

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

AUDIT REPORT

OF

MONROE COUNTY COMMUNITY SCHOOL CORPORATION

MONROE COUNTY, INDIANA

July 1, 2004 to June 30, 2006



**FILED**

07/16/2007



## 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.....	6-7
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Cash and Investments .....	8-9
Statement of Cash Activities .....	10-11
Fund Financial Statements:	
Governmental Funds:	
Statement of Receipts, Disbursements, and Cash and Investment Balances – Governmental Funds.....	12-13
Proprietary Funds:	
Statement of Receipts, Disbursements, and Changes in Cash and Investments – Proprietary Fund.....	14-15
Fiduciary Funds:	
Statement of Receipts, Disbursements, and Changes in Cash and Investments – Fiduciary Funds.....	16-17
Statement of Cash and Investments – Fiduciary Funds .....	18-19
Notes to Financial Statements .....	20-30
Required Supplementary Information:	
Schedule of Funding Progress .....	31
Supplementary Information:	
Schedule of Capital Assets.....	32
Schedule of Long-Term Debt.....	33
Other Report.....	34

TABLE OF CONTENTS  
(Continued)

<u>Description</u>	<u>Page</u>
Audit Results and Comments:	
Internal Controls .....	35
Bank Account Reconciliations .....	35
Old Outstanding Checks (Warrants).....	35-36
Overdrawn Fund Balances .....	36
Appropriations.....	37
Approval of Forms .....	37
Public Works Project.....	37-38
Overdrawn Fund Balances ECA.....	38
Public Records Retention .....	38
Internal Controls ECA .....	39
Deposits.....	39
Receipt Issuance .....	39
ECA Educational Fees.....	39
ECA Deposits .....	39
Transaction Recording.....	40
Improper Use of Ticket Sales Form SA-4 .....	40
Timely Recordkeeping .....	41
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 .....	44-45
Schedule of Expenditures of Federal Awards.....	46-47
Notes to Schedule of Expenditures of Federal Awards .....	48
Schedule of Findings and Questioned Costs.....	49-50
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings.....	51
Corrective Action Plan.....	52
Exit Conference.....	53
Official Response .....	54-55

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Timothy Thrasher	07-01-04 to 06-30-07
Superintendent of Schools	John Maloy James Harvey (Interim) James Harvey	07-01-04 to 06-30-06 07-01-06 to 06-30-07 07-01-07 to 06-30-10
President of the School Board	Susan Wanzer Jim Muehling	03-23-04 to 12-31-06 01-01-07 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 MONROE COUNTY COMMUNITY  
SCHOOL CORPORATION, MONROE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Monroe County 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 May 17, 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 required parts 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 them.

STATE BOARD OF ACCOUNTS

May 17, 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 MONROE COUNTY COMMUNITY  
SCHOOL CORPORATION, MONROE COUNTY, INDIANA

We have audited the financial statements of the Monroe County Community School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated May 17, 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.

We noted certain immaterial instances of noncompliance that we have discussed with the management of the School Corporation on June 4, 2007. These immaterial instances of noncompliance were subsequently communicated to management in a separate letter.

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 item 2006-1.

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)

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.

We noted other matters involving the internal control over financial reporting that we have discussed with the management of the School Corporation on June 4, 2007. These immaterial instances of noncompliance 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

May 17, 2007

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

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 22,120,917
Restricted assets:	
Cash and investments	<u>555,250</u>
Total assets	<u>\$ 22,676,167</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 555,250
Unrestricted	<u>22,120,917</u>
Total net assets	<u>\$ 22,676,167</u>

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

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

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 16,361,905
Restricted assets:	
Cash and investments	<u>(144,619)</u>
Total assets	<u>\$ 16,217,286</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ -
Unrestricted	<u>16,217,286</u>
Total net assets	<u>\$ 16,217,286</u>

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

MONROE COUNTY 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	\$ 34,660,264	\$ -	\$ 491,595	\$ (34,168,669)
Support services	64,362,818	2,996,446	1,378,177	(59,988,195)
Community services	1,479,943	-	-	(1,479,943)
Nonprogrammed charges	496,288	-	-	(496,288)
Debt service	21,200,515	-	-	(21,200,515)
<b>Total governmental activities</b>	<b><u>\$ 122,199,828</u></b>	<b><u>\$ 2,996,446</u></b>	<b><u>\$ 1,869,772</u></b>	<b><u>(117,333,610)</u></b>
General receipts:				
Property taxes				48,491,864
Other local sources				8,839,054
State aid				28,372,064
Grants and contributions not restricted				5,948,248
Bonds and loans				11,570,678
Sale of property, adjustments, and refunds				15,924,767
Investment earnings				319,102
Intergovernmental transfers				<u>418,885</u>
				Total general receipts and intergovernmental transfers <u>119,884,662</u>
				Change in cash and investments 2,551,052
				Net assets - beginning <u>20,125,115</u>
				Net assets - ending <u><u>\$ 22,676,167</u></u>

