

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

AUDIT REPORT
OF
MILAN COMMUNITY SCHOOL CORPORATION
RIPLEY COUNTY, INDIANA
July 1, 2008 to June 30, 2010



FILED
03/03/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Gretchen Berger	07-01-08 to 06-30-11
Superintendent of Schools	O. Eugene Pitts (Interim) R. Stephen Gookins (Interim) Dr. Thomas G. Reale	07-01-08 to 06-30-09 07-01-09 to 12-31-10 01-01-11 to 06-30-11
President of the School Board	Timothy Tuttle Doug Norman	07-01-08 to 06-30-10 07-01-10 to 06-30-11



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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Milan Community School Corporation (School Corporation), as of and for the years ended June 30, 2009 and 2010, 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, 2009 and 2010, 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 February 4, 2011, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

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 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.

The School Corporation has not presented Management's Discussion and Analysis, Schedules of Funding Progress, 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, and the 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 Long-Term Debt has 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 it.

STATE BOARD OF ACCOUNTS

February 4, 2011



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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 MILAN COMMUNITY SCHOOL
CORPORATION, RIPLEY COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Milan Community School Corporation (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated February 4, 2011. 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

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. We consider the deficiencies described in item 2010-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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.

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)

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. However, of the significant deficiencies described above, we consider item 2010-1 to be a material weakness.

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.

The School Corporation's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

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

February 4, 2011

MILAN COMMUNITY SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 6,162,154	\$ -	\$ 205,533	\$ (5,956,621)
Support services	3,359,760	349,240	344,660	(2,665,860)
Noninstructional services	696,050	-	-	(696,050)
Facilities acquisition and construction	242,148	-	-	(242,148)
Debt service	2,879,058	-	-	(2,879,058)
Nonprogrammed charges	661,939	-	-	(661,939)
Total governmental activities	\$ 14,001,109	\$ 349,240	\$ 550,193	(13,101,676)
General receipts:				
Property taxes				3,191,863
Other local sources				1,104,647
State aid				6,261,653
Bonds and loans				647,939
Grants and contributions not restricted to specific programs				987,906
Investment earnings				31,367
Total general receipts				12,225,375
Change in net assets				(876,301)
Net assets - beginning				1,989,174
Net assets - ending				\$ 1,112,873
<u>Assets</u>				
Cash and investments				\$ 966,162
Restricted assets:				
Cash and investments				146,711
Total assets				\$ 1,112,873
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 103,175
Other purposes				43,536
Unrestricted				966,162
Total net assets				\$ 1,112,873

The notes to the financial statements 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, 2010

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 6,050,786	\$ -	\$ 211,255	\$ (5,839,531)
Support services	3,718,778	336,241	345,164	(3,037,373)
Noninstructional services	632,797	-	-	(632,797)
Facilities acquisition and construction	386,294	-	-	(386,294)
Debt service	1,571,623	-	-	(1,571,623)
Nonprogrammed charges	670,755	-	-	(670,755)
Total governmental activities	<u>\$ 13,031,033</u>	<u>\$ 336,241</u>	<u>\$ 556,419</u>	<u>(12,138,373)</u>
General receipts:				
Property taxes				3,176,236
Other local sources				1,666,957
State aid				7,305,078
Bonds and loans				607,905
Grants and contributions not restricted to specific programs				727,383
Investment earnings				22,580
Total general receipts				<u>13,506,139</u>
Change in net assets				1,367,766
Net assets - beginning				<u>1,112,873</u>
Net assets - ending				<u>\$ 2,480,639</u>
<u>Assets</u>				
Cash and investments				\$ 2,000,041
Restricted assets:				
Cash and investments				<u>480,598</u>
Total assets				<u>\$ 2,480,639</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 473,585
Other purposes				7,013
Unrestricted				<u>2,000,041</u>
Total net assets				<u>\$ 2,480,639</u>

The notes to the financial statements 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, 2009

