

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

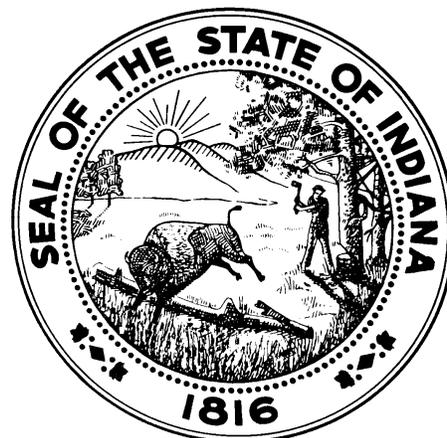
AUDIT REPORT

OF

MITCHELL COMMUNITY SCHOOLS

LAWRENCE COUNTY, INDIANA

July 1, 2005 to June 30, 2007



FILED

03/27/2008

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kathy J. Kirk	07-01-05 to 06-30-08
Superintendent of Schools	John W. Lantis	07-01-05 to 06-30-11
President of the School Board	Debra S. Beeler Christopher S. Shaw	07-01-05 to 06-30-06 07-01-06 to 06-30-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE MITCHELL COMMUNITY SCHOOLS, LAWRENCE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mitchell Community Schools (School Corporation), as of and for the years ended June 30, 2006 and 2007, 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, 2006 and 2007, 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 January 30, 2008, 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 Combining Schedules, as listed in the Table of Contents, 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 Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. 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

January 30, 2008



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE MITCHELL COMMUNITY SCHOOLS, LAWRENCE COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mitchell Community Schools (School Corporation), as of and for the years ended June 30, 2006 and 2007, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated January 30, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the School Corporation's management, the Board of School Trustees, 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

January 30, 2008

MITCHELL COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 7,125,215	\$ -	\$ 63,278	\$ (7,061,937)
Support services	14,433,235	363,171	442,173	(13,627,891)
Community services	20,272	-	-	(20,272)
Nonprogrammed charges	434,591	-	-	(434,591)
Debt service	3,196,640	-	-	(3,196,640)
Total governmental activities	<u>\$ 25,209,953</u>	<u>\$ 363,171</u>	<u>\$ 505,451</u>	<u>(24,341,331)</u>
General receipts:				
Property taxes				8,224,127
Other local sources				1,539,283
State aid				10,269,348
Grants and contributions not restricted to specific programs				467,315
Sale of property, adjustments, and refunds				95,721
Investment earnings				<u>71,926</u>
Total general receipts				<u>20,667,720</u>
Change in net assets				(3,673,611)
Net assets - beginning				<u>11,372,305</u>
Net assets - ending				<u>\$ 7,698,694</u>
<u>Assets</u>				
Cash and investments				\$ 7,416,630
Restricted assets:				
Cash and investments				<u>282,064</u>
Total assets				<u>\$ 7,698,694</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 282,064
Unrestricted				<u>7,416,630</u>
Total net assets				<u>\$ 7,698,694</u>

The notes to the financial statements are an integral part of this statement.

MITCHELL COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
		Charges for Services	Operating Grants and Contributions	<u>Totals</u>
Governmental activities:				
Instruction	\$ 6,845,980	\$ -	\$ 42,019	\$ (6,803,961)
Support services	8,417,050	542,780	390,242	(7,484,028)
Community services	11,577	-	-	(11,577)
Nonprogrammed charges	468,766	-	-	(468,766)
Debt service	<u>3,144,904</u>	<u>-</u>	<u>-</u>	<u>(3,144,904)</u>
Total governmental activities	<u>\$ 18,888,277</u>	<u>\$ 542,780</u>	<u>\$ 432,261</u>	<u>(17,913,236)</u>
General receipts:				
Property taxes				5,522,326
Other local sources				960,606
State aid				8,628,665
Grants and contributions not restricted to specific programs				329,441
Sale of property, adjustments, and refunds				27,889
Investment earnings				<u>84,604</u>
Total general receipts				<u>15,553,531</u>
Change in net assets				(2,359,705)
Net assets - beginning				<u>7,698,694</u>
Net assets - ending				<u>\$ 5,338,989</u>
<u>Assets</u>				
Cash and investments				\$ 5,258,932
Restricted assets:				
Cash and investments				<u>80,057</u>
Total assets				<u>\$ 5,338,989</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 80,057
Unrestricted				<u>5,258,932</u>
Total net assets				<u>\$ 5,338,989</u>

The notes to the financial statements are an integral part of this statement.

