for the disbursement as required.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

CONDITION OF RECORDS (Applies to Southview Elementary School)

The following deficiencies relating to the recordkeeping were noted. Southview Elementary School made two posting errors that resulted in the reconciliation to the bank account balance being short by \$392.31. Additionally, Southview Elementary School made adjusting entries in September 2005 to the May 31, 2005, receipts, disbursements and balances.

Indiana Code 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."

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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 Extra-Curricular Accounts, Chapter 7)

ANDERSON COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

ATHLETIC CHANGE FUND (Applies to Highland High School)

The Athletic Department received \$500 each year for start-up money from the Athletic Fund for ticket sales at sporting activities. The amount of money noted as being deposited for the start-up funds did not equal the \$500 disbursed from the Athletic Fund. Highland High School deposited the remaining start-up money along with the collections and noted that some funds were missing due to errors in change over the course of the school years.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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 Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

PETTY CASH FUND ACTIVITY (Applies to Highland High School)

The Extra-Curricular Account operates a Petty Cash Fund for small purchases.

Indiana Code 21-2-5 (now IC 20-40-13) provides the governing body of the school corporation is authorized, in its discretion, to establish and maintain a Petty Cash Fund for the purpose of paying small or emergency expenses of an administrative or operating nature. If a Petty Cash Fund is to be established, the board must make an appropriation for an amount not to exceed \$500. . . . To establish the fund a check shall be drawn on the General Fund payable to a person appointed as custodian by the board of school trustees. The custodian shall convert to cash all checks so drawn and shall be responsible for the administration of the fund. The custodian of the fund shall file a report with the board of school trustees at the close of each month showing the balance of the fund at the beginning of the month, the expenditures during the month, and the balance on hand at the end of the month. (The School Administrator and Uniform Compliance Guidelines, March 2006)

DISBURSEMENT DOCUMENTATION (Applies to East Side Elementary School)

Canceled checks for East Side Elementary School extra-curricular bank account were not returned by the bank. Checks were hand written and hand posted to the computerized accounting system. An overall review of disbursements posted to records substantially agreed with the checks clearing the bank account. We did not examine any canceled checks or an image of them.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

ANDERSON COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Furthermore, Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

INVESTMENTS (Applies to Highland High School)

The Athletic Department has two certificates of deposit that were not accounted for in the extra-curricular records. As of May 31, 2006, \$27,474.58 in interest and principal had not been receipted into the extra-curricular records. A similar comment appeared in prior Audit Reports B20654 and B24737.

After a decision has been made to purchase an investment from the bank account balance (and not credit the interest to individual funds), a necessity exists for accounting purposes, to establish an investment income fund in the extra-curricular account records to which any earnings (the aforementioned procedure) are receipted and from which expenditures are made. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 5)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

INTEREST ON INVESTMENTS (Applies to Anderson High School)

Interest earned on investments in some instances was automatically added to the principal and not recorded in the records. Interest earned in the amount of \$1,119.54 was not posted to the extra-curricular records. A similar comment appeared in prior Audit Report B24737.

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

OVERDRAWN CASH BALANCES (Applies to Anderson Elementary School)

The cash balance of the Student Activity and Staff Funds were overdrawn during the 2005-2006 school year.

The cash 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 Extra-Curricular Accounts, Chapter 7)

ANDERSON COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

SALES TAX (Applies to Anderson Elementary School)

Sales tax was paid for some purchases.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

Compliance

We have audited the compliance of the Anderson 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 requirement(s) 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