	General	Transportation Operating	School Lunch	Textbook Rental	Alternative Education
Receipts:					
Local sources	\$ 1,839,212	\$ 739,644	\$ 330,800	\$ 99,795	\$ -
Intermediate sources	112	-	-	-	-
State sources	6,428,475	-	8,754	43,535	106,283
Federal sources	-	-	237,360	-	-
Temporary loans	-	317,159	-	-	-
Total receipts	8,267,799	1,056,803	576,914	143,330	106,283
Disbursements:					
Current:					
Instruction	5,770,082	-	-	-	175,432
Support services	1,763,823	678,593	-	119,897	-
Noninstructional services	126,183	-	569,867	-	-
Facilities acquisition and construction	42,312	-	-	-	2,000
Debt services	1,230,424	496,126	-	-	-
Nonprogrammed charges	642,189	-	-	-	-
Total disbursements	9,575,013	1,174,719	569,867	119,897	177,432
Excess (deficiency) of receipts over disbursements	(1,307,214)	(117,916)	7,047	23,433	(71,149)
Other financing sources (uses):					
Transfers in	19,397	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	19,397	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,287,817)	(117,916)	7,047	23,433	(71,149)
Cash and investments - beginning	\$ 715,440	225,680	240,666	138,683	242,111
Cash and investments - ending	\$ (572,377)	\$ 107,764	\$ 247,713	\$ 162,116	\$ 170,962
Cash and Investment Assets - Ending					
Cash and investments	\$ (572,377)	\$ 107,764	\$ 247,713	\$ 162,116	\$ 170,962
Restricted assets:					
Cash and investments	-	-	-	-	-
Total cash and investment assets - ending	\$ (572,377)	\$ 107,764	\$ 247,713	\$ 162,116	\$ 170,962
Cash and Investment Fund Balance - Ending					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Other purposes	-	-	-	-	-
Unrestricted	(572,377)	107,764	247,713	162,116	170,962
Total cash and investment fund balance - ending	\$ (572,377)	\$ 107,764	\$ 247,713	\$ 162,116	\$ 170,962

The notes to the financial statements 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, 2009
(Continued)

	Fiscal Stabilization	Debt Service	Capital Projects	Other	Totals
Receipts:					
Local sources	\$ -	\$ 697,169	\$ 744,266	\$ 318,343	\$ 4,769,229
Intermediate sources	-	-	-	1,500	1,612
State sources	-	-	-	55,345	6,642,392
Federal sources	642,462	-	-	183,815	1,063,637
Temporary loans	-	-	330,780	-	647,939
	<u>642,462</u>	<u>697,169</u>	<u>1,075,046</u>	<u>559,003</u>	<u>13,124,809</u>
Disbursements:					
Current:					
Instruction	-	-	-	216,640	6,162,154
Support services	-	-	534,071	263,377	3,359,761
Noninstructional services	-	-	-	-	696,050
Facilities acquisition and construction	-	-	197,836	-	242,148
Debt services	-	660,762	491,746	-	2,879,058
Nonprogrammed charges	-	-	-	19,750	661,939
	<u>-</u>	<u>660,762</u>	<u>1,223,653</u>	<u>499,767</u>	<u>14,001,110</u>
Excess (deficiency) of receipts over disbursements	<u>642,462</u>	<u>36,407</u>	<u>(148,607)</u>	<u>59,236</u>	<u>(876,301)</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	19,397
Transfers out	-	-	-	(19,397)	(19,397)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,397)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	642,462	36,407	(148,607)	39,839	(876,301)
Cash and investments - beginning	-	66,768	311,852	47,974	1,989,174
Cash and investments - ending	<u>\$ 642,462</u>	<u>\$ 103,175</u>	<u>\$ 163,245</u>	<u>\$ 87,813</u>	<u>\$ 1,112,873</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ 642,462	\$ -	\$ 163,245	\$ 44,277	\$ 966,162
Restricted assets:					
Cash and investments	-	103,175	-	43,536	146,711
Total cash and investment assets - ending	<u>\$ 642,462</u>	<u>\$ 103,175</u>	<u>\$ 163,245</u>	<u>\$ 87,813</u>	<u>\$ 1,112,873</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Debt service	\$ -	\$ 103,175	\$ -	\$ -	\$ 103,175
Other purposes	-	-	-	43,536	43,536
Unrestricted	642,462	-	163,245	44,277	966,162
Total cash and investment fund balance - ending	<u>\$ 642,462</u>	<u>\$ 103,175</u>	<u>\$ 163,245</u>	<u>\$ 87,813</u>	<u>\$ 1,112,873</u>

The notes to the financial statements 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, 2010