MITCHELL COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Construction	Other	Totals
Receipts:								
Local sources	\$ 3,842,362	\$ 1,064,885	\$ 3,100,049	\$ 1,332,966	\$ 101,977	\$ -	\$ 888,729	\$ 10,330,968
Intermediate sources	241	-	-	-	-	-	-	241
State sources	10,291,296	-	-	-	-	-	146,633	10,437,929
Federal sources	29,002	-	-	-	-	-	642,482	671,484
Sale of property, adjustments and refunds	84,898	9,922	-	-	-	-	900	95,720
Total receipts	14,247,799	1,074,807	3,100,049	1,332,966	101,977	-	1,678,744	21,536,342
Disbursements:								
Current:								
Instruction	6,808,039	-	-	-	-	-	317,176	7,125,215
Support services	5,130,356	831,069	-	1,199,661	160,916	6,039,690	1,071,543	14,433,235
Community services	14,705	-	-	-	-	-	5,567	20,272
Nonprogrammed charges	434,591	-	-	-	-	-	-	434,591
Debt services	-	-	2,945,058	-	-	-	251,582	3,196,640
Total disbursements	12,387,691	831,069	2,945,058	1,199,661	160,916	6,039,690	1,645,868	25,209,953
Excess (deficiency) of receipts over disbursements	1,860,108	243,738	154,991	133,305	(58,939)	(6,039,690)	32,876	(3,673,611)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	594,699	594,699
Transfers out	(308,249)	(52,349)	(140,043)	(67,205)	(3,462)	-	(23,391)	(594,699)
Total other financing sources (uses)	(308,249)	(52,349)	(140,043)	(67,205)	(3,462)	-	571,308	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,551,859	191,389	14,948	66,100	(62,401)	(6,039,690)	604,184	(3,673,611)
Cash and investments - beginning	3,019,256	264,826	137,313	1,122,062	138,945	6,039,690	650,213	11,372,305
Cash and investments - ending	\$ 4,571,115	\$ 456,215	\$ 152,261	\$ 1,188,162	\$ 76,544	\$ -	\$ 1,254,397	\$ 7,698,694
<u>Cash and Investment Assets - Ending</u>								
Cash and investments	\$ 4,571,115	\$ 456,215	\$ -	\$ 1,188,162	\$ 76,544	\$ -	\$ 1,124,594	\$ 7,416,630
Restricted assets:								
Cash and investments	-	-	152,261	-	-	-	129,803	282,064
Total cash and investment assets - ending	\$ 4,571,115	\$ 456,215	\$ 152,261	\$ 1,188,162	\$ 76,544	\$ -	\$ 1,254,397	\$ 7,698,694
<u>Cash and Investment Fund Balance - Ending</u>								
Restricted for:								
Debt service	\$ -	\$ -	\$ 152,261	\$ -	\$ -	\$ -	\$ 129,803	\$ 282,064
Unrestricted	4,571,115	456,215	-	1,188,162	76,544	-	1,124,594	7,416,630
Total cash and investment fund balance - ending	\$ 4,571,115	\$ 456,215	\$ 152,261	\$ 1,188,162	\$ 76,544	\$ -	\$ 1,254,397	\$ 7,698,694

The notes to the financial statements are an integral part of this statement.

MITCHELL COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 2,572,246	\$ 607,025	\$ 2,605,564	\$ 560,066	\$ 113,792	\$ 651,623	\$ 7,110,316
State sources	8,656,683	-	-	-	-	138,795	8,795,478
Federal sources	31,412	-	-	-	-	563,477	594,889
Sale of property, adjustments and refunds	23,074	4,015	-	-	-	800	27,889
Interfund loans	-	-	227,244	-	-	-	227,244
Total receipts	11,283,415	611,040	2,832,808	560,066	113,792	1,354,695	16,755,816
Disbursements:							
Current:							
Instruction	6,533,959	-	-	-	-	312,021	6,845,980
Support services	5,061,063	841,553	-	1,299,464	137,991	1,076,979	8,417,050
Community services	11,380	-	-	-	-	197	11,577
Nonprogrammed charges	468,766	-	-	-	-	-	468,766
Debt services	-	-	2,892,332	-	-	252,572	3,144,904
Interfund loans	227,244	-	-	-	-	-	227,244
Total disbursements	12,302,412	841,553	2,892,332	1,299,464	137,991	1,641,769	19,115,521
Deficiency of receipts over disbursements	(1,018,997)	(230,513)	(59,524)	(739,398)	(24,199)	(287,074)	(2,359,705)
Other financing sources (uses):							
Transfers in	464,900	92,737	-	-	-	65,788	623,425
Transfers out	(54,767)	-	(92,737)	-	-	(475,921)	(623,425)
Total other financing sources (uses)	410,133	92,737	(92,737)	-	-	(410,133)	-
Deficiency of receipts and other financing sources over disbursements and other financing uses	(608,864)	(137,776)	(152,261)	(739,398)	(24,199)	(697,207)	(2,359,705)
Cash and investments - beginning	4,571,115	456,215	152,261	1,188,162	76,544	1,254,397	7,698,694
Cash and investments - ending	\$ 3,962,251	\$ 318,439	\$ -	\$ 448,764	\$ 52,345	\$ 557,190	\$ 5,338,989
Cash and Investment Assets - Ending							
Cash and investments	\$ 3,962,251	\$ 318,439	\$ -	\$ 448,764	\$ 52,345	\$ 477,133	\$ 5,258,932
Restricted assets:							
Cash and investments	-	-	-	-	-	80,057	80,057
Total cash and investment assets - ending	\$ 3,962,251	\$ 318,439	\$ -	\$ 448,764	\$ 52,345	\$ 557,190	\$ 5,338,989
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80,057	\$ 80,057
Unrestricted	3,962,251	318,439	-	448,764	52,345	477,133	5,258,932
Total cash and investment fund balance - ending	\$ 3,962,251	\$ 318,439	\$ -	\$ 448,764	\$ 52,345	\$ 557,190	\$ 5,338,989

The notes to the financial statements are an integral part of this statement.

