

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

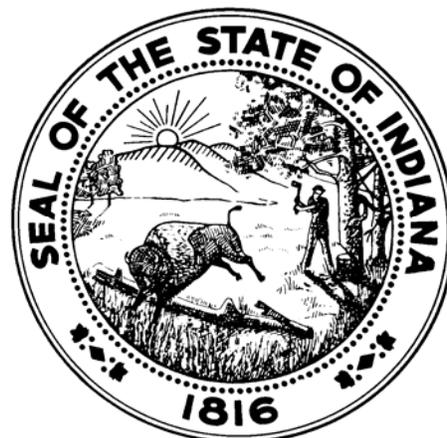
AUDIT REPORT

OF

CLARKSVILLE COMMUNITY SCHOOL CORPORATION

CLARK COUNTY, INDIANA

July 1, 2004 to June 30, 2006



FILED

04/20/2007

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Judith N. Sanderson	07-01-04 to 06-30-07
Superintendent of Schools	Samuel J. Gardner, Jr. Stephen G. Fisher	07-01-04 to 12-31-05 01-01-06 to 06-30-07
President of the School Board	William P. Wilson	01-01-04 to 12-31-07



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 CLARKSVILLE COMMUNITY
SCHOOL CORPORATION, CLARK COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clarksville 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 March 22, 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
(Continued)

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 Capital Assets and Schedule of Long-Term Debt are presented for additional analysis and are not a required part of the basic financial statements. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on the Schedule of Capital Assets and Schedule of Long-Term Debt.

STATE BOARD OF ACCOUNTS

March 22, 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 CLARKSVILLE COMMUNITY
SCHOOL CORPORATION, CLARK COUNTY, INDIANA

We have audited the financial statements of the Clarksville Community School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated March 22, 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School Corporation's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2006-1.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. Of the reportable conditions described above, we consider items 2006-1 to be a material weakness.

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
(Continued)

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

March 22, 2007

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

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 4,574,786
Restricted assets:	
Cash and investments	<u>134,733</u>
Total assets	<u>\$ 4,709,519</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 134,733
Unrestricted	<u>4,574,786</u>
Total net assets	<u>\$ 4,709,519</u>

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

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

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 7,565,395
Restricted assets:	
Cash and investments	<u>824,280</u>
Total assets	<u>\$ 8,389,675</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 824,280
Unrestricted	<u>7,565,395</u>
Total net assets	<u>\$ 8,389,675</u>

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

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

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 5,092,315	\$ -	\$ 83,266	\$ (5,009,049)
Support services	6,027,009	335,741	347,209	(5,344,059)
Community services	65,435	-	-	(65,435)
Nonprogrammed charges	508,450	-	-	(508,450)
Debt service	11,881,871	-	-	(11,881,871)
Total governmental activities	\$ 23,575,080	\$ 335,741	\$ 430,475	(22,808,864)
General receipts:				
Property taxes				11,498,451
Other local sources				1,787,324
State aid				5,027,148
Grants and contributions not restricted				609,289
Bonds and loans				6,270,000
Sale of property, adjustments, and refunds				123,787
Investment earnings				121,965
Intergovernmental transfers				44,843
				25,482,807
				2,673,943
				2,035,576
				\$ 4,709,519

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

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

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 5,085,567	\$ -	\$ 63,337	\$ (5,022,230)
Support services	6,681,438	313,533	398,806	(5,969,099)
Community services	59,273	-	-	(59,273)
Nonprogrammed charges	409,992	-	-	(409,992)
Debt service	6,098,621	-	-	(6,098,621)
Total governmental activities	<u>\$ 18,334,891</u>	<u>\$ 313,533</u>	<u>\$ 462,143</u>	<u>(17,559,215)</u>
General receipts:				
Property taxes				8,793,600
Other local sources				811,987
State aid				6,296,581
Grants and contributions not restricted				576,510
Bonds and loans				3,360,000
Sale of property, adjustments, and refunds				1,007,319
Investment earnings				373,570
Intergovernmental transfers				<u>19,804</u>
				Total general receipts and intergovernmental transfers <u>21,239,371</u>
				Change in cash and investments 3,680,156
				Net assets - beginning <u>4,709,519</u>
				Net assets - ending <u><u>\$ 8,389,675</u></u>