February 6, 2007

ANDERSON 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>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553		\$ 454,639	\$ 507,591
National School Lunch	10.555		<u>1,919,119</u>	<u>1,923,550</u>
Total for federal grantor agency			<u>2,373,758</u>	<u>2,431,141</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Pass-Through Indiana Criminal Justice Institute:				
Juvenile Justice Delinquency Prevention - Allocation to States	16.540	03-JF-026	40,000	-
		04-JF-012	<u>-</u>	<u>38,647</u>
Total for federal grantor agency			<u>40,000</u>	<u>38,647</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department Education:				
Special Education Cluster:				
Special Education - Grants to States	84.027	14203-002-PN01	21,685	-
		14203-002-DY08	3,800	-
		14204-002-PN01	202,799	-
		14204-002-SN01	11,126	-
		14205-002-PY02	2,966,631	296,408
		14205-002-SN01	37,893	11,334
		14206-002-PN01	-	3,241,772
		14205-003-DY02	<u>-</u>	<u>30,127</u>
Total for program			<u>3,243,934</u>	<u>3,579,641</u>
Special Education - Preschool Grants	84.173	45704-002-PN01	7,018	-
		45705-002-PN01	157,587	2,380
		45706-002-PN01	<u>-</u>	<u>161,051</u>
Total for program			<u>164,605</u>	<u>163,431</u>
Total for cluster			<u>3,408,539</u>	<u>3,743,072</u>
Direct Grant:				
Twenty-First Century Community Learning Centers	84.287	S287A011592	336,944	19,623
Pass-Through Indiana Department of Education:				
Twenty-First Century Community Learning Centers	84.287	S287C020014	<u>502,807</u>	<u>536,716</u>
Total for program			<u>839,751</u>	<u>556,339</u>
Adult Education - State Grant Program	84.002	2004-8001	36,012	-
		2005-8001	119,370	31,247
		2006-8001	<u>-</u>	<u>118,779</u>
Total for program			<u>155,382</u>	<u>150,026</u>
Title I Grants to Local Educational Agencies	84.010		106	-
			80,431	6,443
			64,097	112,807
		04-5275	414,843	-
		05-5275	2,397,231	397,296
			-	68,704
			-	10,609
		06-05275	<u>-</u>	<u>2,624,421</u>
Total for program			<u>2,956,708</u>	<u>3,220,280</u>

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

ANDERSON COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2005 and 2006
(Continued)

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>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through Indiana Department of Education (continued):				
Vocational Education - Basic Grants to States	84.048	05-4770-5275 06-4770-5275	284,553 -	- 213,768
Total for program			<u>284,553</u>	<u>213,768</u>
Safe and Drug Free Schools and Communities State Grants	84.186	02-181 03-205 04-336	2,000 8,086 84,387 8,592	- - - 60,702
Total for program			<u>103,065</u>	<u>60,702</u>
Education for Homeless Children and Youth	84.196		<u>31,139</u>	<u>46,650</u>
Eisenhower Professional Development State Grants	84.281	01-157	<u>40,640</u>	-
State Grants for Innovative Programs	84.298	02-172 02-282 03-198 04-221 05-244	13,675 41,184 99,067 39,434 -	- - - 20,789 19,834
Total for program			<u>193,360</u>	<u>40,623</u>
Education Technology State Grants	84.318	S318X020014 S318X030014 S318X040014 S318X050014	62,114 24,167 - -	- 19,557 66,738 111
Ed Tech Competitive Grants			165,451	6,549
Ed Tech Competitive Grants			-	22,713
Total for program			<u>251,732</u>	<u>115,668</u>
Comprehensive School Reform Demonstration	84.332		<u>163,203</u>	<u>101,898</u>
English Language Acquisition Grants	84.365	FY 05 FY 06	12,137 -	2,148 13,170
Total for program			<u>12,137</u>	<u>15,318</u>
Improving Teacher Quality State Grants	84.367	02-284 03-241 04-183 05-186	27,584 371,072 - -	- 7,550 626,121 3,105
Total for program			<u>398,656</u>	<u>636,776</u>
Hurricane Education Recovery	84.938		-	24,250
Total for federal grantor agency			<u>8,501,921</u>	<u>8,905,747</u>
<u>FEDERAL DEPARTMENT OF HOMELAND SECURITY</u>				
Pass-Through Indiana Department of Homeland Security				
Disaster Grants - Public Assistance	97.036	1573 3197	29,045 4,089	10,111 -
Total for federal grantor agency			<u>33,134</u>	<u>10,111</u>
Total federal awards expended			<u>\$ 11,285,757</u>	<u>\$ 11,405,269</u>

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

ANDERSON 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 Anderson 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. Subrecipients

Of the federal expenditures presented in the schedule, the School Corporation provided federal awards to subrecipients as follows for the years ended June 30, 2005 and 2006:

Program Title	Federal CFDA Number	2005	2006
Special Education Cluster		\$ 1,012,161	\$ 941,245
Juvenile Justice Delinquency and Prevention - Allocation to States	16.540	40,000	38,647
Education for Homeless Children and Youth	84.196	31,139	46,650

III. 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	2005	2006
School Breakfast Program	10.553	\$ 40,780	\$ 39,750
School Lunch Program	10.555	176,888	154,392

ANDERSON 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:

Name of Federal Program or Cluster

Child Nutrition Cluster
Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$673,552

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

ANDERSON COMMUNITY SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

ANDERSON COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 6, 2007, with Mikella A. Lowe, Superintendent of Schools; Keith Millikan, President of the School Board; and Kevin J. Brown, Treasurer. The official response has been made a part of this report and may be found on pages 50 through 52.