MITCHELL COMMUNITY SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2006

	Pension Trust Fund	Private-Purpose Trust Fund
Additions:		
Contributions:		
Other	\$ -	\$ 500
Investment earnings:		
Interest	10,531	-
Total additions	10,531	500
Deductions:		
Benefits	302,120	-
Excess (deficiency) of total additions over total deductions	(291,589)	500
Cash and investment fund balance - beginning	619,832	207
Cash and investment fund balance - ending	\$ 328,243	\$ 707
Net assets:		
Cash and investments	\$ 328,243	\$ 707
Total net assets - cash and investment basis held in trust	\$ 328,243	\$ 707

The notes to the financial statements are an integral part of this statement.

MITCHELL COMMUNITY SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2007

	<u>Pension Trust Fund</u>	<u>Private-Purpose Trust Fund</u>
Additions:		
Investment earnings:		
Interest	\$ 12,104	\$ -
Deductions:		
Benefits	<u>280,896</u>	<u>-</u>
Deficiency of total additions over total deductions	(268,792)	-
Cash and investment fund balance - beginning	<u>328,243</u>	<u>707</u>
Cash and investment fund balance - ending	<u>\$ 59,451</u>	<u>\$ 707</u>
Net assets:		
Cash and investments	<u>\$ 59,451</u>	<u>\$ 707</u>
Total net assets - cash and investment basis held in trust	<u>\$ 59,451</u>	<u>\$ 707</u>

The notes to the financial statements are an integral part of this statement.

MITCHELL COMMUNITY SCHOOLS
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: Mitchell Community Schools

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

Joint Ventures

The School Corporation is a participant with six other school corporations in a joint venture to operate the Orange, Lawrence, Jackson, Martin and Greene Counties Co-op which was created to provide instruction for exceptional children. The School Corporation is obligated by contract to annually remit funds sufficient to cover its proportionate share of expenses to supplement the Co-op. Complete financial statements for the Co-op can be obtained from the joint venture's administrative office at 460 "W" Street, P.O. Box 729, Bedford, Indiana, 47421-0729.

The School Corporation is a participant with five other school corporations in a joint venture to operate the North Lawrence Vocational Technical Center, which was created to provide instruction for vocational education. The School Corporation is obligated by contract to remit annually funds sufficient to cover its proportionate share of expenses to supplement the North Lawrence Vocational Technical Center. Complete financial statements for the North Lawrence Vocational Technical Center can be obtained from the joint venture's administrative office at 460 "W" Street, P.O. Box 729, Bedford, Indiana, 47421-0729.

The School Corporation is a participant with several other school corporations in a joint venture to operate Southern Indiana Education Interlocal which was created to provide services and supplies. The Southern Indiana Education Interlocal's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Southern Indiana Education Interlocal can be obtained from the joint venture's administrative office at 1102 Tree Lane Road, Jasper, Indiana, 47546.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statements of Activities and Net Assets - Cash and Investment Basis 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.

MITCHELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

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

The School Corporation reports the following major governmental funds:

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

The 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.

The construction fund is used to account for receipts and disbursements concerning the construction and renovation of school buildings.

Additionally, the School Corporation reports the following fund types:

The pension trust fund accounts for the activities of the Retirement/Severance Bond Fund which accumulate resources for pension benefit payments.

The private-purpose trust funds report trust arrangements under which principal and income benefit the school corporation.

C. Measurement Focus and Basis of Accounting

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

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.

MITCHELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

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

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 12 days to 16 days per year. Unused sick leave may be accumulated to a maximum of 185 days for certified personnel and 95 days for noncertified personnel. Accumulated sick leave is paid to employees through cash payments when specific requirements are met.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 5 days to 15 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

MITCHELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

c. Personal Leave

School Corporation employees earn personal leave at the rate of 3 days per year. Personal leave does not accumulate from year to year.