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

CLARKSVILLE 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	Other	Totals
Receipts:							
Local sources	\$ 6,636,980	\$ 660,792	\$ 3,926,480	\$ 2,070,884	\$ 89,665	\$ 358,140	\$ 13,742,941
Intermediate sources	14	-	-	-	-	525	539
State sources	5,096,981	-	-	-	-	125,112	5,222,093
Federal sources	-	-	-	-	-	844,820	844,820
Bonds and loans	4,800,000	220,000	1,250,000	-	-	-	6,270,000
Sale of property, adjustments and refunds	105,060	1,239	-	17,488	-	-	123,787
Intergovernmental transfers	-	-	-	-	-	44,843	44,843
Total receipts	16,639,035	882,031	5,176,480	2,088,372	89,665	1,373,440	26,249,023
Disbursements:							
Current:							
Instruction	4,774,143	-	-	-	-	318,172	5,092,315
Support services	4,035,572	433,058	-	615,611	-	942,768	6,027,009
Community services	61,001	-	-	-	-	4,434	65,435
Nonprogrammed charges	359,098	-	-	-	-	149,352	508,450
Debt services	6,600,000	200,000	5,081,871	-	-	-	11,881,871
Total disbursements	15,829,814	633,058	5,081,871	615,611	-	1,414,726	23,575,080
Excess (deficiency) of total receipts over (under) total disbursements	809,221	248,973	94,609	1,472,761	89,665	(41,286)	2,673,943
Cash and investments - beginning	708,423	5,952	40,124	980,055	20,679	280,343	2,035,576
Cash and investments - ending	<u>\$ 1,517,644</u>	<u>\$ 254,925</u>	<u>\$ 134,733</u>	<u>\$ 2,452,816</u>	<u>\$ 110,344</u>	<u>\$ 239,057</u>	<u>\$ 4,709,519</u>

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

CLARKSVILLE 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	Construction Fund	Other	Totals
Receipts:								
Local sources	\$ 4,414,515	\$ 566,295	\$ 2,712,925	\$ 1,832,489	\$ 44,372	\$ -	\$ 721,571	\$ 10,292,167
Intermediate sources	14	-	-	-	-	-	506	520
State sources	6,346,115	-	-	-	-	-	118,450	6,464,565
Federal sources	-	-	-	-	-	-	870,672	870,672
Bonds and loans	3,300,000	60,000	-	-	-	-	-	3,360,000
Sale of property, adjustments and refunds	102,770	5,702	-	-	-	898,847	-	1,007,319
Intergovernmental transfers	19,804	-	-	-	-	-	-	19,804
Total receipts	14,183,218	631,997	2,712,925	1,832,489	44,372	898,847	1,711,199	22,015,047
Disbursements:								
Current:								
Instruction	4,851,611	-	-	-	-	-	233,956	5,085,567
Support services	4,083,286	395,906	-	1,144,453	100,115	-	957,678	6,681,438
Community services	57,352	-	-	-	-	-	1,921	59,273
Nonprogrammed charges	390,188	-	-	-	-	-	19,804	409,992
Debt services	3,500,000	180,000	2,418,621	-	-	-	-	6,098,621
Total disbursements	12,882,437	575,906	2,418,621	1,144,453	100,115	-	1,213,359	18,334,891
Excess (deficiency) of total receipts over (under) total disbursements	1,300,781	56,091	294,304	688,036	(55,743)	898,847	497,840	3,680,156
Cash and investments - beginning	1,517,644	254,925	134,733	2,452,816	110,344	-	239,057	4,709,519
Cash and investments - ending	<u>\$ 2,818,425</u>	<u>\$ 311,016</u>	<u>\$ 429,037</u>	<u>\$ 3,140,852</u>	<u>\$ 54,601</u>	<u>\$ 898,847</u>	<u>\$ 736,897</u>	<u>\$ 8,389,675</u>

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

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

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Bonds and loans	\$ 3,100,000	\$ -
Deductions:		
Support services	2,067,271	70
Excess (deficiency) of total additions over (under) total deductions	1,032,729	(70)
Cash and investments - beginning	-	291
Cash and investments - ending	\$ 1,032,729	\$ 221

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

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

	Pension Trust Funds	Private-Purpose Trust Funds
Additions	\$ -	\$ -
Deductions:		
Support services	379,050	-
Deficiency of total additions under total deductions	(379,050)	-
Cash and investments - beginning	1,032,729	221
Cash and investments - ending	\$ 653,679	\$ 221

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

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

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 1,032,729	\$ 221	\$ 58,655
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	\$ 1,032,729	\$ 221	

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

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

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 653,679	\$ 221	\$ 71,922
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	<u>\$ 653,679</u>	<u>\$ 221</u>	

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

CLARKSVILLE 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 Primary Government.

