

**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, 2006 to June 30, 2008



**FILED**  
07/21/2009



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Gretchen M. Berger	07-01-06 to 06-30-09
Superintendent of Schools	Andrew S. Jackson O. Eugene Pitts (Interim) Paul E. Roads	07-01-06 to 06-30-08 07-01-08 to 05-30-09 06-01-09 to 06-30-09
President of the School Board	David S. Voss Timothy Tuttle	07-01-06 to 06-30-08 07-01-08 to 06-30-09



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

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

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the Milan Community School Corporation (School Corporation), for the period of July 1, 2006 to June 30, 2008. The School Corporation's management is responsible for the financial information presented herein. Our responsibility is to express an opinion on the financial information 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 financial information referred to above presents fairly, in all material respects, the financial information of the School Corporation for the years ended June 30, 2007 and 2008, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the financial information 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 examine the information and express no opinion on it.

The Combining Schedules, 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 financial information. The Combining Schedules have been subjected to the examination procedures applied in the examination of the financial information and, in our opinion, are fairly stated in all material respects in relation to the financial information taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the examination procedures applied to the financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

May 7, 2009

MILAN COMMUNITY SCHOOL CORPORATION  
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>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 5,895,173	\$ -	\$ 41,072	\$ (5,854,101)
Support services	3,551,909	335,614	223,857	(2,992,438)
Community services	116,787	-	-	(116,787)
Nonprogrammed charges	586,947	-	-	(586,947)
Debt service	<u>1,676,365</u>	<u>-</u>	<u>-</u>	<u>(1,676,365)</u>
<b>Total governmental activities</b>	<u>\$ 11,827,181</u>	<u>\$ 335,614</u>	<u>\$ 264,929</u>	<u>(11,226,638)</u>
General receipts:				
Property taxes				1,586,391
Other local sources				1,238,685
State aid				5,997,345
Bonds and loans				2,353,379
Grants and contributions not restricted to specific programs				405,679
Investment earnings				<u>80,494</u>
<b>Total general receipts</b>				<u>11,661,973</u>
Change in net assets				435,335
Net assets - beginning				<u>1,930,278</u>
Net assets - ending				<u>\$ 2,365,613</u>
<b>Assets</b>				
Cash and investments				\$ 2,237,447
Restricted assets:				
Cash and investments				<u>128,166</u>
<b>Total assets</b>				<u>\$ 2,365,613</u>
<b>Net Assets</b>				
Restricted for:				
Debt service				\$ 128,166
Unrestricted				<u>2,237,447</u>
<b>Total net assets</b>				<u>\$ 2,365,613</u>

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

MILAN COMMUNITY SCHOOL CORPORATION  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 5,324,618	\$ -	\$ 135,952	\$ (5,188,666)
Support services	4,669,869	330,045	258,636	(4,081,188)
Community services	122,795	-	-	(122,795)
Nonprogrammed charges	640,628	-	-	(640,628)
Debt service	<u>3,163,190</u>	<u>-</u>	<u>-</u>	<u>(3,163,190)</u>
<b>Total governmental activities</b>	<u>\$ 13,921,100</u>	<u>\$ 330,045</u>	<u>\$ 394,588</u>	<u>(13,196,467)</u>
General receipts:				
Property taxes				3,030,823
Other local sources				1,161,866
State aid				5,905,721
Bonds and loans				2,218,296
Grants and contributions not restricted to specific programs				438,630
Investment earnings				<u>64,692</u>
<b>Total general receipts</b>				<u>12,820,028</u>
Change in net assets				(376,439)
Net assets - beginning				<u>2,365,613</u>
Net assets - ending				<u>\$ 1,989,174</u>
<b>Assets</b>				
Cash and investments				\$ 1,922,406
Restricted assets:				
Cash and investments				<u>66,768</u>
<b>Total assets</b>				<u>\$ 1,989,174</u>
<b>Net Assets</b>				
Restricted for:				
Debt service				\$ 66,768
Unrestricted				<u>1,922,406</u>
<b>Total net assets</b>				<u>\$ 1,989,174</u>