	General	Transportation Operating	School Lunch	Textbook Rental	Alternative Education
Receipts:					
Local sources	\$ 791,431	\$ 1,170,878	\$ 306,901	\$ 96,023	\$ -
Intermediate sources	112	-	-	-	-
State sources	7,433,377	-	8,054	34,733	146,362
Federal sources	-	-	274,233	-	-
Temporary loans	-	294,804	-	-	-
	<u>8,224,920</u>	<u>1,465,682</u>	<u>589,188</u>	<u>130,756</u>	<u>146,362</u>
Total receipts					
Disbursements:					
Current:					
Instruction	4,608,247	-	-	-	169,463
Support services	2,074,391	644,762	-	151,391	-
Noninstructional services	126,312	-	506,485	-	-
Facilities acquisition and construction	11,410	-	36,210	-	-
Debt services	-	355,055	-	-	-
Nonprogrammed charges	640,457	-	-	-	-
	<u>7,460,817</u>	<u>999,817</u>	<u>542,695</u>	<u>151,391</u>	<u>169,463</u>
Total disbursements					
Excess (deficiency) of receipts over disbursements	<u>764,103</u>	<u>465,865</u>	<u>46,493</u>	<u>(20,635)</u>	<u>(23,101)</u>
Other financing sources (uses):					
Transfers in	-	73,172	-	-	-
Transfers out	-	(78,200)	-	-	-
	<u>-</u>	<u>(5,028)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)					
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	764,103	460,837	46,493	(20,635)	(23,101)
Cash and investments - beginning	<u>(572,377)</u>	<u>107,764</u>	<u>247,713</u>	<u>162,116</u>	<u>170,962</u>
Cash and investments - ending	<u>\$ 191,726</u>	<u>\$ 568,601</u>	<u>\$ 294,206</u>	<u>\$ 141,481</u>	<u>\$ 147,861</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ 191,726	\$ 568,601	\$ 294,206	\$ 141,481	\$ 147,861
Restricted assets:					
Cash and investments	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 191,726</u>	<u>\$ 568,601</u>	<u>\$ 294,206</u>	<u>\$ 141,481</u>	<u>\$ 147,861</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Other purposes	-	-	-	-	-
Unrestricted	<u>191,726</u>	<u>568,601</u>	<u>294,206</u>	<u>141,481</u>	<u>147,861</u>
Total cash and investment fund balance - ending	<u>\$ 191,726</u>	<u>\$ 568,601</u>	<u>\$ 294,206</u>	<u>\$ 141,481</u>	<u>\$ 147,861</u>

The notes to the financial statements 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, 2010
(Continued)

	Fiscal Stabilization	Debt Service	Capital Projects	Other	Totals
Receipts:					
Local sources	\$ -	\$ 1,152,219	\$ 1,035,690	\$ 707,485	\$ 5,260,627
Intermediate sources	-	-	-	375	487
State sources	-	-	-	52,000	7,674,526
Federal sources	259,762	-	-	321,259	855,254
Temporary loans	-	-	313,101	-	607,905
	<u>259,762</u>	<u>1,152,219</u>	<u>1,348,791</u>	<u>1,081,119</u>	<u>14,398,799</u>
Disbursements:					
Current:					
Instruction	902,224	-	-	370,852	6,050,786
Support services	-	-	557,911	290,323	3,718,778
Noninstructional services	-	-	-	-	632,797
Facilities acquisition and construction	-	-	156,963	181,711	386,294
Debt services	-	781,809	434,759	-	1,571,623
Nonprogrammed charges	-	-	-	30,298	670,755
	<u>902,224</u>	<u>781,809</u>	<u>1,149,633</u>	<u>873,184</u>	<u>13,031,033</u>
Excess (deficiency) of receipts over disbursements	<u>(642,462)</u>	<u>370,410</u>	<u>199,158</u>	<u>207,935</u>	<u>1,367,766</u>
Other financing sources (uses):					
Transfers in	-	-	-	99,500	172,672
Transfers out	-	-	-	(94,472)	(172,672)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,028</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(642,462)</u>	<u>370,410</u>	<u>199,158</u>	<u>212,963</u>	<u>1,367,766</u>
Cash and investments - beginning	<u>642,462</u>	<u>103,175</u>	<u>163,245</u>	<u>87,813</u>	<u>1,112,873</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 473,585</u>	<u>\$ 362,403</u>	<u>\$ 300,776</u>	<u>\$ 2,480,639</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ -	\$ -	\$ 362,403	\$ 293,763	\$ 2,000,041
Restricted assets:					
Cash and investments	-	473,585	-	7,013	480,598
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 473,585</u>	<u>\$ 362,403</u>	<u>\$ 300,776</u>	<u>\$ 2,480,639</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Debt service	\$ -	\$ 473,585	\$ -	\$ -	\$ 473,585
Other purposes	-	-	-	7,013	7,013
Unrestricted	-	-	362,403	293,763	2,000,041
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 473,585</u>	<u>\$ 362,403</u>	<u>\$ 300,776</u>	<u>\$ 2,480,639</u>