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Joint Venture

The School Corporation is a participant with Greater Clark County Schools and West Clark Community School Corporation in a joint venture to operate the Clark County Special Education Cooperative which was created to provide educational services to handicapped children. The School Corporation's obligation to the Clark County Special Education Cooperative for the 2004-2005 and 2005-2006 school years was \$303,430, and \$222,328, respectively. Complete financial statements for the Clark County Special Education Cooperative are maintained at the Greater Clark County Schools, 2112 Utica-Sellersburg Road, Jeffersonville, IN.

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 nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. However, the School Corporation does not have any business-type activities.

Fund Financial Statements

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

CLARKSVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

The School Corporation reports the following major governmental funds:

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

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

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 construction fund is used to account for capital outlay disbursements where the source of the receipts is derived from the sale of general obligation bonds or from other outside sources.

Additionally, the School Corporation reports the following fund types:

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

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the students.

Agency funds account for assets held by the School Corporation as an agent for the State and Federal Government.

C. Measurement Focus and Basis of Accounting

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

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. 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. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

CLARKSVILLE 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 proprietary 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 6 to 16 days per year based upon months of service. Unused sick leave may be accumulated to a maximum of 120 or 220 days depending upon job classification. Accumulated sick leave is paid to employees.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 5 days to 20 days per year based upon the number of years of service. Unused vacation leave at the end of the calendar year is transferred to sick leave at the beginning of the next calendar year.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 3 to 4 days per year. Unused personal leave is transferred to sick leave at the beginning of the next school year.

CLARKSVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental 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 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.

E. Program Receipts

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

F. Internal and Interfund 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.

CLARKSVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

A. Budgetary Information

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

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

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

B. Cash and Investment Balance Deficits

At June 30, 2005 and 2006, the Textbook Rental fund reported a deficit in cash and investments of \$39,408 and \$68,038, respectively, which is a violation of the Uniform Compliance Guidelines as referenced in state statute.

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

CLARKSVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. At June 30, 2006, the bank balance held at Your Community Bank in the amount of \$9,164,018 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-School Corporation's name.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13.

Investment Policies

Indiana Code 5-13-9 authorizes the School Corporation to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the unit to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the School Corporation and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the School Corporation may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

CLARKSVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

IV. Other Information

A. Risk Management

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

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

B. Holding Corporation

The School Corporation has entered into a capital lease with the Clarksville High School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2004-2005 and 2005-2006 totaled \$2,305,500 and \$2,302,000, respectively.

C. Subsequent Events

In January 2007, the School Corporation issued tax anticipation warrants in the amount of \$1,500,000. The amount is to be repaid by December 31, 2007.

D. Postemployment Benefits

In addition to the pension benefits described in Note IV. E., the School Corporation provides postemployment health and life insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who meet the eligibility requirements as described below. Currently, 25 retirees meet the eligibility requirements and are currently receiving benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2006, disbursements of \$35,273 were recognized for postemployment benefits.

Certified Employees Retiring Before August 1, 2004

Retirement benefits are granted to any teacher who has completed at least 10 years of service in the School Corporation immediately prior to retirement and is at the top experience level on the current salary schedule.

The School Corporation provides healthcare benefits for 10 years or until the retiree becomes eligible for Medicare (whichever occurs first). The School Corporation will pay the School Corporation's contribution in effect the year of retirement or the balance of the cost of the least expensive single medical plan provided for active employees (whichever is less). During this same time period, the School Corporation will continue to provide life insurance protection to the retiree. Such life insurance shall be in an amount equal to that provided unit members and the premiums shall be paid by the School Corporation.

CLARKSVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Certified Employees Retiring After August 1, 2004

Certified employees and spouses are allowed to participate in the School Corporation's group health insurance plan until the retiree or spouse becomes eligible for Medicare. The full cost of the insurance premium is payable by the retiree in monthly installments to the School Corporation.

Classified Employees

Classified employees who have at least 25 years of experience in the School Corporation and who are paid on a salary schedule where the difference between the annual salary of an entry level person and the highest paid person in the position is at least the amount of the School Corporation's annual contribution toward the cost of a single policy premium per year are eligible to continue on the Corporation's health insurance policy and may elect to continue his/her life insurance. The School Corporation will continue paying the same dollar amount of the premium for health insurance as the Corporation was paying during the last year of employment and will continue paying the premium for life insurance. Both options will expire when the retiree qualifies for Medicare coverage.

E. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Cost

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

CLARKSVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 102,970
Interest on net pension obligation	(12,363)
Adjustment to annual required contribution	14,089
Annual pension cost	104,696
Contributions made	121,063
Decrease in net pension obligation	(16,367)
Net pension obligation, beginning of year	(170,523)
Net pension obligation, end of year	\$ (186,890)
Contribution rates:	
School Corporation	6.50%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

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

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 100,570	128%	\$ (136,722)
	06-30-04	93,175	136%	(170,523)
	06-30-05	104,696	130%	(186,890)

CLARKSVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Costs

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

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 7% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2004, 2005, and 2006, were \$186,826, \$210,010, and \$229,644, respectively. The School Corporation contributed all of the required contribution for each of the fiscal years.

CLARKSVILLE COMMUNITY SCHOOL CORPORATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 1,728,628	\$ 1,877,223	\$ (148,595)	92%	\$ 1,643,898	(9%)
07-01-04	1,788,063	2,006,627	(218,564)	89%	1,696,953	(13%)
07-01-05	1,886,435	2,390,098	(503,663)	79%	1,772,852	(28%)

CLARKSVILLE COMMUNITY SCHOOL CORPORATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

June 30, 2006

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 544,775
Infrastructure	636,752
Buildings	34,539,663
Machinery and equipment	<u>833,426</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 36,554,616</u>

CLARKSVILLE COMMUNITY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

June 30, 2006

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Clarksville High School	\$ 11,770,000	\$ 880,000
Greenacres Elementary School	9,800,000	375,000
Notes and loans payable	2,500,000	2,500,000
Bonds payable:		
General obligation bonds:		
Pension Bonds	<u>3,100,000</u>	<u>200,000</u>
Total governmental activities long-term debt	<u>\$ 27,170,000</u>	<u>\$ 3,955,000</u>

CLARKSVILLE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

OVERDRAWN FUND BALANCES

The Textbook Rental Fund was overdrawn in 2005 and 2006 in the amount of \$39,408 and \$68,038, respectively.

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

CONTROLS OVER CAFETERIA COLLECTIONS

The following deficiencies were noted regarding the accounting controls over cafeteria collections:

1. The School Corporation utilizes a computer program to record financial activity related to the breakfast and school lunch program. The financial reports generated from the computerized system were not accurate in that figures shown on the various reports were not in agreement with one another. The cash sales shown on the "Sales Report All Unit Summary" did not agree with the figures shown on the "Cash Report Daily Totals All Unit Summary" report. Instances were also noted in which amounts shown on the "Daily Reconciliation" report for total cash did not agree with the amounts shown on the "Cash Report Daily Totals All Unit Summary" report.
2. The monthly "Financial Summary" report showing student accounts balances and financial activity related to prepayment of meals made by students indicated that the calculated student account balances based upon detailed financial activity for the month was not in agreement with the actual total ending student account balances per the student files. The School Corporation did not have procedures in place to identify the reasons for the variances.
3. The School Corporation did not have adequate segregation of duties related to cafeteria collections. The same person is responsible for the collection of money, reconciliation of sales to the cash on hand and for making the bank deposits. Procedures do not exist whereby someone independent from the collection process compares actual sales to the amounts deposited.

As a result of inconsistencies in the financial information generated from the computerized system and lack of segregation of duties, the accuracy and proper accountability over collections is weakened.

The computerized accounting system must maintain electronic audit trails sufficient to trace all transactions from original source of entry into the system, through all system processing, and to the results produced by the system. The audit trails must also maintain sufficient information to trace all transactions from the final results produced by the system, through all system processing, and to the original source of entry into the system. These audit trails must be protected from modification and deletion. (Accounting and Uniform Compliance Guidelines Manuals for Indiana Public School Corporations, Chapter 10)

The computerized accounting system must incorporate features that assure all accounting information is reported accurately and completely. Output reports must have appropriate subtotals to allow reconciliation of reports within the system and reconciliation to external documentation. (Accounting and Uniform Compliance Guidelines Manuals for Indiana Public School Corporations, Chapter 10)

CLARKSVILLE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manuals for Indiana Public School Corporations, Chapter 9)

ERRORS ON CLAIMS

Several instances were noted in which no evidence was presented for audit to support the receipt of goods or services for the claim. One instance was noted in which a claim was paid from the credit card slip and not from the detailed receipt/invoices.