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

MONROE COUNTY 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	\$ 35,212,674	\$ -	\$ 421,490	\$ (34,791,184)
Support services	61,749,292	3,175,148	1,780,347	(56,793,797)
Community services	1,735,652	-	-	(1,735,652)
Nonprogrammed charges	1,328,494	-	-	(1,328,494)
Debt service	22,927,289	-	-	(22,927,289)
<b>Total governmental activities</b>	<b><u>\$ 122,953,401</u></b>	<b><u>\$ 3,175,148</u></b>	<b><u>\$ 2,201,837</u></b>	<b><u>(117,576,416)</u></b>
General receipts:				
Property taxes				52,056,726
Other local sources				7,321,655
State aid				26,840,819
Grants and contributions not restricted				6,971,374
Bonds and loans				8,222,495
Sale of property, adjustments, and refunds				8,000,172
Investment earnings				554,524
Intergovernmental transfers				<u>1,149,770</u>
				Total general receipts and intergovernmental transfers <u>111,117,535</u>
				Change in cash and investments (6,458,881)
				Net assets - beginning <u>22,676,167</u>
				Net assets - ending <u><u>\$ 16,217,286</u></u>

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

MONROE COUNTY 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	\$ 32,471,782	\$ 4,277,682	\$ 9,610,462	\$ 9,191,263	\$ 827,973	\$ 4,249,643	\$ 60,628,805
State sources	28,828,917	10,863	-	-	-	728,108	29,567,888
Federal sources	55,805	-	-	-	-	6,566,391	6,622,196
Bonds and loans	10,420,741	1,149,937	-	-	-	-	11,570,678
Sale of property, adjustments and refunds	397,297	88,052	-	8,457,153	77,900	319,204	9,339,606
Intergovernmental transfers	69,000	134,885	-	-	-	215,000	418,885
<b>Total receipts</b>	<u>72,243,542</u>	<u>5,661,419</u>	<u>9,610,462</u>	<u>17,648,416</u>	<u>905,873</u>	<u>12,078,346</u>	<u>118,148,058</u>
Disbursements:							
Current:							
Instruction	30,245,474	-	-	-	-	4,414,790	34,660,264
Support services	27,874,040	4,486,711	-	16,985,655	582,573	7,786,189	57,715,168
Community services	1,455,228	-	-	-	-	24,715	1,479,943
Nonprogrammed charges	215,000	-	-	134,885	-	146,403	496,288
Debt services	9,832,115	1,422,923	9,397,334	-	-	548,143	21,200,515
<b>Total disbursements</b>	<u>69,621,857</u>	<u>5,909,634</u>	<u>9,397,334</u>	<u>17,120,540</u>	<u>582,573</u>	<u>12,920,240</u>	<u>115,552,178</u>
Excess (deficiency) of total receipts over (under) total disbursements	2,621,685	(248,215)	213,128	527,876	323,300	(841,894)	2,595,880
Cash and investments - beginning	7,845,874	1,312,458	61,703	7,345,140	(33,990)	2,737,427	19,268,612
Cash and investments - ending	<u>\$ 10,467,559</u>	<u>\$ 1,064,243</u>	<u>\$ 274,831</u>	<u>\$ 7,873,016</u>	<u>\$ 289,310</u>	<u>\$ 1,895,533</u>	<u>\$ 21,864,492</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	\$ 2,595,880
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>(44,828)</u>
Change in cash and investments of governmental activities	<u>\$ 2,551,052</u>

MONROE COUNTY 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	Other	Totals
<b>Receipts:</b>							
Local sources	\$ 33,548,124	\$ 4,273,533	\$ 10,629,000	\$ 9,782,643	\$ 677,304	\$ 4,169,387	\$ 63,079,991
Intermediate sources	2,341	-	-	-	-	-	2,341
State sources	27,223,942	2,393	-	-	-	827,872	28,054,207
Federal sources	25,444	-	-	-	-	7,934,380	7,959,824
Bonds and loans	6,664,855	1,557,640	-	-	-	-	8,222,495
Sale of property, adjustments and refunds	574,985	221,254	-	153,558	25,200	331,656	1,306,653
Intergovernmental transfers	-	269,770	-	-	-	880,000	1,149,770
<b>Total receipts</b>	<u>68,039,691</u>	<u>6,324,590</u>	<u>10,629,000</u>	<u>9,936,201</u>	<u>702,504</u>	<u>14,143,295</u>	<u>109,775,281</u>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	30,262,386	-	-	-	-	4,950,288	35,212,674
Support services	29,513,062	4,963,936	-	10,931,050	892,358	8,564,027	54,864,433
Community services	1,701,258	-	-	-	-	34,394	1,735,652
Nonprogrammed charges	891,396	-	-	269,770	-	167,328	1,328,494
Debt services	10,145,414	1,178,968	11,049,232	-	-	553,675	22,927,289
<b>Total disbursements</b>	<u>72,513,516</u>	<u>6,142,904</u>	<u>11,049,232</u>	<u>11,200,820</u>	<u>892,358</u>	<u>14,269,712</u>	<u>116,068,542</u>
Excess (deficiency) of total receipts over (under) total disbursements	(4,473,825)	181,686	(420,232)	(1,264,619)	(189,854)	(126,417)	(6,293,261)
Cash and investments - beginning	10,467,559	1,064,243	274,831	7,873,016	289,310	1,895,533	21,864,492
Cash and investments - ending	<u>\$ 5,993,734</u>	<u>\$ 1,245,929</u>	<u>\$ (145,401)</u>	<u>\$ 6,608,397</u>	<u>\$ 99,456</u>	<u>\$ 1,769,116</u>	<u>\$ 15,571,231</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	\$ (6,293,261)
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>(165,620)</u>
Change in cash and investments of governmental activities	<u>\$ (6,458,881)</u>