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

MILAN COMMUNITY SCHOOL CORPORATION  
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	School Lunch	Alternative Education	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
<b>Receipts:</b>									
Local sources	\$ 1,400,401	\$ 375,931	\$ 322,309	\$ -	\$ 497,969	\$ 425,661	\$ 41,006	\$ 177,439	\$ 3,240,716
Intermediate sources	56	-	-	-	-	-	-	412	468
State sources	6,038,417	-	8,722	180,205	-	-	-	50,921	6,278,265
Federal sources	-	-	196,204	-	-	-	-	193,484	389,688
Bonds and loans	1,473,023	411,807	-	-	-	468,549	-	-	2,353,379
<b>Total receipts</b>	<b>8,911,897</b>	<b>787,738</b>	<b>527,235</b>	<b>180,205</b>	<b>497,969</b>	<b>894,210</b>	<b>41,006</b>	<b>422,256</b>	<b>12,262,516</b>
<b>Disbursements:</b>									
Current:									
Instruction	5,527,489	-	-	162,169	-	-	-	205,515	5,895,173
Support services	1,596,938	633,803	477,509	2,000	-	677,245	61,100	103,314	3,551,909
Community services	116,787	-	-	-	-	-	-	-	116,787
Nonprogrammed charges	547,618	-	-	-	-	-	-	39,329	586,947
Debt services	393,470	206,484	-	-	841,415	234,996	-	-	1,676,365
<b>Total disbursements</b>	<b>8,182,302</b>	<b>840,287</b>	<b>477,509</b>	<b>164,169</b>	<b>841,415</b>	<b>912,241</b>	<b>61,100</b>	<b>348,158</b>	<b>11,827,181</b>
Excess (deficiency) of receipts over disbursements	729,595	(52,549)	49,726	16,036	(343,446)	(18,031)	(20,094)	74,098	435,335
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	729,595	(52,549)	49,726	16,036	(343,446)	(18,031)	(20,094)	74,098	435,335
Cash and investments - beginning	421,882	215,374	150,876	213,072	471,612	320,630	39,073	97,759	1,930,278
Cash and investments - ending	\$ 1,151,477	\$ 162,825	\$ 200,602	\$ 229,108	\$ 128,166	\$ 302,599	\$ 18,979	\$ 171,857	\$ 2,365,613
<b>Cash and Investment Assets - Ending</b>									
Cash and investments	\$ 1,151,477	\$ 162,825	\$ 200,602	\$ 229,108	\$ -	\$ 302,599	\$ 18,979	\$ 171,857	\$ 2,237,447
Restricted assets:									
Cash and investments	-	-	-	-	128,166	-	-	-	128,166
<b>Total cash and investment assets - ending</b>	<b>\$ 1,151,477</b>	<b>\$ 162,825</b>	<b>\$ 200,602</b>	<b>\$ 229,108</b>	<b>\$ 128,166</b>	<b>\$ 302,599</b>	<b>\$ 18,979</b>	<b>\$ 171,857</b>	<b>\$ 2,365,613</b>
<b>Cash and Investment Fund Balance - Ending</b>									
Restricted for:									
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 128,166	\$ -	\$ -	\$ -	\$ 128,166
Unrestricted	1,151,477	162,825	200,602	229,108	-	302,599	18,979	171,857	2,237,447
<b>Total cash and investment fund balance - ending</b>	<b>\$ 1,151,477</b>	<b>\$ 162,825</b>	<b>\$ 200,602</b>	<b>\$ 229,108</b>	<b>\$ 128,166</b>	<b>\$ 302,599</b>	<b>\$ 18,979</b>	<b>\$ 171,857</b>	<b>\$ 2,365,613</b>

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

MILAN COMMUNITY SCHOOL CORPORATION  
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, 2008