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

MILAN COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

The School Corporation's financial reporting entity is composed of the following:

Primary Government: Milan Community School Corporation

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

Joint Ventures

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 amount based on a formula set by the Co-Op's board of directors. For the school year ending June 30, 2010, the School Corporation remitted \$429,729. Complete financial statements for the Ripley-Ohio-Dearborn Special Education Cooperative can be obtained from the Cooperative's administrative office at Sunman Dearborn Community School Corporation, Sunman, Indiana.

The School Corporation is a participant with 11 other school corporations in a joint venture to operate Southeastern Career Center (Career Center) which was created to provide vocational education services. The School Corporation is obligated by contract to pay an amount based on a formula set by the Career Center's board of directors. For the school year ending June 30, 2010, the School Corporation remitted \$205,443. Complete financial statements for the Southeastern Career Center can be obtained from the Career Center's administration office in Versailles, Indiana.

The School Corporation is a participant with 26 other school corporations in a joint venture to operate the Wilson Educational Center (Center) which was created to perform educational planning on a cooperative basis and to assist in meeting specific educational needs in participating school districts which could be more efficiently provided by an educational service center than by the school corporations themselves. The School Corporation is obligated by contract to remit an amount, which shall be on a cost per student basis on the current years K-12 Average Daily Membership, annually to supplement the Wilson Education Center. The cost per student is established annually by the Center's Board of Directors. Complete financial statements for the Wilson Education Center can be obtained from the Center's administrative offices at 2101 Grace Avenue, Charlestown, IN 47111.

MILAN COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

The School Corporation is a participant with over 148 other school corporations in Indiana, Kentucky, and Ohio in a joint venture to operate the Unified Purchasing Cooperative (UPC), which was created to secure goods and services for members through a cooperative bidding process. The School Corporation is not obligated to remit funds directly to UPC, but is obligated to purchase certain agreed-upon goods and services exclusively from vendors who remit fees to UPC.

B. Government-Wide and Fund Financial Statements

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. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. However, there are no business-type activities to report at this time.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds and there are no fiduciary 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 transportation operating fund accounts for financial resources for the transportation of schoolchildren to and from school.

The school lunch fund accounts for receipts and disbursements related to the food service program.

The textbook rental fund is used to account for receipts of fees collected or rent of textbooks and workbooks furnished to students and disbursements for purchase and repair of textbooks and workbooks furnished to students.

The alternative education fund accounts for receipts and disbursements of nontraditional education services.

The fiscal stabilization fund is used to account for the receipts and disbursements from distributions received from the American Recovery and Reinvestment Act.

MILAN COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 of buildings; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

C. Measurement Focus and Basis of Accounting

The government-wide and governmental 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. 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.

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

Normally, 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. 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 may become delinquent if not paid by May 10 and November 10, respectively.

MILAN COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. 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.

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental funds is not reported as a liability in the basic 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.
- 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 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 in the fund financial statements have been eliminated or reclassified.

MILAN COMMUNITY SCHOOL CORPORATION
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 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.
3. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

Government-Wide Financial Statements

Interfund activity, if any, is 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. The effects of interfund loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

G. Rounding Differences

The financial statements may contain immaterial differences due to rounding of amounts when the statements were compiled. These differences are considered trivial and do not affect the overall presentation of the financial statements.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. Prior to November 1, 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.

MILAN COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

B. Cash Balance Deficits

At June 30, 2009 and 2010, the following funds reported deficits in cash, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

Fund	06-30-09	06-30-10
General	\$ 572,377	\$ -
Technology Loan	15,298	-
QZAB	-	3,390
Non-Program	-	1,699

Cash deficits arose primarily from disbursements exceeding receipts due to disbursements preceding reimbursement from local, state, or federal sources.