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

	<u>Internal Service Fund</u>
Receipts:	
Local sources	\$ 17,661
Sale of property, adjustments and refunds	<u>6,585,161</u>
Total receipts	<u>6,602,822</u>
Disbursements:	
Support services	<u>6,647,650</u>
Changes in cash and investments	(44,828)
Cash and investments - beginning	<u>856,503</u>
Cash and investments - ending	<u><u>\$ 811,675</u></u>

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

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

	<u>Internal Service Fund</u>
Receipts:	
Local sources	\$ 25,717
Sale of property, adjustments and refunds	<u>6,693,519</u>
Total receipts	<u>6,719,236</u>
Disbursements:	
Support services	<u>6,884,856</u>
Changes in cash and investments	(165,620)
Cash and investments - beginning	<u>811,675</u>
Cash and investments - ending	<u><u>\$ 646,055</u></u>

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

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

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Local sources	\$ -	\$ 80,731
Intermediate sources	-	2,520
Sale of property, adjustments and refunds	<u>-</u>	<u>42,309</u>
Total additions	<u>-</u>	<u>125,560</u>
Deductions:		
Support services	<u>(108,864)</u>	<u>989,203</u>
Excess (deficiency) of total additions over (under) total deductions	108,864	(863,643)
Cash and investments - beginning	<u>(108,863)</u>	<u>1,216,399</u>
Cash and investments - ending	<u>\$ 1</u>	<u>\$ 352,756</u>

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

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

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Local sources	\$ -	\$ 34,906
Intermediate sources	-	883,798
Bonds and loans	11,145,000	-
Sale of property, adjustments and refunds	<u>-</u>	<u>238,049</u>
 Total additions	 <u>11,145,000</u>	 <u>1,156,753</u>
Deductions:		
Instruction	-	256
Support services	46,253	888,347
Nonprogrammed charges	<u>-</u>	<u>59,405</u>
 Total deductions	 <u>46,253</u>	 <u>948,008</u>
 Excess of total additions over total deductions	 11,098,747	 208,745
 Cash and investments - beginning	 <u>1</u>	 <u>352,756</u>
 Cash and investments - ending	 <u>\$ 11,098,748</u>	 <u>\$ 561,501</u>

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

MONROE COUNTY 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	<u>\$ 1</u>	<u>\$ 352,756</u>	<u>\$ 1,867,745</u>
 <u>Net Assets</u>			
Held in trust for employee benefits and other purposes	<u>\$ 1</u>	<u>\$ 352,756</u>	

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

MONROE COUNTY 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	\$ 11,098,748	\$ 561,501	\$ 2,049,518
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	\$ 11,098,748	\$ 561,501	

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

MONROE COUNTY 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: Monroe County Community School Corporation

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

Joint Venture

The School Corporation is a participant with Eastern School District of Greene County; Metropolitan School District of Martinsville; and Richland Bean-Blossom Community School Corporation in a joint venture to operate Hoosier Hills Area Vocational School which was created to provide vocational education. The School Corporation is obligated by contract to remit their proportionate share of the net capita cost annually to supplement the Hoosier Hills Area Vocational School. This joint venture will continue until there is written notice by either party of their intention to terminate. The financial transactions for this joint venture are included in the Statement of Receipts Disbursements and Cash and Investment Balances Governmental Funds as part of "Other."

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Cash and Investments and 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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

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.

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

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

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for self-insurance provided to other departments on a cost-reimbursement basis. It is used for paying medical claims.

Pension trust funds account for bonds and payments anticipated to be made to employees on or after termination of employment or to pay postretirement or severance benefits held by the School Corporation in a trustee capacity.

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

Agency funds account for assets held by the School Corporation as an agent for grant funds and serve as control of accounts for certain cash transactions during the time they are a liability to the School Corporation.

C. Measurement Focus and Basis of Accounting

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

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.

MONROE COUNTY COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 5 to 12 days per year based on months of service. Unused sick leave may be accumulated indefinitely. Accumulated sick leave is paid to employees through cash payments into a 401A Plan upon retirement.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 7 days to 21 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 2 to 3 days per year, based on the number of service or length of work schedule. Unused personal leave at year end convert to sick leave.

MONROE COUNTY 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.

MONROE COUNTY 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 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:

1. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide 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 Activities.
2. Primary government and component unit activity and balances – Resource flows between the primary government and the discretely-presented component unit(s) are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

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.