	General	Transportation Operating	School Lunch	Alternative Education	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
<b>Receipts:</b>									
Local sources	\$ 1,785,706	\$ 712,862	\$ 322,409	\$ -	\$ 743,490	\$ 700,655	\$ 163,080	\$ 159,112	\$ 4,587,314
Intermediate sources	112	-	-	-	-	-	-	-	112
State sources	6,041,673	-	8,938	179,160	-	-	-	80,205	6,309,976
Federal sources	-	-	217,206	-	-	-	-	211,757	428,963
Bonds and loans	1,230,424	496,126	-	-	-	491,746	-	-	2,218,296
<b>Total receipts</b>	<b>9,057,915</b>	<b>1,208,988</b>	<b>548,553</b>	<b>179,160</b>	<b>743,490</b>	<b>1,192,401</b>	<b>163,080</b>	<b>451,074</b>	<b>13,544,661</b>
<b>Disbursements:</b>									
Current:									
Instruction	4,938,247	-	-	164,158	-	-	-	222,213	5,324,618
Support services	2,370,190	733,164	508,488	2,000	-	713,155	160,000	182,872	4,669,869
Community services	122,795	-	-	-	-	-	-	-	122,795
Nonprogrammed charges	587,378	-	-	-	-	-	-	53,250	640,628
Debt services	1,475,342	412,968	-	-	804,888	469,992	-	-	3,163,190
<b>Total disbursements</b>	<b>9,493,952</b>	<b>1,146,132</b>	<b>508,488</b>	<b>166,158</b>	<b>804,888</b>	<b>1,183,147</b>	<b>160,000</b>	<b>458,335</b>	<b>13,921,100</b>
Excess (deficiency) of receipts over disbursements	(436,037)	62,856	40,065	13,002	(61,398)	9,254	3,080	(7,261)	(376,439)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(436,037)	62,856	40,065	13,002	(61,398)	9,254	3,080	(7,261)	(376,439)
Cash and investments - beginning	1,151,477	162,824	200,601	229,109	128,166	302,598	18,979	171,859	2,365,613
Cash and investments - ending	\$ 715,440	\$ 225,680	\$ 240,666	\$ 242,111	\$ 66,768	\$ 311,852	\$ 22,059	\$ 164,598	\$ 1,989,174
<b>Cash and Investment Assets - Ending</b>									
Cash and investments	\$ 715,440	\$ 225,680	\$ 240,666	\$ 242,111	\$ -	\$ 311,852	\$ 22,059	\$ 164,598	\$ 1,922,406
Restricted assets:									
Cash and investments	-	-	-	-	66,768	-	-	-	66,768
<b>Total cash and investment assets - ending</b>	<b>\$ 715,440</b>	<b>\$ 225,680</b>	<b>\$ 240,666</b>	<b>\$ 242,111</b>	<b>\$ 66,768</b>	<b>\$ 311,852</b>	<b>\$ 22,059</b>	<b>\$ 164,598</b>	<b>\$ 1,989,174</b>
<b>Cash and Investment Fund Balance - Ending</b>									
Restricted for:									
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 66,768	\$ -	\$ -	\$ -	\$ 66,768
Unrestricted	715,440	225,680	240,666	242,111	-	311,852	22,059	164,598	1,922,406
<b>Total cash and investment fund balance - ending</b>	<b>\$ 715,440</b>	<b>\$ 225,680</b>	<b>\$ 240,666</b>	<b>\$ 242,111</b>	<b>\$ 66,768</b>	<b>\$ 311,852</b>	<b>\$ 22,059</b>	<b>\$ 164,598</b>	<b>\$ 1,989,174</b>

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

MILAN COMMUNITY SCHOOL CORPORATION  
STATEMENT OF CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
June 30, 2007

	<u>Agency Funds</u>
Cash and investments fund balance - ending	<u>\$ 21,750</u>

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

MILAN COMMUNITY SCHOOL CORPORATION  
STATEMENT OF CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
June 30, 2008

	<u>Agency Funds</u>
Cash and investments fund balance - ending	\$ <u>22,137</u>

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

MILAN COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL INFORMATION

I. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

The School Corporation's financial reporting entity is composed of the Primary Government.