4. Capital Assets

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

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

F. Internal and Interfund Balances and Activities

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

MITCHELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

1. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are reported as reimbursements.
2. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

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

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets - Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

Budgetary Information

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

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

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

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public

MITCHELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2006 and 2007, were as follows:

Transfer From	Transfer To	2006	2007
General Fund	Other governmental funds	\$ 308,249	\$ 54,767
Debt Service Fund	Other governmental funds	140,043	-
School Bus Replacement Fund	Other governmental funds	3,462	-
Capital Projects Fund	Other governmental funds	67,205	-
Transportation Operating Fund	Other governmental funds	52,349	-
Debt Service Fund	Transportation Operating Fund	-	92,737
Debt Service Fund	Other governmental funds	-	-
Other governmental funds	General Fund	-	464,900
Other governmental funds	Other governmental funds	23,391	11,021
Totals		<u>\$ 594,699</u>	<u>\$ 623,425</u>

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

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; and job related illnesses or injuries to employees; 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. Risk financing is not utilized for natural disasters.

B. Holding Corporations

The School Corporation has entered into capital leases with the Mitchell Multi School Building Corporation, the Mitchell Elementary School Building Corporation, and the Mitchell School Building Corporation. The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessors have been determined to be related parties of the School Corporation. Lease payments during the two years ending June 30, 2006 and 2007, totaled \$3,517,000.

MITCHELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health 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 10 years of service. Currently, 13 retirees meet these eligibility requirements. The School Corporation and retirees provide 90% and 10%, respectively, of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2007, disbursements of \$46,448 were recognized for postemployment benefits.

D. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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.

MITCHELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 17,279
Interest on net pension obligation	(3,181)
Adjustment to annual required contribution	3,625
Annual pension cost	17,723
Contributions made	41,061
Decrease in net pension obligation	(23,338)
Net pension obligation, beginning of year	(43,873)
Net pension obligation, end of year	\$ (67,211)
 Contribution rates:	
School Corporation	7.5%
Plan members	3%
Actuarial valuation date	07-01-07
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	06-30-05	\$ N/A	N/A	\$ N/A
	06-30-06	N/A	N/A	(43,873)
	06-30-07	17,723	232%	(67,211)

N/A – Not available

MITCHELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Costs

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

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2007, 2006, and 2005, were \$178,045, \$159,570, and \$136,992, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years, respectively.

MITCHELL COMMUNITY SCHOOLS
 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)
07-01-04	\$ 34,697	\$ 2,639	\$ 32,058	1,315%	\$ 18,246	176%
07-01-05	69,824	47,980	21,844	146%	413,787	5%
07-01-06	117,382	803,857	(686,475)	15%	481,276	(143%)

MITCHELL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006

	Special Education Pre-School	School Lunch	Textbook Rental	Excess Levy	Education License Plates	School Safe Haven
Receipts:						
Local sources	\$ 14,631	\$ 276,935	\$ 234,232	\$ -	\$ 506	\$ -
State sources	88,472	8,195	35,941	-	-	-
Federal sources	-	263,639	-	-	-	-
Sale of property, adjustments and refunds	-	300	600	-	-	-
Total receipts	<u>103,103</u>	<u>549,069</u>	<u>270,773</u>	<u>-</u>	<u>506</u>	<u>-</u>
Disbursements:						
Current:						
Instruction	67,705	-	-	-	-	-
Support services	5,062	539,253	229,196	-	-	-
Community services	-	-	-	-	-	5,240
Debt services	-	-	-	-	-	-
Total disbursements	<u>72,767</u>	<u>539,253</u>	<u>229,196</u>	<u>-</u>	<u>-</u>	<u>5,240</u>
Excess (deficiency) of receipts over disbursements	<u>30,336</u>	<u>9,816</u>	<u>41,577</u>	<u>-</u>	<u>506</u>	<u>(5,240)</u>
Other financing sources (uses):						
Transfers in	-	-	-	460,876	-	-
Transfers out	(568)	-	-	-	-	73
Total other financing sources (uses)	<u>(568)</u>	<u>-</u>	<u>-</u>	<u>460,876</u>	<u>-</u>	<u>73</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>29,768</u>	<u>9,816</u>	<u>41,577</u>	<u>460,876</u>	<u>506</u>	<u>(5,167)</u>
Cash and investments - beginning	<u>68,434</u>	<u>140,938</u>	<u>55,313</u>	<u>-</u>	<u>-</u>	<u>5,167</u>
Cash and investments - ending	<u>\$ 98,202</u>	<u>\$ 150,754</u>	<u>\$ 96,890</u>	<u>\$ 460,876</u>	<u>\$ 506</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 98,202	\$ 150,754	\$ 96,890	\$ 460,876	\$ 506	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 98,202</u>	<u>\$ 150,754</u>	<u>\$ 96,890</u>	<u>\$ 460,876</u>	<u>\$ 506</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	98,202	150,754	96,890	460,876	506	-
Total cash and investment fund balance - ending	<u>\$ 98,202</u>	<u>\$ 150,754</u>	<u>\$ 96,890</u>	<u>\$ 460,876</u>	<u>\$ 506</u>	<u>\$ -</u>