MONROE COUNTY COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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. Disbursements in Excess of Appropriations

For the year ended June 30, 2004, disbursements exceeded budgeted appropriations in the following fund by the amounts below:

Fund	2004
Bus Replacement	\$ <u>38,286</u>

C. Cash and Investment Balance Deficits

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

Fund	2005	2006
Area Vocational	\$ 239,712	\$ -
Community Foundation - Batchelor	1,290	-
University Distance Learning	1,170	-
Twenty-First Century Scholars	5,232	-
Chapter I Project 94-5740	133	-
Title V - Innovative Programs	17,548	90,000
Pre-School Project 45704-042-PN01	13,666	796
Drug Free Schools 2003-2004	15,596	-
Safe and Drug Free Schools	3,085	79,156
Carl Perkins Grant 2003-2004	850	-
Smaller Learning Communities	22,417	-
ESEA Title II Part D Enhancing Education	1,996	1,330
Alternative Education Grant	4,334	137
BHSS Mural- Community Fund	352	-
Community Foundation of Bloomington	1,000	-
Silver Program 2003-2004	1,149	-
Special Education #14203-042-PY02	6,515	5,390
Adult Education Comprehensive	116	-
Twenty-First Century Scholars 2004/2005	1,271	-
Twenty-First Century Scholars 2003/2004	23	-
Life Skills Training	4,945	-
Alternative Education	1,481	-
Debt Service	-	145,401
Special Education Preschool	-	27,371

MONROE COUNTY COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Fund	2005	2006
Textbook Rental	-	327,401
Strategic Planning Donations	-	2,779
Parents Make a Difference News	-	879
Title V - Innovative Programs Part A	-	11,645
Special Education #14206-042-PN01	-	127,758
Pre-School Project 45706-042-PN01	-	1,541
Pre-School Project 45705-101-PY02	-	43
Adult Education Outreach 2004/2005	-	399
ESEA Title II Part A Project 04-214	-	65,047
ESEA Title II Part A Project 03-205	-	78,477
Special Education #14200-042-PN01	-	196
Monroe County Cares Grant	-	480
Comprehensive School Reform	-	58,170
Early Intervention Grant	-	151

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

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

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

B. Interfund Transfers

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

Transfer From	Transfer To	2005	2006
Other governmental	General Fund	\$ 69,000	\$ -
General Fund	Other governmental	215,000	880,000
Capital projects	Transportation Operating	<u>134,885</u>	<u>269,770</u>
Totals		<u>\$ 418,885</u>	<u>\$ 1,149,770</u>

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

MONROE COUNTY 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.

Group Health Insurance

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 Insurance Reserve 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 \$175,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Amounts are paid into the fund by all funds with payrolls 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 fund's gross wages, and are reported as quasi-external interfund transactions.

B. Holding Corporation

The School Corporation has entered into a capital lease with Monroe County Community 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 year 2005-2006 totaled \$10,999,806.

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment life, health, and dental insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55 with at least ten years of service. Currently, 334 retirees meet these eligibility requirements. The School Corporation and retirees provides varying amounts of these postemployment benefits, based upon the employee group and benefit plan the retiree belongs to. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. Disbursements for postemployment benefits cannot be reasonably estimated.

MONROE COUNTY COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

D. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

a. 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.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 628,701
Interest on net pension obligation	(67,237)
Adjustment to annual required contribution	76,622
Annual pension cost	638,086
Contributions made	740,934
Decrease in net pension obligation	(102,848)
Net pension obligation, beginning of year	(927,413)
Net pension obligation, end of year	\$ (1,030,261)

MONROE COUNTY COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	PERF
Contribution rates:	
School Corporation	5.50%
Plan members	3%
Actuarial valuation date	07-01-06
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	\$ 698,791	104%	\$ (769,848)
	06-30-04	585,565	127%	(927,413)
	06-30-05	638,086	127%	(1,030,261)

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.

MONROE COUNTY COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

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

Funding Policy and Annual Pension Costs

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

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2006, 2005, and 2004, were \$1,342,709, \$1,265,268, and \$1,106,712, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

MONROE COUNTY 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	\$ 11,952,395	\$ 11,912,845	\$ 39,550	100%	\$ 12,145,787	0%
07-01-04	12,231,176	12,519,684	(288,508)	98%	12,294,685	(2%)
07-01-05	12,817,479	14,160,584	(1,343,105)	91%	12,381,592	(11%)

MONROE COUNTY 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	\$ 1,940,806
Buildings	120,804,711
Improvements other than buildings	8,605,483
Machinery and equipment	16,563,148
Construction in progress	<u>2,229,711</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 150,143,859</u>

MONROE COUNTY COMMUNITY SCHOOL CORPORATION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT

June 30, 2006

The School Corporation has entered into the following debt:

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Clear Creek Elementary, Highland Park Elementary, Fairview Elementary, Childs Elementary and Tri-North Middle School	\$ 6,130,351	\$ 1,650,000
Templeton Elementary and University Elementary,	2,675,000	1,010,000
Grandview Elementary, Jackson Creek Middle School, and Bloomington South High School	42,926,705	3,125,000
Summit Elementary, Batchelor Middle School, and Bloomington North High School	36,435,000	1,410,000
Broadview Learning Center	4,435,000	140,000
Child Elementary Energy Savings	435,735	98,699
Notes and loans payable	8,218,464	8,218,464
Bonds payable:		
General obligation bonds:		
Retirement/Severance Bonds	<u>11,145,000</u>	<u>-</u>
Total governmental activities long-term debt	<u>\$ 112,401,255</u>	<u>\$ 15,652,163</u>

MONROE COUNTY COMMUNITY SCHOOL CORPORATION  
OTHER REPORT

The audit report presented herein was prepared in addition to the official report prepared for the individual School Corporation office listed below:

Bloomington South High School

MONROE COUNTY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

The controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient. Posting errors made to the computer ledger were not corrected. Hand posted records are kept in addition to the computer records. Reconcilements are not made timely between hand posted records and the bank. As of May 17, 2007, reconcilements had been made through January 2007. Computer records are kept for financial presentation purposes, including the Form 9 report. No effort was made to reconcile bank records to the computer records for the period of audit. As of May 17, 2007, records had been reconciled through December 2006.