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

Joint Venture

The School Corporation is a participant with 7 other school corporations in a joint venture to operate Ripley-Ohio-Dearborn Special Education Cooperative (Co-op) which was created to provide educational services to handicapped students. The School Corporation is obligated by contract to remit an annual amount based on the contractual funding formula to supplement the Co-op during the school year 2007-2008 payments were \$444,978. Complete financial statements for the Co-op can be obtained from the Co-op's administrative office at Sunman Dearborn Community School Corporation, Sunman, Indiana.

The School Corporation is a participant with 10 other school corporations in a joint venture to operate the Southeastern Career center (Career Center) which was created to provide vocational educational services. The School Corporation is obligated by contract to remit an annual amount based on the contractual funding formula payments to the Career Center during the school year 2007-2008 were \$197,497. Complete financial statements for the Career Center can be obtained from the Career Center's administration office in Versailles, Indiana.

B. Government-Wide and Fund Financial Information

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds and fiduciary funds,

MILAN COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL INFORMATION  
(Continued)

even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. 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 school lunch fund is used to account for receipts and disbursements for the food service program.

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.

Additionally, the School Corporation reports the following fund types:

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.

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.

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.

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

MILAN COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

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

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

5. 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.

MILAN COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL INFORMATION  
(Continued)

- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts and Disbursements

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.

Fund Financial Statements

1. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
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 except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

MILAN COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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 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 and Investments

1. Deposits

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

2. Investments

Statutory Authorization for Investments

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

MILAN COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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

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

#### IV. Other Information

##### A. Risk Management

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

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

##### Medical Benefits to Employees

During 1999, the School Corporation joined with other governmental entities to form the South-eastern Indiana Insurance Consortium, a public entity risk pool currently operating as a common risk management and insurance program for eight member governmental entities. The purpose of the risk pool is to provide a medium for the funding and administration of medical benefits to employees. The School Corporation pays an annual premium to the risk pool for coverage of medical benefits to employees. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$100,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$100,000 limit.

MILAN COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL INFORMATION  
(Continued)

B. 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.

MILAN COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 85,847
Interest on net pension obligation	(9,790)
Adjustment to annual required contribution	11,157
Annual pension cost	87,214
Contributions made	79,217
Increase in net pension obligation	7,997
Net pension obligation, beginning of year	(135,041)
Net pension obligation, end of year	\$ (127,044)

	PERF
Contribution rates:	
School Corporation	6.25%
Plan members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

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

MILAN COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-05	\$ 67,609	121%	\$ (142,081)
	06-30-06	79,557	91%	(135,041)
	06-30-07	82,214	91%	(127,044)

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, 2006, 2007, and 2008, were \$286,701, \$294,676, and \$328,197, respectively. The School Corporation actually contributed 3%, 3%, and 3% of the required contribution for each of the fiscal years, respectively.

MILAN 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)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-05	\$ 899,790	\$ 1,176,494	\$ (276,704)	76%	\$ 1,128,558	(25%)
07-01-06	1,056,795	1,278,063	(221,268)	83%	1,100,597	(20%)
07-01-07	1,220,766	1,464,884	(244,118)	83%	1,085,189	(22%)

MILAN COMMUNITY SCHOOL CORPORATION  
 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

	Preschool Special Education	Textbook Rental	Excess Tax Levy	Education License Plates	Non-Program	Technology Loan	Non-English Speaking Program
Receipts:							
Local sources	\$ 2,632	\$ 115,656	\$ 19,397	\$ -	\$ 21,938	\$ 17,816	\$ -
Intermediate sources	-	-	-	412	-	-	-
State sources	31,990	18,931	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Total receipts	<u>34,622</u>	<u>134,587</u>	<u>19,397</u>	<u>412</u>	<u>21,938</u>	<u>17,816</u>	<u>-</u>
Disbursements:							
Current:							
Instruction	-	-	-	-	-	17,816	-
Support services	-	78,271	-	-	22,105	-	-
Nonprogrammed charges	<u>39,329</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>39,329</u>	<u>78,271</u>	<u>-</u>	<u>-</u>	<u>22,105</u>	<u>17,816</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(4,707)</u>	<u>56,316</u>	<u>19,397</u>	<u>412</u>	<u>(167)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,707)	56,316	19,397	412	(167)	-	-
Cash and investments - beginning	<u>26,878</u>	<u>62,221</u>	<u>-</u>	<u>769</u>	<u>42</u>	<u>-</u>	<u>309</u>
Cash and investments - ending	<u>\$ 22,171</u>	<u>\$ 118,537</u>	<u>\$ 19,397</u>	<u>\$ 1,181</u>	<u>\$ (125)</u>	<u>\$ -</u>	<u>\$ 309</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 22,171</u>	<u>\$ 118,537</u>	<u>\$ 19,397</u>	<u>\$ 1,181</u>	<u>\$ (125)</u>	<u>\$ -</u>	<u>\$ 309</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 22,171</u>	<u>\$ 118,537</u>	<u>\$ 19,397</u>	<u>\$ 1,181</u>	<u>\$ (125)</u>	<u>\$ -</u>	<u>\$ 309</u>

