

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

EXAMINATION REPORT

OF

MILAN COMMUNITY SCHOOL CORPORATION

RIPLEY COUNTY, INDIANA

July 1, 2004 to June 30, 2006



FILED
07/17/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Gretchen M. Berger	07-01-04 to 06-30-07
Superintendent of Schools	Donald G. Swisher Andrew S. Jackson	07-01-04 to 06-30-06 07-01-06 to 06-30-07
President of the School Board	David Voss	07-01-04 to 06-30-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF MILAN COMMUNITY SCHOOL CORPORATION, RIPLEY COUNTY, INDIANA

We have examined the financial information presented herein of Milan Community School Corporation (School Corporation), for the period of July 1, 2004 to June 30, 2006. The School Corporation's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedules referred to above present fairly, in all material respects, the cash transactions of the School Corporation for the years ended June 30, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

May 10, 2007

MILAN COMMUNITY SCHOOL CORPORATION
SCHEDULE OF CASH AND INVESTMENTS
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 1,799,594
Restricted assets:	
Cash and investments	<u>403,244</u>
Total assets	<u>\$ 2,202,838</u>
<u>Net Assets</u>	
Restricted for:	
Debt service	\$ 403,244
Unrestricted	<u>1,799,594</u>
Total net assets	<u>\$ 2,202,838</u>

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

MILAN COMMUNITY SCHOOL CORPORATION
SCHEDULE OF CASH AND INVESTMENTS
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 1,458,666
Restricted assets:	
Cash and investments	<u>471,612</u>
Total assets	<u>\$ 1,930,278</u>
<u>Net Assets</u>	
Restricted for:	
Debt service	\$ 471,612
Unrestricted	<u>1,458,666</u>
Total net assets	<u>\$ 1,930,278</u>

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

MILAN COMMUNITY SCHOOL CORPORATION
SCHEDULE 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	\$ 4,204,711	\$ -	\$ 75,712	\$ (4,128,999)
Support services	5,374,784	418,212	204,306	(4,752,266)
Community services	120,256	-	-	(120,256)
Nonprogrammed charges	536,215	-	-	(536,215)
Debt service	2,857,690	-	-	(2,857,690)
Total governmental activities	<u>\$ 13,093,656</u>	<u>\$ 418,212</u>	<u>\$ 280,018</u>	<u>(12,395,426)</u>
General receipts:				
Property taxes				3,283,357
Other local sources				1,321,391
State aid				5,565,088
Grants and contributions not restricted				621,181
Bonds and loans				2,410,767
Sale of property, adjustments, and refunds				19,228
Investment earnings				24,689
Transfers:				
Intergovernmental				<u>17,647</u>
Total general receipts and transfers				<u>13,263,348</u>
Change in cash and investments				867,922
Net assets - beginning				<u>1,334,916</u>
Net assets - ending				<u>\$ 2,202,838</u>

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

MILAN COMMUNITY SCHOOL CORPORATION
SCHEDULE 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	\$ 4,146,077	\$ -	\$ 52,731	\$ (4,093,346)
Support services	5,069,130	416,753	230,135	(4,422,242)
Community services	117,514	-	-	(117,514)
Nonprogrammed charges	575,044	-	-	(575,044)
Debt service	3,121,057	-	-	(3,121,057)
Total governmental activities	<u>\$ 13,028,822</u>	<u>\$ 416,753</u>	<u>\$ 282,866</u>	<u>(12,329,203)</u>
General receipts:				
Property taxes				3,473,960
Other local sources				1,122,923
State aid				5,931,718
Grants and contributions not restricted				379,259
Bonds and loans				1,088,813
Investment earnings				<u>59,970</u>
Total general receipts				<u>12,056,643</u>
Change in cash and investments				(272,560)
Net assets - beginning				<u>2,202,838</u>
Net assets - ending				<u>\$ 1,930,278</u>