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 Indiana Public School Corporations, Chapter 9)

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 for Indiana Public School Corporations, Chapter 9) A similar comment appeared in the prior Audit Report B25395.

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations were not performed timely and were only completed through January 2007 as of May 17, 2007. Reconcilements are performed using hand posted records; however, the hand posted records were not tied to the funds ledger. The reconcilement at June 30, 2006, from the bank balance to the hand posted records indicated cash long of \$3,006.04 and the difference between the hand posted records and the computer financial statement was cash short of \$3,175.23.

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

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9) A similar comment appeared in the prior Audit Report B25395.

OLD OUTSTANDING CHECKS (WARRANTS)

Our review of the bank reconcilements as of June 30, 2005, and June 30, 2006, revealed checks outstanding in excess of two years.

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

MONROE COUNTY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-11-10.5-3 states in part: "Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the: (1) board of finance of the political subdivision; or (2) the fiscal body of a city or town. The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

A similar comment appeared in the prior Audit Report B25395.

#### OVERDRAWN FUND BALANCES

The Area Vocational Fund, Community Foundation-Bachelor, University Distance Learning, Twenty-First Century Scholars, Chapter I Project 94-5740, Drug Free Schools 2003-2004, Carl Perkins Grant 2003-2004, Smaller Learning Communities, BHSS Mural - Community Fund, Community Foundation of Bloomington, Silver Program 2003-2004, Adult Education Comprehensive, Twenty-First Century Scholars 2004/2005, Twenty-First Century Scholars 2003/2004, Life Skills Training and Alternative Education were overdrawn at June 30, 2005.

The Debt Service Fund, Special Education Preschool Fund, Textbook Rental Fund, Strategic Planning Donations, Parents Make a Difference News, Title V - Innovative Programs Part A, Special Education No. 14206-042-PN01, Pre-School Project 45406-042-PN01, Pre-School Project 45705-101-PY02, Adult Education Outreach 2004/2005, ESEA Title II Part A Project 04-214, ESEA Title II Part A Project 03-205, Special Education No. 14200-042-PN01, Monroe County Cares Grant, Comprehensive School Reform and Early Intervention Grant were overdrawn at June 30, 2006.

The Title V – Innovative Programs, Pre-School Project 45704-042-PN01, Safe and Drug Free Schools, ESEA Title II Part D Enhancing Education, Alternative Education Grant and Special Education No. 14203-042-PY02 Funds were overdrawn at June 30, 2005, and June 30, 2006.

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 Indiana Public School Corporations, Chapter 9) A similar comment appeared in the prior Audit Report B25395.

MONROE COUNTY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Bus Replacement	2004	<u>\$ 38,286</u>

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

APPROVAL OF FORMS

The Monroe County School Corporation was using the following forms which had not been approved for use in lieu of prescribed forms:

Textbook Rental (approval denied)  
Financial Software Package  
Investment Ledger

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) A similar comment appeared in the prior Audit Report B25395.

PUBLIC WORKS PROJECT

The School Corporation entered into several construction contracts for improvements to buildings. During the period of construction, change orders exceeded 20% of the original contract on contracts with City Glass, Crider, Inc., Dave O'Mara, Structural Components, Weddle Brothers Construction and Wasserstrom Company.

Indiana Code 36-1-12-18 states:

"(a) If, in the course of the construction, reconstruction, or repair of a public work project, it becomes necessary to change or alter the original specifications, a change order may be issued to add, delete, or change an item or items in the original contract. The change order becomes an addendum to the contract and must be approved and signed by the board and the contractor.

(b) If a licensed architect or engineer is assigned to the public work project, the change order must be prepared by that person.

(c) A change order may not be issued before commencement of the actual construction, reconstruction, or repairs except in the case of an emergency. In that case, the board must make a declaration, and the board's minutes must show the nature of the emergency.

MONROE COUNTY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (d) The total of all change orders issued that increase the scope of the project may not exceed twenty percent (20%) of the amount of the original contract. A change order issued as a result of circumstances that could not have been reasonably foreseen does not increase the scope of the project.
- (e) All change orders must be directly related to the original public work project.
- (f) If additional units of materials included in the original contract are needed, the cost of these units in the change order must be the same as those shown in the original contract."

OVERDRAWN FUND BALANCES ECA – (Applies to Rogers Elementary, Templeton Elementary, Batchelor, Jackson Creek, Tri-North, Bloomington South and Bloomington North)

The Academic Teams Fund, the Class of 2001 Fund and the lost T-shirts Fund for Bloomington South, the Teacher's Lounge Fund for Rogers Elementary, the Pep Club Fund for Tri-North and the Choir Fund for Bloomington North were overdrawn in 2005.