MILAN COMMUNITY SCHOOL CORPORATION  
 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 I	Title V	Title IV	Title II Part A	Title II Part D	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 177,439
Intermediate sources	-	-	-	-	-	412
State sources	-	-	-	-	-	50,921
Federal sources	<u>143,140</u>	<u>1,994</u>	<u>4,041</u>	<u>41,856</u>	<u>2,453</u>	<u>193,484</u>
Total receipts	<u>143,140</u>	<u>1,994</u>	<u>4,041</u>	<u>41,856</u>	<u>2,453</u>	<u>422,256</u>
Disbursements:						
Current:						
Instruction	140,664	-	-	41,856	5,179	205,515
Support services	-	1,994	944	-	-	103,314
Nonprogrammed charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,329</u>
Total disbursements	<u>140,664</u>	<u>1,994</u>	<u>944</u>	<u>41,856</u>	<u>5,179</u>	<u>348,158</u>
Excess (deficiency) of receipts over disbursements	<u>2,476</u>	<u>-</u>	<u>3,097</u>	<u>-</u>	<u>(2,726)</u>	<u>74,098</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,476	-	3,097	-	(2,726)	74,098
Cash and investments - beginning	<u>375</u>	<u>-</u>	<u>2,012</u>	<u>-</u>	<u>5,153</u>	<u>97,759</u>
Cash and investments - ending	<u>\$ 2,851</u>	<u>\$ -</u>	<u>\$ 5,109</u>	<u>\$ -</u>	<u>\$ 2,427</u>	<u>\$ 171,857</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ 2,851</u>	<u>\$ -</u>	<u>\$ 5,109</u>	<u>\$ -</u>	<u>\$ 2,427</u>	<u>\$ 171,857</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ 2,851</u>	<u>\$ -</u>	<u>\$ 5,109</u>	<u>\$ -</u>	<u>\$ 2,427</u>	<u>\$ 171,857</u>

MILAN COMMUNITY SCHOOL CORPORATION  
 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, 2008

	Preschool Special Education	Textbook Rental	Excess Tax Levy	Education License Plates	Counselor Grant	Non-Program
Receipts:						
Local sources	\$ 4,177	\$ 103,658	\$ -	\$ -	\$ -	\$ 16,365
State sources	32,713	32,492	-	-	15,000	-
Federal sources	-	-	-	-	-	-
Total receipts	<u>36,890</u>	<u>136,150</u>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>16,365</u>
Disbursements:						
Current:						
Instruction	-	-	-	-	-	-
Support services	-	116,004	-	-	15,000	17,110
Nonprogrammed charges	53,250	-	-	-	-	-
Total disbursements	<u>53,250</u>	<u>116,004</u>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>17,110</u>
Excess (deficiency) of receipts over disbursements	<u>(16,360)</u>	<u>20,146</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(745)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(16,360)	20,146	-	-	-	(745)
Cash and investments - beginning	<u>22,171</u>	<u>118,537</u>	<u>19,397</u>	<u>1,181</u>	<u>-</u>	<u>(124)</u>
Cash and investments - ending	<u>\$ 5,811</u>	<u>\$ 138,683</u>	<u>\$ 19,397</u>	<u>\$ 1,181</u>	<u>\$ -</u>	<u>\$ (869)</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ 5,811</u>	<u>\$ 138,683</u>	<u>\$ 19,397</u>	<u>\$ 1,181</u>	<u>\$ -</u>	<u>\$ (869)</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ 5,811</u>	<u>\$ 138,683</u>	<u>\$ 19,397</u>	<u>\$ 1,181</u>	<u>\$ -</u>	<u>\$ (869)</u>