Indiana Code 5-11-10-1.6(c) states in part:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

OPTICAL IMAGES OF CHECKS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned an optical image of only the front side of the checks to the School Corporation and to Clarksville Middle School.

Indiana Code 5-15-6-3(a) concerning optical imaging of checks states in part:

". . . 'original records' includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

CLARKSVILLE 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)."

TEXTBOOK RENTAL RECEIPTS (Applies to Greenacres Elementary School)

Sufficient procedures and audit trails were not in place to account for textbook rental collections as described below:

1. Documentation was not presented for audit showing the transfer of money collected. Textbook rental fees are collected by individual teachers during school registration at which time receipts are issued to the individuals making payments. The textbook rental money is then given to the School Extra-Curricular Treasurer to be deposited in the bank. Receipts were not issued to the individual teachers documenting the transfer of funds between the teachers and the Extra-Curricular Treasurer in order to provide proper accountability over the funds collected.
2. Documentation was not presented for audit to indicate the teachers counted the money received and reconciled the receipts issued to the amounts collected.
3. Receipts were not issued for monies received from a collection agency utilized by the School Corporation to collect delinquent textbook rental fees.
4. Sufficient documentation was not presented for audit in order to trace textbook rental receipts issued to the amount shown per the bank deposit.
5. Collections received were not deposited in a timely manner. Textbook rental receipts were only being deposited once a month resulting in collections being held from 15 to 25 days before being deposited.

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. . ."

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

CLARKSVILLE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

VENDING, CONCESSIONS OR OTHER SALES CONTROLS (Applies to Clarksville Middle School)

A review of the concession sales and disbursements in the financial records for the 2004-2005 school year showed sales of \$10,986 and costs of \$10,865 for a profit of only \$121. Profits in prior years had historically been higher. Information was not presented for audit to indicate that inventories and reconcilements of purchases and sales concerning the athletic concessions were performed.

Internal controls over vending operations, concessions or other sales should include, at a minimum, a regular reconciliation of the beginning inventory, purchases, distributions, items sold and ending inventory to the amount received. Any discrepancies noted should be immediately documented in writing to proper officials. The reconciliation should provide an accurate accounting.

Persons with access to vending should be properly designated and access should be limited to those designated. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

PUBLIC RECORDS RETENTION (Applies to Clarksville Middle School)

Ticket stubs sold at athletic events were not retained for audit. Therefore, we were unable to determine the proper accountability over sales from athletic events.

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."

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)

FORM SA-7, CLAIM FOR PAYMENT (Applies to Clarksville Middle School)

Claim forms do not contain all information necessary to constitute a valid claim. Some of the claims did not contain signatures certifying the goods or service were received or the signature of the Extra-Curricular Treasurer indicating an audit of the claim.

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)

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)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE CLARKSVILLE COMMUNITY
SCHOOL CORPORATION, CLARK COUNTY, INDIANA

Compliance

We have audited the compliance of the Clarksville Community School Corporation (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2005 and 2006. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2005 and 2006.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

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

STATE BOARD OF ACCOUNTS

March 22, 2007

CLARKSVILLE 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	FY 05	\$ 65,841	\$ -
		FY 06	-	68,146
National School Lunch Program	10.555	FY 05	249,110	-
		FY 06	-	253,650
Total for federal grantor agency			<u>314,951</u>	<u>321,796</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-through Indiana Department of Education				
Title I Grants to Local Educational Agencies				
	84.010	04-1000	69,468	-
		05-1000	270,890	42,817
		06-1000	-	237,011
Total for program			<u>340,358</u>	<u>279,828</u>
Safe and Drug Free Schools and Communities - State Grants				
	84.186	02-169	2,316	-
		03-083	8,410	2,632
		04-124	7,470	2,223
		05-048	-	275
Total for program			<u>18,196</u>	<u>5,130</u>
State Grants for Innovative Programs				
	84.298	03-062	5,002	2,327
		04-061	575	4,605
		05-030	3,893	-
Total for program			<u>9,470</u>	<u>6,932</u>
Technology Literacy Challenge Fund Grants				
	84.318	FY 02	4,692	-
		FY 03	5,358	2,115
		FY 04	-	9,905
Total for program			<u>10,050</u>	<u>12,020</u>
English Language Acquisition Grants				
	84.365	FY 05	1,820	-
		FY 06	-	578
Total for program			<u>1,820</u>	<u>578</u>
Mathematics and Science Partnership Grants				
	84.366	FY 03	104,116	-
		FY 04	484	106,805
Total for program			<u>104,600</u>	<u>106,805</u>
Improving Teacher Quality State Grants				
	84.367	FY 02	5,344	-
		FY 03	47,488	11,297
		FY 04	19,497	73,086
		FY 06	-	307
Total for program			<u>72,329</u>	<u>84,690</u>
Total for federal grantor agency			<u>556,823</u>	<u>495,983</u>
Total federal awards expended			<u>\$ 871,774</u>	<u>\$ 817,779</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