MITCHELL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Gifted/ Talented	Non-English Speaking Program	School Technology	Technology Plan Grant Program	Incentive Award	Cape Grant MJHS
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	13,981	44	-	-	-	-
Federal sources	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	13,981	44	-	-	-	-
Disbursements:						
Current:						
Instruction	14,728	-	-	-	-	171
Support services	1,912	-	99,219	87,071	-	4,541
Community services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	16,640	-	99,219	87,071	-	4,712
Excess (deficiency) of receipts over disbursements	(2,659)	44	(99,219)	(87,071)	-	(4,712)
Other financing sources (uses):						
Transfers in	-	-	126,380	-	-	-
Transfers out	2,659	-	-	-	-	-
Total other financing sources (uses)	2,659	-	126,380	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	44	27,161	(87,071)	-	(4,712)
Cash and investments - beginning	-	-	75,690	87,071	5,400	9,626
Cash and investments - ending	<u>\$ -</u>	<u>\$ 44</u>	<u>\$ 102,851</u>	<u>\$ -</u>	<u>\$ 5,400</u>	<u>\$ 4,914</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 44	\$ 102,851	\$ -	\$ 5,400	\$ 4,914
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 44</u>	<u>\$ 102,851</u>	<u>\$ -</u>	<u>\$ 5,400</u>	<u>\$ 4,914</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	44	102,851	-	5,400	4,914
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 44</u>	<u>\$ 102,851</u>	<u>\$ -</u>	<u>\$ 5,400</u>	<u>\$ 4,914</u>

MITCHELL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Cape Grant Burris	Cape Grant Hatfield	Cape Grant MHS	Guidance Specialist	Title I 2004-2005
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ 19,000	\$ -
State sources	-	-	-	-	-
Federal sources	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-
Total receipts	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,000</u>	<u>-</u>
Disbursements:					
Current:					
Instruction	-	-	-	-	25,874
Support services	-	395	6,549	19,000	6,111
Community services	-	-	-	-	-
Debt services	-	-	-	-	-
Total disbursements	<u>-</u>	<u>395</u>	<u>6,549</u>	<u>19,000</u>	<u>31,985</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(395)</u>	<u>(6,549)</u>	<u>-</u>	<u>(31,985)</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(7,443)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,443)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>(395)</u>	<u>(6,549)</u>	<u>-</u>	<u>(39,428)</u>
Cash and investments - beginning	<u>2</u>	<u>25,639</u>	<u>9,471</u>	<u>-</u>	<u>39,428</u>
Cash and investments - ending	<u>\$ 2</u>	<u>\$ 25,244</u>	<u>\$ 2,922</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ 2	\$ 25,244	\$ 2,922	\$ -	\$ -
Restricted assets:					
Cash and investments	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 2</u>	<u>\$ 25,244</u>	<u>\$ 2,922</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>2</u>	<u>25,244</u>	<u>2,922</u>	<u>-</u>	<u>-</u>
Total cash and investment fund balance - ending	<u>\$ 2</u>	<u>\$ 25,244</u>	<u>\$ 2,922</u>	<u>\$ -</u>	<u>\$ -</u>

MITCHELL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Title I 2005-2006	Title IV PL 103-382 ECIA	Title V Innovative Programs	Title V Part A	Title IV
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-
Federal sources	248,801	(5,207)	550	22,346	-
Sale of property, adjustments and refunds	-	-	-	-	-
Total receipts	<u>248,801</u>	<u>(5,207)</u>	<u>550</u>	<u>22,346</u>	<u>-</u>
Disbursements:					
Current:					
Instruction	119,565	-	-	-	-
Support services	49,522	835	550	4,657	5,921
Community services	327	-	-	-	-
Debt services	-	-	-	-	-
Total disbursements	<u>169,414</u>	<u>835</u>	<u>550</u>	<u>4,657</u>	<u>5,921</u>
Excess (deficiency) of receipts over disbursements	<u>79,387</u>	<u>(6,042)</u>	<u>-</u>	<u>17,689</u>	<u>(5,921)</u>
Other financing sources (uses):					
Transfers in	7,443	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>7,443</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	86,830	(6,042)	-	17,689	(5,921)
Cash and investments - beginning	-	6,042	-	-	9,242
Cash and investments - ending	<u>\$ 86,830</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,689</u>	<u>\$ 3,321</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ 86,830	\$ -	\$ -	\$ 17,689	\$ 3,321
Restricted assets:					
Cash and investments	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 86,830</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,689</u>	<u>\$ 3,321</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	86,830	-	-	17,689	3,321
Total cash and investment fund balance - ending	<u>\$ 86,830</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,689</u>	<u>\$ 3,321</u>