The Bookstore Fund, the Choir Fund, the Concessions Fund, the French Club Fund, the Academic Teams Fund, the Class of 2001 Fund, the Renaissance Fund, the Project Pride Fund, the Amateur Ham Radio Club Fund, the Helping Hands Fund, and the Class of 2008 Fund for Bloomington South, the Athletic Fund for Bloomington North, the Student Assistance Fund for Rogers Elementary, the Discretionary Fund for Templeton Elementary, the Cheerleading Fund for Batchelor, the Pep Club Fund and the Orchestra Fund for Tri-North and the Poms Fund for Jackson Creek were overdrawn in 2006.

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 Extra-Curricular Accounts, Chapter 7) A similar comment appeared in the prior Audit Report B25395.

PUBLIC RECORDS RETENTION – (Applies to Bloomington South, Bloomington North, Clear Creek Elementary, Rogers Elementary, Summit Elementary and Templeton Elementary)

Some receipt documents were not presented for audit.

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) A similar comment appeared in the prior Audit Report B25395.

MONROE COUNTY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

INTERNAL CONTROLS ECA – (Applies to Bloomington South, Bloomington North, Clear Creek Elementary, Rogers Elementary, and Templeton Elementary)

Controls for receipts generated are insufficient. The various schools do not issue receipts in numerical order.

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) A similar comment appeared in the prior Audit Report B25395.

DEPOSITS – (Applies to Arlington Elementary, Clear Creek Elementary, Rogers Elementary, and Summit Elementary)

Deposits do not indicate the form in which the money was received (i.e., cash, check, etc.)

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received." A similar comment appeared in the prior Audit Report B25395.

RECEIPT ISSUANCE – (Applies to Bloomington South, Arlington Elementary, Clear Creek Elementary, and Rogers Elementary)

Some receipts were written after deposits were made.

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)

ECA EDUCATIONAL FEES – (Applies to Bloomington North and Bloomington South)

Fees for student ID's and parking permits were being receipted to and retained in an extra-curricular fund.

Indiana Code 20-26-4-1 concerning duties of the School Corporation Treasurer, states in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds . . ." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

ECA DEPOSITS – (Applies to Bloomington South, Bloomington North, Arlington Elementary, Binford Elementary, and Templeton Elementary)

Receipts were not always deposited within a reasonable time. Receipts, in some instances for Bloomington South, were held for periods in excess of two years before deposits were made, and had accumulated to over \$5,000. A similar comment appeared in the prior Audit Report B25395.

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

MONROE COUNTY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

TRANSACTION RECORDING – (Applies to Bloomington South)

Several receipts and disbursements were not posted to the ECA financial records maintained by the ECA Treasurer. No effort had been made to reconcile them to the centralized records of the School Corporation.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

IMPROPER USE OF TICKET SALES FORM SA-4 – (Applies to Bloomington South)

We noted several instances where the Form SA-4, Ticket Sales Report, was not properly used. Tickets numbers were not used in consecutive order. As a result, full accountability for all money received from admissions could not be determined.

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)

Ticket sales conducted by any activity should be accounted for as follows:

The treasurer should be responsible for the proper accounting for all tickets and should keep a record of the number purchased, the number issued for sale, and the number returned. The treasurer should see that proper accounting is made for the cash received from those sold. All tickets shall be prenumbered, with a different ticket color and numerical series for each price group. When cash for ticket sales is deposited with the treasurer, the treasurer's receipt issued therefore should show the number of tickets issued to the seller, the number returned unsold and the balance remitted in cash. All tickets (including free or reduced) must be listed and accounted for on the SA-4 Ticket Sales Form. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

Serially prenumbered tickets by the printing supplier should be used for all athletic and other extra-curricular activities and events for which admission is charged. Part of the prenumbered ticket should be given to the person paying for the ticket upon admission to the event. The other part of the ticket (which should also be prenumbered, referred to as the stub) should be retained. All tickets (unused tickets and stubs) should be retained for audit. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

Tickets for each price group should be different colors and/or different in their series number. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

MONROE COUNTY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

TIMELY RECORDKEEPING – (Applies to Bloomington South)

We noted instances of months from the time of the original date of the transactions until entry on the records.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (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  
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INDIANAPOLIS, INDIANA 46204-2769

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Fax: (317) 232-4711  
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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 MONROE COUNTY COMMUNITY  
SCHOOL CORPORATION, MONROE COUNTY, INDIANA

Compliance

We have audited the compliance of the Monroe County 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