Anderson Community School Corporation

Mikella A. Lowe, Interim Superintendent

E-mail: mlowe@acsc.net

February 20, 2007

Mr. Bruce A. Hartman, C.P.A.
State Examiner
Indiana State Board of Accounts
302 W. Washington Street, Room E418
Indianapolis, IN 46204-2281

Re: Response to Audit Report
For the period ended
June 30, 2006

Dear Mr. Hartman:

This letter is in response to the "Audit Results and Comments" discussion draft discussed in the exit conference on February 6, 2007, of the Anderson Community School Corporation for the period ended June 30, 2006.

With regard to the Audit Results and Comments affecting the School Corporation as a whole, the following is submitted:

1. ADM: The 2004-05 ADM count was found to be in error by the auditor by 15.5 students. Virtually all of these students were at North Anderson Elementary. The supporting student lists cannot account for the 15.5 student discrepancy. Upon investigation, the original calculation sheet contained a notation that the North Anderson Numbers were corrected to actual as per the Principal and staff at the school. In questioning the then secretary, she recounts a system's error at the time which precluded her from enrolling the correct number of students. Due to this, North Anderson's student database numbers were not a true reflection of the correct number of students within the school. Supporting this, all of the other student counts on the 04/05 ADM were hand verified by the auditor. North Anderson was the only school not matching. In 2004/05, electronic filing was not in place, and the only report sent to the state was a total count. There was never a requirement to have printed student lists submitted with the total count. Nonetheless, former staff in the building have verified the correct number and the Technical staff remembers the correction for technical reasons, and annotations to the original calculation sheet support the reported number. With the advent of STN reporting, the over-reporting of students in this manner is no longer possible. The Anderson Community Schools Technology Department is also requiring a principal-signed listing to support the number reported in the student database. For the 2005-06 school year, one student that had enrolled had also never shown up for class, and the student had not been removed from school records prior to the Administration date.
2. HONORS DIPLOMAS: For the period in question, the 2 High Schools were asked for the numbers of Honors Diplomas issued for their respective schools. The number of names on the lists requested during the audit did not match the numbers turned into the State from the schools. In the future, before reporting the number, we will have a principal-signed name-list supporting the school's reported number.

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3. INVESTMENTS: The investments purchased during the audit period were purchased and "rolled over" into subsequent investments several times. Each individual investment was not posted as a new investment, nor were they individually reported on the Form 9. We have received mixed information from the Department of Local Government Finance as to the proper reporting of investment data on the Form 9. In the future, we will post investments in our records as prescribed and will continue to pursue information as to the correct reporting of such investments on the Form 9.
4. DEPOSITS: The concerns surrounding deposits of corporate funds were primarily related to Health insurance payments from our Food Service Extracurricular account and payments by employees for COBRA coverage. These situations were due to staff issues within our payroll department that have since been resolved. Steps have been taken to insure that this will not recur.
5. ALL DAY KINDERGARTEN POLICY AND PRACTICES: A central procedure regarding collecting fees for Extended Kindergarten services is in the process of being developed and disseminated to all elementary schools.
6. PRESCRIBED FORMS-TEXTBOOK RENTAL RECEIPTS: The extracurricular treasurers were instructed on the required usage of the textbook rental form at a February 8, 2007, professional development meeting. The combining of multiple TBR-2 forms for one total to post into their books was explained as acceptable as long as the detailed individual receipts were used.
7. EXTRA CURRICULAR TREASURERS' OFFICIAL BONDS: At the close of the previous audit, we contacted our bonding company to acquire the required bond for all Extra Curricular Treasurers. Said Bond was put into place at that time. During the current audit, we were informed that the bond purchased was not of a type sufficient to satisfy statutory requirements. We have been in contact with our Bond Company and they have assured us that the Bond in place does indeed satisfy those requirements. For our part, we will secure documentation sufficient to ensure that said bonds do in fact satisfy the statutory requirements.