MITCHELL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Drug Free School	School To Career	Class Size Reduction	Retirement/ Severance Bond	Totals
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ 343,425	\$ 888,729
State sources	-	-	-	-	146,633
Federal sources	-	-	112,353	-	642,482
Sale of property, adjustments and refunds	-	-	-	-	900
Total receipts	<u>-</u>	<u>-</u>	<u>112,353</u>	<u>343,425</u>	<u>1,678,744</u>
Disbursements:					
Current:					
Instruction	9,761	-	79,372	-	317,176
Support services	-	-	11,749	-	1,071,543
Community services	-	-	-	-	5,567
Debt services	-	-	-	251,582	251,582
Total disbursements	<u>9,761</u>	<u>-</u>	<u>91,121</u>	<u>251,582</u>	<u>1,645,868</u>
Excess (deficiency) of receipts over disbursements	<u>(9,761)</u>	<u>-</u>	<u>21,232</u>	<u>91,843</u>	<u>32,876</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	594,699
Transfers out	-	-	-	(18,112)	(23,391)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,112)</u>	<u>571,308</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(9,761)</u>	<u>-</u>	<u>21,232</u>	<u>73,731</u>	<u>604,184</u>
Cash and investments - beginning	<u>9,761</u>	<u>67</u>	<u>46,850</u>	<u>56,072</u>	<u>650,213</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 67</u>	<u>\$ 68,082</u>	<u>\$ 129,803</u>	<u>\$ 1,254,397</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ -	\$ 67	\$ 68,082	\$ -	\$ 1,124,594
Restricted assets:					
Cash and investments	-	-	-	129,803	129,803
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 67</u>	<u>\$ 68,082</u>	<u>\$ 129,803</u>	<u>\$ 1,254,397</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ 129,803	\$ 129,803
Unrestricted	-	67	68,082	-	1,124,594
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 67</u>	<u>\$ 68,082</u>	<u>\$ 129,803</u>	<u>\$ 1,254,397</u>

MITCHELL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	Special Education Pre-School	School Lunch	Textbook Rental	Excess Levy	Education License Plates
Receipts:					
Local sources	\$ 7,208	\$ 292,344	\$ 149,245	\$ -	\$ -
State sources	80,478	8,376	35,940	-	-
Federal sources	-	314,514	-	-	-
Sale of property, adjustments and refunds	-	300	500	-	-
Total receipts	<u>87,686</u>	<u>615,534</u>	<u>185,685</u>	<u>-</u>	<u>-</u>
Disbursements:					
Current:					
Instruction	91,166	-	-	-	-
Support services	6,964	587,857	201,413	-	-
Community services	-	-	-	-	-
Debt services	-	-	-	-	-
Total disbursements	<u>98,130</u>	<u>587,857</u>	<u>201,413</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(10,444)</u>	<u>27,677</u>	<u>(15,728)</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	(460,876)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(460,876)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(10,444)</u>	<u>27,677</u>	<u>(15,728)</u>	<u>(460,876)</u>	<u>-</u>
Cash and investments - beginning	<u>98,202</u>	<u>150,754</u>	<u>96,890</u>	<u>460,876</u>	<u>506</u>
Cash and investments - ending	<u>\$ 87,758</u>	<u>\$ 178,431</u>	<u>\$ 81,162</u>	<u>\$ -</u>	<u>\$ 506</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ 87,758	\$ 178,431	\$ 81,162	\$ -	\$ 506
Restricted assets:					
Cash and investments	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 87,758</u>	<u>\$ 178,431</u>	<u>\$ 81,162</u>	<u>\$ -</u>	<u>\$ 506</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	87,758	178,431	81,162	-	506
Total cash and investment fund balance - ending	<u>\$ 87,758</u>	<u>\$ 178,431</u>	<u>\$ 81,162</u>	<u>\$ -</u>	<u>\$ 506</u>

MITCHELL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Gifted/ Talented	Non-English Speaking Program	School Technology	Incentive Award	Cape Grant MJHS
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	13,981	20	-	-	-
Federal sources	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-
Total receipts	<u>13,981</u>	<u>20</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:					
Current:					
Instruction	10,837	-	-	406	-
Support services	830	30	157,618	-	2,237
Community services	-	-	-	-	-
Debt services	-	-	-	-	-
Total disbursements	<u>11,667</u>	<u>30</u>	<u>157,618</u>	<u>406</u>	<u>2,237</u>
Excess (deficiency) of receipts over disbursements	<u>2,314</u>	<u>(10)</u>	<u>(157,618)</u>	<u>(406)</u>	<u>(2,237)</u>
Other financing sources (uses):					
Transfers in	-	-	54,767	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>54,767</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>2,314</u>	<u>(10)</u>	<u>(102,851)</u>	<u>(406)</u>	<u>(2,237)</u>
Cash and investments - beginning	-	44	102,851	5,400	4,914
Cash and investments - ending	<u>\$ 2,314</u>	<u>\$ 34</u>	<u>\$ -</u>	<u>\$ 4,994</u>	<u>\$ 2,677</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ 2,314	\$ 34	\$ -	\$ 4,994	\$ 2,677
Restricted assets:					
Cash and investments	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 2,314</u>	<u>\$ 34</u>	<u>\$ -</u>	<u>\$ 4,994</u>	<u>\$ 2,677</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	2,314	34	-	4,994	2,677
Total cash and investment fund balance - ending	<u>\$ 2,314</u>	<u>\$ 34</u>	<u>\$ -</u>	<u>\$ 4,994</u>	<u>\$ 2,677</u>