May 17, 2007

MONROE COUNTY 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
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 199,809	\$ 215,668
National School Lunch Program	10.555		<u>1,238,277</u>	<u>1,347,394</u>
Total for cluster			<u>1,438,086</u>	<u>1,563,062</u>
Total for federal grantor agency			<u>1,438,086</u>	<u>1,563,062</u>
<b>U.S. NATIONAL SCIENCE FOUNDATION</b>				
Direct Grant				
Mathematical and Physical Sciences	47.049		<u>777</u>	<u>1,125</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Pass-Through Indiana Department of Education				
Special Education Cluster				
Special Education - Grants to States	84.027			
		14204-042-PN01	243,886	-
		14203-042-PN01	265,983	-
		14203-042-PY02	34,535	-
		14204-042-SN01	28,009	-
		14203-042-DY08	7,273	-
		14205-042-DY01	-	5,062
		14205-042-PY02	-	64,109
		14204-042-PY02	112,501	60,596
		14205-042-PN01	1,199,294	736,057
		14205-042-SN01	5,550	24,903
		14506-042-PN01	-	<u>1,796,692</u>
Total for program			<u>1,897,031</u>	<u>2,687,419</u>
Special Education - Preschool Grants	84.173			
		45703-042-PY02	1,274	-
		45704-042-PN01	10,364	-
		45704-042-PY02	1,632	1,840
		45705-042-PN01	61,339	15,912
		45706-042-PN01	-	61,154
		45705-101-PY02	-	<u>44</u>
Total for program			<u>74,609</u>	<u>78,950</u>
Total for cluster			<u>1,971,640</u>	<u>2,766,369</u>
Direct Grant				
Innovation in Education	84.215	V215LO40207	<u>27,813</u>	<u>20,416</u>
Pass-Through Indiana Department of Education				
Adult Education - State Grant Program	84.002			
		FY 2004-8127	6,819	-
		FY 2004-8404	8,165	-
		FY 2004-8023	60,054	-
		FY 2006-8130	-	27,520
		FY 2006-8404	-	48,000
		FY 2005-8404	36,166	8,639
		FY 2005-8127	33,500	-
		FY 2005-8023	138,207	37,150
		FY 2006-8023	-	<u>191,966</u>
Total for program			<u>282,911</u>	<u>313,275</u>
Title I Grants to Local Educational Agencies	84.010			
		FY 04-5740 part 2	16,534	-
		FY 04-5740	478,884	-
		FY 05-5740	1,309,404	473,144
		FY 06-5740	133	1,356,468
		FY 05-5740 Part 2	23,744	18,032
		FY 05-5740 School Improvement	33,718	49,644
		FY 06-5740 Part 2	-	21,781
		FY 06-5740 School Improvement	-	<u>29,226</u>
Total for program			<u>1,862,417</u>	<u>1,948,295</u>

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

MONROE COUNTY 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
<b>U.S. DEPARTMENT OF EDUCATION (continued)</b>				
Pass-Through Indiana Department of Education (continued)				
Vocational Education - Basic Grants to States	84.048			
		04-4700-5740	84,893	-
		06-4700-5740	-	198,217
		05-4700-5740	<u>183,640</u>	<u>104,792</u>
Total for program			<u>268,533</u>	<u>303,009</u>
Safe and Drug Free Schools and Communities - State Grant	84.186			
		03-023	37,114	-
		04-185	<u>3,085</u>	<u>58,676</u>
Total for program			<u>40,199</u>	<u>58,676</u>
Education for Homeless Children and Youth	84.196	FY 04	<u>45,000</u>	-
Pass-Through Indiana Department of Workforce Development Eisenhower Professional Development State Grants	84.281			
		SY 05-06	-	58,347
		SY 04-05	24,160	15,378
		SY 03-04	<u>9,702</u>	<u>-</u>
Total for program			<u>33,862</u>	<u>73,725</u>
Pass-Through Indiana Department of Education 21st Century Community Learning Centers Program	84.287	SY 05-06	-	<u>305,500</u>
Innovative Education Program Strategies	84.298			
		02-141	107,928	699
		03-177	68,459	103,260
		04-252	<u>-</u>	<u>67,454</u>
Total for program			<u>176,387</u>	<u>171,413</u>
Education Technology - State Grants	84.318			
		SY 03-04	1,996	30,148
		SY 02-03	24,902	-
		SY 04-05	<u>-</u>	<u>1,330</u>
Total for program			<u>26,898</u>	<u>31,478</u>
Comprehensive School Reform	84.332			
		SY 04-05 Fairview Elementary	82,499	15,961
		SY 04-05 Highland Park Elementary	165,043	7,155
		SY 05-06 Highland Park Elementary	-	154,254
		SY 05-06 Fairview Elementary	<u>-</u>	<u>110,313</u>
Total for program			<u>247,542</u>	<u>287,683</u>
Reading Excellence	84.338	I-Read	<u>270,581</u>	-
Mathematics and Science Partnerships	84.366	FY 05-06	-	<u>64,963</u>
Improving Teacher Quality State Grants	84.367			
		02-188	118,256	-
		04-214	-	65,046
		03-205	<u>309,828</u>	<u>115,743</u>
Total for program			<u>428,084</u>	<u>180,789</u>
Total for federal grantor agency			<u>5,681,867</u>	<u>6,525,591</u>
<b>U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>				
Pass-Through Indiana Department of Education				
Learn and Serve America - School and Community Based Programs	94.004			
		2004-2005	5,537	1,744
		2005-2006	-	2,515
		Learn and Serve Clear Creek	<u>3,224</u>	<u>1,776</u>
Total for federal grantor agency			<u>8,761</u>	<u>6,035</u>
Total federal awards expended			<u>\$ 7,129,491</u>	<u>\$ 8,095,813</u>

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

MONROE COUNTY 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 Monroe County 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
Education for Homeless Children and Youth	84.196	\$ 45,000	\$ -
Mathematics and Science Partnerships	84.366	-	64,963

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
Child Nutrition Cluster: Food Commodities: National School Lunch Program	10.555	<u>\$ 171,195</u>	<u>\$ 166,592</u>

MONROE COUNTY 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?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
	Child Nutrition Cluster
	Special Education Cluster
84.002	Adult Education
84.332	Comprehensive School Reform
84.367	Improving Teacher Quality

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

Auditee qualified as low-risk auditee? no

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

Section II – Financial Statement Findings

FINDING NUMBER 2006-1, INTERNAL CONTROL OVER FINANCIAL REPORTING

The School Corporation has not implemented internal controls to monitor the receipting, disbursing, recording and accounting of financial activities. We determined that financial records were not reconciled monthly to the funds ledger.