MILAN COMMUNITY SCHOOL CORPORATION  
 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, 2008  
 (Continued)

	Ripley County Community Foundation	Rising Sun Grant/ Music	Rising Sun Grant/ Reading	Technology Loan	Non-English Speaking Program
Receipts:					
Local sources	\$ 500	\$ 6,554	\$ 1,858	\$ 26,000	\$ -
State sources	-	-	-	-	-
Federal sources	-	-	-	-	-
Total receipts	<u>500</u>	<u>6,554</u>	<u>1,858</u>	<u>26,000</u>	<u>-</u>
Disbursements:					
Current:					
Instruction	500	6,554	1,858	-	-
Support services	-	-	-	26,000	-
Nonprogrammed charges	-	-	-	-	-
Total disbursements	<u>500</u>	<u>6,554</u>	<u>1,858</u>	<u>26,000</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	-
Cash and investments - beginning	-	-	-	-	309
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 309</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 309</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Unrestricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 309</u>

MILAN COMMUNITY SCHOOL CORPORATION  
 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, 2008  
 (Continued)

	Title I	Title IV	Title II Part A	Title II Part D	Totals
<b>Receipts:</b>					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 159,112
State sources	-	-	-	-	80,205
Federal sources	<u>168,824</u>	-	<u>42,933</u>	-	<u>211,757</u>
<b>Total receipts</b>	<u>168,824</u>	-	<u>42,933</u>	-	<u>451,074</u>
<b>Disbursements:</b>					
<b>Current:</b>					
Instruction	167,941	-	42,933	2,427	222,213
Support services	3,649	5,109	-	-	182,872
Nonprogrammed charges	-	-	-	-	53,250
<b>Total disbursements</b>	<u>171,590</u>	<u>5,109</u>	<u>42,933</u>	<u>2,427</u>	<u>458,335</u>
Excess (deficiency) of receipts over disbursements	<u>(2,766)</u>	<u>(5,109)</u>	-	<u>(2,427)</u>	<u>(7,261)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,766)	(5,109)	-	(2,427)	(7,261)
Cash and investments - beginning	<u>2,852</u>	<u>5,109</u>	-	<u>2,427</u>	<u>171,859</u>
Cash and investments - ending	<u>\$ 86</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 164,598</u>
<b><u>Cash and Investment Assets - Ending</u></b>					
Cash and investments	<u>\$ 86</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 164,598</u>
<b><u>Cash and Investment Fund Balance - Ending</u></b>					
Unrestricted	<u>\$ 86</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 164,598</u>

MILAN COMMUNITY SCHOOL CORPORATION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS

June 30, 2008

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Buildings	\$ 31,976,120
Improvements other than buildings	454,381
Machinery and equipment	<u>1,893,133</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 34,323,634</u>

MILAN COMMUNITY SCHOOL CORPORATION  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 June 30, 2008

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Loans Payable:		
Common School	\$ 7,538,000	\$ 692,000
Veteran's Memorial	<u>73,495</u>	<u>14,098</u>
Total governmental activities debt	<u>\$ 7,611,495</u>	<u>\$ 706,098</u>

MILAN COMMUNITY SCHOOL CORPORATION  
EXAMINATION RESULT AND COMMENT

DEPOSITS DELAYED (Applies to Milan Elementary)

Thirty-three percent of the receipts examined at Milan Elementary School were deposited 9 to 10 days after the collection of the funds.

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

MILAN COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on May 7, 2009, with O. Eugene Pitts, Superintendent of Schools; Gretchen M. Berger, Treasurer; and Timothy Tuttle, President of the School Board. The officials concurred with our finding.