CLARKSVILLE COMMUNITY SCHOOL CORPORATION
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Clarksville 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.

CLARKSVILLE 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?	yes
Reportable conditions identified that are not considered to be material weaknesses?	no

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

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

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies
84.366	Mathematics and Science Partnership Grants
84.367	Improving Teacher Quality State Grants

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

Finding 2006-1, Controls Over Cafeteria Collections

The following deficiencies were noted regarding the accounting controls over cafeteria collections:

1. The School Corporation utilizes a computer program to record financial activity related to the breakfast and school lunch program. The financial reports generated from the computerized system were not accurate in that figures shown on the various reports were

CLARKSVILLE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

not in agreement with one another. The cash sales shown on the "Sales Report All Unit Summary" did not agree with the figures shown on the "Cash Report Daily Totals All Unit Summary" report. Instances were also noted in which amounts shown on the "Daily Reconciliation" report for total cash did not agree with the amounts shown on the "Cash Report Daily Totals All Unit Summary" report.

2. The monthly "Financial Summary" report showing student accounts balances and financial activity related to prepayment of meals made by students indicated that the calculated student account balances based upon detailed financial activity for the month was not in agreement with the actual total ending student account balances per the student files. The School Corporation did not have procedures in place to identify the reasons for the variances.
3. The School Corporation did not have adequate segregation of duties related to cafeteria collections. The same person is responsible for the collection of money, reconciliation of sales to the cash on hand and for making the bank deposits. Procedures do not exist whereby someone independent from the collection process compares actual sales to the amounts deposited.

As a result of inconsistencies in the financial information generated from the computerized system and lack of segregation of duties, the accuracy and proper accountability over collections is weakened.

The computerized accounting system must maintain electronic audit trails sufficient to trace all transactions from original source of entry into the system, through all system processing, and to the results produced by the system. The audit trails must also maintain sufficient information to trace all transactions from the final results produced by the system, through all system processing, and to the original source of entry into the system. These audit trails must be protected from modification and deletion. (Accounting and Uniform Compliance Guidelines Manuals for Indiana Public School Corporations, Chapter 10)

The computerized accounting system must incorporate features that assure all accounting information is reported accurately and completely. Output reports must have appropriate subtotals to allow reconciliation of reports within the system and reconciliation to external documentation. (Accounting and Uniform Compliance Guidelines Manuals for Indiana Public School Corporations, Chapter 10)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

We recommended the School Corporation contact the software vendor to ascertain reasons for the discrepancies among the reports generated from the computer system. Procedures should be implemented to identify any differences indicated in student account balances and to provide a review of the actual cash collections to amounts shown as deposited by someone other than the person responsible for handling the collections.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CLARKSVILLE COMMUNITY SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

Finding No 2006-1, Controls Over Cafeteria Collections

Contact Person: Judith N. Sanderson

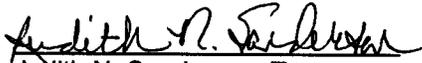
Title: Treasurer

Phone Number: 812-282-7753

Expected Completion Date: August 30, 2007

The software vendor will be contacted in order to determine the reason for the discrepancies among the various computer generated reports. Additional training on the software applications will be provided to personnel in order to obtain an understanding of the reporting information generated from the system so that errors can be detected and corrected.

Procedures will be implemented whereby someone other than the person responsible for handling collections will over see the reconciliation of collections per the computerized system to bank deposits.


Judith N. Sanderson, Treasurer

CLARKSVILLE COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 22, 2007, with Stephen G. Fisher, Superintendent of Schools; Judith N. Sanderson, Treasurer; Paul Love, Assistant Superintendent of Schools; and William P. Wilson, President of School Board.