As a result, the School Corporation experienced a failure to find and correct posting errors in a timely manner.

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 transaction, inaccurate records and financial statements and incorrect decision-making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

We recommended that internal controls be properly maintained to monitor that the School Corporation reconciles the funds ledger to the cash and investments on a monthly basis.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

MONROE COUNTY COMMUNITY SCHOOL CORPORATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



## Monroe County Community School Corporation

315 North Drive, Bloomington, IN 47401 – 812-330-7700 • FAX 812-330-7813 www.mccsc.edu

### MONROE COUNTY COMMUNITY SCHOOL CORPORATION CORRECTIVE ACTION PLAN

#### **FINDING 2006-1, INTERNAL CONTROL OVER FINANCIAL REPORTING**

Bank statements for the period 7/1/2004 to 3/31/2007 have been reconciled to the ledger. A schedule of any un-reconciled variances will be provided to the Field Examiner at the exit conference. The Bookkeeper has been provided a reconciliation template has been informed of the process to be used monthly to reconcile cash book balances with the computerized ledger and will perform that reconciliation. Reconciliations are to be completed by the 20<sup>th</sup> day of the month following the month to be reconciled. Either the Comptroller or the Assistant Comptroller will sign off on the reconciliation each month.

A handwritten signature in black ink, appearing to read "Anthony Head".

May 22, 2007

MONROE COUNTY COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on June 6, 2007, with James Harvey, Interim Superintendent of Schools; Timothy Thrasher, Treasurer; Barbara Buckner, Assistant Comptroller; Lois Sabo-Skelton, Board member; Valerie Merriam, Board member; and Jay True, Assistant Principal South High School. The official response has been made a part of this report and may be found on pages 54 and 55.



## Monroe County Community School Corporation

315 North Drive, Bloomington, IN 47401 – 812-330-7700 \* FAX 812-330-7813 www.mccsc.edu

June 12, 2007

State Board of Accounts  
302 Washington St., Room E418  
Indianapolis, Indiana 46204-2765  
ATTN: Bruce A. Hartman, State Examiner

Dear Mr. Hartman,

The Monroe County Community School Corporation presents the following information to be included in the Audit Report for the period ending June 30, 2006.

### Internal Controls

First, we would like to express our appreciation for the professional manner in which your examiners conducted the examination of the MCCSC's records. Their findings are very helpful and our intent is to take the steps necessary to bring internal controls with respect to reconciliation of bank statements with the corporation's computerized records into compliance with the State Board of Accounts' requirements. The Bookkeeper has been provided a reconciliation template and has been advised of the processes and timelines to be followed monthly to reconcile bank statements with the computerized records. Reconciliations are to be completed by the end of the month following the month to be reconciled. Either the Comptroller or the Assistant Comptroller will sign off on the reconciliation each month.

### Extra Curricula Cash Receipts and Overdrawn Accounts

All building principals and department heads were advised of the need to review procedures with respect to cash receipts during a meeting for all administrators held on June 6, 2007. Recently identified audit exceptions were discussed. A memorandum originally distributed four years ago providing instructions for processing cash receipts was distributed again during that meeting. A meeting will be held at the beginning of each school year for all secretaries. Our plan is to again distribute the memorandum and discuss procedures during that meeting in August of each year. The Business Office also intends to meet individually with all new secretaries in positions processing cash receipts and all new building Principals. The purpose will be to discuss procedures with respect to cash receipts. The bookkeeper for extra curricular funds is monitoring cash balances and will notify building Principals immediately if payment of an Extra Curricular Payment Authorization Voucher will result in an account being overdrawn.

### Overdrawn Fund Balances—School Corporation Funds

The Business Office has and will continue to work to eliminate negative fund balances. Some grants will only send cash on a reimbursement basis. Other grants require that cash on hand in the fund be maintained at very low levels. We will make every effort to ensure that negative fund balances are minimized.

Security for Cash Receipts at Bloomington High School South

The MCCSC Board, the administration at Bloomington High School South and the MCCSC central administration are all extremely concerned about the mishandling and apparent theft of extra-curricular funds at Bloomington High School South. The employment of two staff members has been terminated. Procedures are being implemented at the school to ensure adequate supervision of the cash receipting process. Any future thefts discovered in the school system will be reported immediately to the State Board of Accounts to permit follow-up audits as the Board of Accounts feels is necessary and appropriate.

Sincerely,

A handwritten signature in cursive script, appearing to read "Timothy Thrasher", written in black ink.

Timothy Thrasher  
Treasurer