With regard to the Audit Results and Comments affecting all cited schools in the corporation, the following is submitted:

8. INTERNAL CONTROLS (SOUTHVIEW, VALLEY GROVE, AND EASTSIDE MIDDLE SCHOOL): As noted, the ECA accounting systems as purchased do allow checks to be manually written and an upgrade would be an increase in cost. While this may be a less than perfect internal control, it is acceptable and we have not encountered major problems with it. The other items noted in this section of the report, while not timely entered, did not lead to problems. We feel they were primarily due to changeover in ECA accounting personnel at the end of the school year.
9. BANK ACCOUNT RECONCILIATIONS (NORTH ANDERSON AND FOREST HILLS): The North Anderson school and account have been closed. As you noted, the difference was due to a duplicate receipt posting and bank charges not properly recorded. We believe the bank balance that was closed and transferred to the new school was correct. The Forest Hills account, while reconciled through your audit period, was not current as staff turnover had occurred at that school. The school was instructed to have the records reconciled currently.
10. RECEIPT ISSUANCE AND DEPOSITS (HIGHLAND HIGH SCHOOL): There will be an experienced ECA treasurer making the deposits and issuing the receipts for Highland High School in the upcoming school year. The current treasurer was instructed to make deposits in a reasonable amount of time and daily where large amounts existed. Receipts shall be issued at the time of the receipt of such funds and not at later dates.
11. RECEIPT ISSUANCE (ANDERSON ELEMENTARY, ROBINSON ELEMENTARY, AND VALLEY GROVE ELEMENTARY): The ECA treasurers from all ACS schools were instructed at the February 8, 2007, professional development meeting to not issue receipts to groups of persons but only to issue to the person forwarding the funds to the treasurer. Filling the receipt out timely and completely was also covered. Employee turnover led to some training deficiencies in this area, and we feel that has been corrected.

12. ECA DEPOSITS (FOREST HILLS, SOUTHVIEW AND EBBERTT): The ECA treasurers were instructed to not accumulate monies for such unreasonable periods before depositing. All three schools have different ECA treasurers now.
13. STUDENT ACTIVITY FUND (ANDERSON ELEMENTARY): A lengthy discussion of what is the proper and improper usage of the Student Activity fund was done at the February 8, 2007, professional development meeting for ECA treasurers. The expenditures you noted at Anderson Elementary were not appropriate.
14. ECA DISBURSEMENTS (EDGEWOOD): The poor organization of records and supporting documents was covered with the treasurer. We expect to see major improvement in this area.
15. CONDITION OF RECORDS (SOUTHVIEW): While not timely, the adjustments were accurate and needed. We believe this situation is corrected and was due to turnover in the position.
16. ATHLETIC CHANGE FUND (HIGHLAND HIGH SCHOOL): Your comments and instructions to the parties involved were appropriate. We expect those steps to be followed to prevent a recurrence.
17. PETTY CASH FUND ACTIVITY (HIGHLAND HIGH SCHOOL): The operation of petty cash funds will be reviewed and steps will be taken to bring the process into compliance.
18. DISBURSEMENT DOCUMENTATION (EAST SIDE ELEMENTARY): This was a new account at a newly constructed school. When setting up the bank account both sides of the cancelled check were not requested. The treasurer has been instructed to request both sides as a bank service.
19. INVESTMENTS (HIGHLAND HIGH SCHOOL): The books should reflect the investments and the treasurer has been informed to include them.
20. INTEREST ON INVESTMENTS (ANDERSON HIGH SCHOOL): The interest needs to be recorded, and we were informed by the field auditors that this was fixed.
21. OVERDRAWN CASH BALANCES (ANDERSON ELEMENTARY): The treasurer has been instructed to not allow individual fund balances to be overdrawn.
22. SALES TAX (ANDERSON ELEMENTARY): We realize that sales tax is not to be paid on purchases and stress the same with our staff and ECA treasurers. With the number of schools, staff and purchases that are made in a corporation of our size, we feel this has been an area controlled very reasonably.

Thank you for the opportunity to respond to this audit report.

Sincerely,



Mikella A. Lowe
Interim Superintendent



Kevin J. Brown
Business Manager and Treasurer

MAK/KJB/at

Cc: Executive Cabinet