MITCHELL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Cape Grant Burris	Cape Grant Hatfield	Cape Grant MHS	Title I 2005-2006	Title I 2006-2007
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-
Federal sources	-	-	-	-	205,995
Sale of property, adjustments and refunds	-	-	-	-	-
Total receipts	-	-	-	-	205,995
Disbursements:					
Current:					
Instruction	-	-	-	38,356	90,200
Support services	-	1,195	2,246	37,453	45,701
Community services	-	-	-	-	197
Debt services	-	-	-	-	-
Total disbursements	-	1,195	2,246	75,809	136,098
Excess (deficiency) of receipts over disbursements	-	(1,195)	(2,246)	(75,809)	69,897
Other financing sources (uses):					
Transfers in	-	-	-	-	11,021
Transfers out	-	-	-	(11,021)	(4,024)
Total other financing sources (uses)	-	-	-	(11,021)	6,997
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(1,195)	(2,246)	(86,830)	76,894
Cash and investments - beginning	2	25,244	2,922	86,830	-
Cash and investments - ending	<u>\$ 2</u>	<u>\$ 24,049</u>	<u>\$ 676</u>	<u>\$ -</u>	<u>\$ 76,894</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ 2	\$ 24,049	\$ 676	\$ -	\$ 76,894
Restricted assets:					
Cash and investments	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 2</u>	<u>\$ 24,049</u>	<u>\$ 676</u>	<u>\$ -</u>	<u>\$ 76,894</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	2	24,049	676	-	76,894
Total cash and investment fund balance - ending	<u>\$ 2</u>	<u>\$ 24,049</u>	<u>\$ 676</u>	<u>\$ -</u>	<u>\$ 76,894</u>

MITCHELL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Title V Part A	Title IV	Drug Free School Part II	Safe and Drug Free School	Drug Free School 2006-2007
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-
Federal sources	-	-	4,996	(4,996)	9,598
Sale of property, adjustments and refunds	-	-	-	-	-
Total receipts	-	-	4,996	(4,996)	9,598
Disbursements:					
Current:					
Instruction	-	-	4,996	(4,996)	-
Support services	17,486	3,316	-	-	487
Community services	-	-	-	-	-
Debt services	-	-	-	-	-
Total disbursements	17,486	3,316	4,996	(4,996)	487
Excess (deficiency) of receipts over disbursements	(17,486)	(3,316)	-	-	9,111
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(17,486)	(3,316)	-	-	9,111
Cash and investments - beginning	17,689	3,321	-	-	-
Cash and investments - ending	\$ 203	\$ 5	\$ -	\$ -	\$ 9,111
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ 203	\$ 5	\$ -	\$ -	\$ 9,111
Restricted assets:					
Cash and investments	-	-	-	-	-
Total cash and investment assets - ending	\$ 203	\$ 5	\$ -	\$ -	\$ 9,111
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	203	5	-	-	9,111
Total cash and investment fund balance - ending	\$ 203	\$ 5	\$ -	\$ -	\$ 9,111

MITCHELL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Drug Free School	School To Career	Class Size Reduction	Retirement/ Severance Bond	Totals
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ 202,826	\$ 651,623
State sources	-	-	-	-	138,795
Federal sources	7,230	-	26,140	-	563,477
Sale of property, adjustments and refunds	-	-	-	-	800
Total receipts	<u>7,230</u>	<u>-</u>	<u>26,140</u>	<u>202,826</u>	<u>1,354,695</u>
Disbursements:					
Current:					
Instruction	-	-	81,056	-	312,021
Support services	-	-	12,146	-	1,076,979
Community services	-	-	-	-	197
Debt services	-	-	-	252,572	252,572
Total disbursements	<u>-</u>	<u>-</u>	<u>93,202</u>	<u>252,572</u>	<u>1,641,769</u>
Excess (deficiency) of receipts over disbursements	<u>7,230</u>	<u>-</u>	<u>(67,062)</u>	<u>(49,746)</u>	<u>(287,074)</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	65,788
Transfers out	-	-	-	-	(475,921)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(410,133)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	7,230	-	(67,062)	(49,746)	(697,207)
Cash and investments - beginning	-	67	68,082	129,803	1,254,397
Cash and investments - ending	<u>\$ 7,230</u>	<u>\$ 67</u>	<u>\$ 1,020</u>	<u>\$ 80,057</u>	<u>\$ 557,190</u>
Cash and Investment Assets - Ending					
Cash and investments	\$ 7,230	\$ 67	\$ 1,020	\$ -	\$ 477,133
Restricted assets:					
Cash and investments	-	-	-	80,057	80,057
Total cash and investment assets - ending	<u>\$ 7,230</u>	<u>\$ 67</u>	<u>\$ 1,020</u>	<u>\$ 80,057</u>	<u>\$ 557,190</u>
Cash and Investment Fund Balance - Ending					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ 80,057	\$ 80,057
Unrestricted	7,230	67	1,020	-	477,133
Total cash and investment fund balance - ending	<u>\$ 7,230</u>	<u>\$ 67</u>	<u>\$ 1,020</u>	<u>\$ 80,057</u>	<u>\$ 557,190</u>