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

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

	General	Transportation Operating	Alternative Education	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 2,158,107	\$ 626,555	\$ -	\$ 1,100,719	\$ 714,629	\$ 19,687	\$ 635,640	\$ 5,255,337
Intermediate sources	112	-	-	-	-	-	356	468
State sources	5,640,800	-	214,124	-	-	-	50,568	5,905,492
Federal sources	-	-	-	-	-	-	371,867	371,867
Bonds and loans	1,838,146	266,160	-	60,286	246,175	-	-	2,410,767
Intergovernmental transfers	17,647	-	-	-	-	-	-	17,647
Total receipts	<u>9,654,812</u>	<u>892,715</u>	<u>214,124</u>	<u>1,161,005</u>	<u>960,804</u>	<u>19,687</u>	<u>1,058,431</u>	<u>13,961,578</u>
Disbursements:								
Current:								
Instruction	3,890,050	-	117,782	-	-	-	196,879	4,204,711
Support services	3,060,031	647,899	30,614	-	849,422	-	786,818	5,374,784
Community services	118,963	-	-	-	-	-	1,293	120,256
Nonprogrammed charges	509,368	-	-	-	-	-	26,847	536,215
Debt services	1,502,611	239,792	-	956,846	158,441	-	-	2,857,690
Total disbursements	<u>9,081,023</u>	<u>887,691</u>	<u>148,396</u>	<u>956,846</u>	<u>1,007,863</u>	<u>-</u>	<u>1,011,837</u>	<u>13,093,656</u>
Excess (deficiency) of total receipts over (under) total disbursements	573,789	5,024	65,728	204,159	(47,059)	19,687	46,594	867,922
Cash and investments - beginning	410,331	229,501	151,043	199,085	145,804	-	199,152	1,334,916
Cash and investments - ending	<u>\$ 984,120</u>	<u>\$ 234,525</u>	<u>\$ 216,771</u>	<u>\$ 403,244</u>	<u>\$ 98,745</u>	<u>\$ 19,687</u>	<u>\$ 245,746</u>	<u>\$ 2,202,838</u>

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

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

	General	Transportation Operating	Alternative Education	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 2,111,287	\$ 671,827	\$ -	\$ 980,573	\$ 801,791	\$ 80,338	\$ 450,551	\$ 5,096,367
Intermediate sources	112	-	-	-	-	-	694	806
State sources	5,984,448	-	148,647	-	-	-	60,749	6,193,844
Federal sources	-	-	-	-	-	-	376,432	376,432
Bonds and loans	<u>578,049</u>	<u>276,217</u>	<u>-</u>	<u>-</u>	<u>234,547</u>	<u>-</u>	<u>-</u>	<u>1,088,813</u>
Total receipts	<u>8,673,896</u>	<u>948,044</u>	<u>148,647</u>	<u>980,573</u>	<u>1,036,338</u>	<u>80,338</u>	<u>888,426</u>	<u>12,756,262</u>
Disbursements:								
Current:								
Instruction	3,882,817	-	119,815	-	-	-	143,445	4,146,077
Support services	3,056,534	638,751	32,531	-	568,184	60,952	712,178	5,069,130
Community services	117,514	-	-	-	-	-	-	117,514
Nonprogrammed charges	545,130	-	-	-	-	-	29,914	575,044
Debt services	<u>1,634,139</u>	<u>328,444</u>	<u>-</u>	<u>912,205</u>	<u>246,269</u>	<u>-</u>	<u>-</u>	<u>3,121,057</u>
Total disbursements	<u>9,236,134</u>	<u>967,195</u>	<u>152,346</u>	<u>912,205</u>	<u>814,453</u>	<u>60,952</u>	<u>885,537</u>	<u>13,028,822</u>
Excess (deficiency) of total receipts over (under) total disbursements	(562,238)	(19,151)	(3,699)	68,368	221,885	19,386	2,889	(272,560)
Cash and investments - beginning	<u>984,120</u>	<u>234,525</u>	<u>216,771</u>	<u>403,244</u>	<u>98,745</u>	<u>19,687</u>	<u>245,746</u>	<u>2,202,838</u>
Cash and investments - ending	<u>\$ 421,882</u>	<u>\$ 215,374</u>	<u>\$ 213,072</u>	<u>\$ 471,612</u>	<u>\$ 320,630</u>	<u>\$ 39,073</u>	<u>\$ 248,635</u>	<u>\$ 1,930,278</u>