MITCHELL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2006

	School Administration Professional Development	National Rural Educational Grant	Totals
Additions:			
Contributions:			
Other	\$ -	\$ 500	\$ 500
Excess of total additions over total deductions	-	500	500
Cash and investment fund balance - beginning	207	-	207
Cash and Investments - June 30	\$ 207	\$ 500	\$ 707
Net assets:			
Cash and investments	\$ 207	\$ 500	\$ 707
Total net assets - cash and investment basis held in trust	\$ 207	\$ 500	\$ 707

MITCHELL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007

	<u>School Administration Professional Development</u>	<u>National Rural Educational Grant</u>	<u>Totals</u>
Cash and investment fund balance - beginning	\$ 207	\$ 500	\$ 707
Cash and Investments - June 30	<u>\$ 207</u>	<u>\$ 500</u>	<u>\$ 707</u>
Net assets:			
Cash and investments	\$ 207	\$ 500	\$ 707
Total net assets - cash and investment basis held in trust	<u>\$ 207</u>	<u>\$ 500</u>	<u>\$ 707</u>

MITCHELL COMMUNITY SCHOOLS
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended June 30, 2007

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>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Buildings	\$ 30,218,657
Improvements other than buildings	1,989,811
Machinery and equipment	<u>237,278</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 32,445,746</u>

MITCHELL COMMUNITY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Capital leases:		
School buildings	\$ 22,625,000	\$ 2,333,847
Notes and loans payable	450,000	96,562
Bonds payable:		
General obligation bonds:		
2002 Pension bonds	<u>580,000</u>	<u>248,244</u>
Total governmental activities debt	<u>\$ 23,655,000</u>	<u>\$ 2,678,653</u>

MITCHELL COMMUNITY SCHOOLS
AUDIT RESULT AND COMMENT

TRANSFER TUITION - COLLECTION OF AMOUNTS DUE

Two parents/guardians are delinquent in the payment of transfer tuition for children who are being educated by the School Corporation. We noted transfer tuition in the amount of \$920 was due from parents/guardians for the 2006/2007 school year. The School Corporation did not submit written evidence that delinquent transfer tuition had been collected or that effort was being made to collect delinquent transfer tuition.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
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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 MITCHELL COMMUNITY SCHOOLS, LAWRENCE COUNTY, INDIANA

Compliance

We have audited the compliance of the Mitchell Community Schools (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 its major federal program for the years ended June 30, 2006 and 2007. 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 its major federal program 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 of America; 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 its major federal program for the years ended June 30, 2006 and 2007.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

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)

A control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the School Corporation's management, the Board of School Trustees, 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

January 30, 2008

MITCHELL COMMUNITY SCHOOLS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Years Ended June 30, 2006 and 2007

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 06-30-06	Total Federal Awards Expended 06-30-07
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 63,683	\$ 72,123
National School Lunch Program	10.555		<u>252,923</u>	<u>292,182</u>
Total for federal grantor agency			<u>316,606</u>	<u>364,305</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies				
FY 2002-03	84.010	05-5085	31,985	-
FY 2003-04		06-5085	169,415	75,809
FY 2004-05		07-5085	<u>-</u>	<u>136,098</u>
Total for program			<u>201,400</u>	<u>211,907</u>
Safe and Drug Free Schools and Communities - State Grants				
	84.186	04-033	9,761	-
		05-022	<u>-</u>	<u>487</u>
Total for program			<u>9,761</u>	<u>487</u>
State Grants for Innovative Programs				
	84.298	02-170	5,921	3,316
		04-163	<u>4,657</u>	<u>17,486</u>
Total for program			<u>10,578</u>	<u>20,802</u>
Improving Teacher Quality State Grants				
	84.367	03-477	43,873	-
		04-033	47,248	2,976
		05-142	<u>-</u>	<u>90,225</u>
Total for program			<u>91,121</u>	<u>93,201</u>
Total for federal grantor agency			<u>312,860</u>	<u>326,397</u>
Total federal awards expended			<u>\$ 629,466</u>	<u>\$ 690,702</u>

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

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

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

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2006 and 2007. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2006	2007
Child Nutrition Cluster:			
Food Commodities			
School Breakfast Program	10.553	\$ 6,180	\$ 9,089
National School Lunch Program	10.555	23,200	36,482

MITCHELL COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

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

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

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

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

MITCHELL COMMUNITY SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

MITCHELL COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on January 30, 2008, with Kathy J. Kirk, Treasurer; John W. Lantis, Superintendent of Schools; Christopher S. Shaw, President of the School Board; and Phillip Storm, Curriculum Director.