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

MILAN COMMUNITY SCHOOL CORPORATION
SCHEDULE OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2005

<u>Assets</u>	<u>Agency Funds</u>
Cash and investments	<u>\$ 11,048</u>

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

MILAN COMMUNITY SCHOOL CORPORATION
SCHEDULE OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2006

<u>Assets</u>	<u>Agency Funds</u>
Cash and investments	\$ <u>1,128</u>

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

MILAN COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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.

Note 2. Fund Accounting

A. Government-Wide and Fund Financial Schedules

Government-Wide Financial Schedules

The Schedule of Cash and Investments and the Schedule 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 Schedules

Fund financial schedules of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial schedules are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial schedules. Major individual governmental funds are reported as separate columns in the fund financial schedules.

The School Corporation reports the following major governmental funds:

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

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

The alternative education fund is used to account for alternative education programs.

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

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

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

MILAN COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL INFORMATION
(Continued)

Additionally, the School Corporation reports the following fund type:

Agency funds account for assets held by the School Corporation as an agent for various entities until payroll withholdings are remitted by the School Corporation.

B. Measurement Focus and Basis of Accounting

The government-wide, governmental fund and fiduciary fund financial schedules 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 schedules.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial schedules for governmental funds would use the modified accrual basis of accounting, while the fund financial schedules for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

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

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 or internal service 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.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

MILAN COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and 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.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 6. 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 this 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 members' 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. That 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

MILAN COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL INFORMATION
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

B. Teacher's Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teacher's 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 members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Cost

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.

MILAN 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 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:	
Buildings	\$ 31,976,120
Improvements other than buildings	292,196
Machinery and equipment	<u>1,703,383</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 33,971,699</u>

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

June 30, 2006

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Capital Lease:		
Elementary School	\$ 19,974	\$ 19,974
Loans payable:		
Common School	8,400,000	794,000
Veteran's Memorial	100,220	15,569
Total governmental activities long-term debt	<u>\$ 8,520,194</u>	<u>\$ 829,543</u>

MILAN COMMUNITY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS

DISBURSEMENT PROCEDURES

Sixty-three percent of the claims examined did not have evidence to support receipt of goods or services.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

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

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

TRANSFER TUITION

The School Corporation charges an estimate of the cost of transfer tuition to the transferring student. Prescribed Form 515 (Transfer Tuition Statement) is not used to calculate the actual transfer tuition for the year and to send out a final bill for any difference between the estimate and the actual costs.

Indiana Code 20-26-11-6 states in part:

"(a) A school corporation may accept a transferring student without approval of the transferor corporation under section 5 of this chapter."

"(b) A transfer may not be accepted unless the requesting parents or student pays transfer tuition in an amount determined under the formula established . . ."

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)

MILAN COMMUNITY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

DEPOSITS DELAYED (Applies to Milan Elementary and Middle Schools)

Fifty-five percent of the receipts examined at Milan Elementary School were deposited three to nineteen days after the collection of the funds. Fifty percent of the receipts examined at Milan Middle School were deposited three to five days after the being received.

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

PUBLIC RECORDS RETENTION (Applies to Milan Middle School)

Official Receipts – Individual Textbook Rental List (Form TBR 2) were not presented for examination for the period July 1, 2004 to June 30, 2006.

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)

MILAN COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on May 10, 2007, with Andrew S. Jackson, Superintendent of Schools; and Gretchen M. Berger, Treasurer. The officials concurred with our findings.