At June 30, 2009 and 2010, the following grant funds reported deficits in cash:

Fund	06-30-09	06-30-10
Title I	\$ 17,046	\$ -
ARRA Special Education Part B	-	2,988

Cash deficits arose primarily from disbursements exceeding receipts due to disbursements preceding reimbursement from local, state, or federal sources.

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. IC 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The School Corporation deposits all funds in approved depositories. At June 30, 2010, the School Corporation had deposit balances in the amount of \$2,846,119.

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.

MILAN COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Investments

Statutory Authorization for Investments

IC 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.

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 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.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2009 and 2010, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>FYE 06-30-09</u>	<u>FYE 06-30-10</u>
Other Governmental Funds	General Fund	\$ 19,397	\$ -
Transportation Operating Fund	Other Governmental Funds	-	78,200
Other Governmental Funds	Transportation Operating Fund	-	73,172
Other Governmental Funds	Other Governmental Funds	-	21,300
Totals		<u>\$ 19,397</u>	<u>\$ 172,672</u>

MILAN COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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; medical benefits to employees, retirees, and dependents; 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 risks covered by commercial insurance 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 seven other governmental entities to form the Southeastern Indiana Insurance Consortium, a public entity risk pool currently operating as a common risk management and insurance program for 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 its medical benefits to employees' coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$100,000 per individual. The risk pool obtains independent coverage for an individual's claim in excess of the \$100,000 limit in a plan year.

B. Holding Corporation

The School Corporation has entered into a capital lease with Milan 21st Century School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. The first annual lease payment of \$116,000 is due in the 2010-2011 school year.

C. 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.

MILAN COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the School Corporation during the period were \$277,446.

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

MILAN COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy

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's contributions to the plan during the period were \$673,503.

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, 2009

	Preschool Special Education	Excess Tax Levy	Education License Plates	Counselor Grant	Non-English Speaking Program	Title I	Title V	Title IV
Receipts:								
Local sources	\$ 3,892	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	1,500	-	-	-	-	-
State sources	40,345	-	-	15,000	-	-	-	-
Federal sources	-	-	-	-	-	136,540	764	4,026
Total receipts	44,237	-	1,500	15,000	-	136,540	764	4,026
Disbursements:								
Current:								
Instruction	-	-	-	-	-	151,139	-	-
Support services	-	-	-	15,000	-	2,533	-	1,716
Nonprogrammed charges	19,750	-	-	-	-	-	-	-
Total disbursements	19,750	-	-	15,000	-	153,672	-	1,716
Excess (deficiency) of receipts over disbursements	24,487	-	1,500	-	-	(17,132)	764	2,310
Other financing sources (uses):								
Transfers out	-	(19,397)	-	-	-	-	-	-
Total other financing sources (uses)	-	(19,397)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	24,487	(19,397)	1,500	-	-	(17,132)	764	2,310
Cash and investments - beginning	5,811	19,397	1,181	-	309	86	-	-
Cash and investments - ending	\$ 30,298	\$ -	\$ 2,681	\$ -	\$ 309	\$ (17,046)	\$ 764	\$ 2,310
<u>Cash and Investment Assets - Ending</u>								
Cash and investments	\$ 30,298	\$ -	\$ 2,681	\$ -	\$ 309	\$ (17,046)	\$ 764	\$ 2,310
Restricted assets:								
Cash and investments	-	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 30,298	\$ -	\$ 2,681	\$ -	\$ 309	\$ (17,046)	\$ 764	\$ 2,310
<u>Cash and Investment Fund Balance - Ending</u>								
Restricted for:								
Other purposes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	30,298	-	2,681	-	309	(17,046)	764	2,310
Total cash and investment fund balance - ending	\$ 30,298	\$ -	\$ 2,681	\$ -	\$ 309	\$ (17,046)	\$ 764	\$ 2,310

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, 2009
 (Continued)

	Title II Part A	School Bus Replacement	Non-Program	RCCF- PLTW	Rising Sun FB Field Grant	Rising Sun Vision Grant	Technology Loan	Totals
Receipts:								
Local sources	\$ -	\$ 220,729	\$ 25,360	\$ 38,712	\$ 27,150	\$ 2,500	\$ -	\$ 318,343
Intermediate sources	-	-	-	-	-	-	-	1,500
State sources	-	-	-	-	-	-	-	55,345
Federal sources	42,485	-	-	-	-	-	-	183,815
Total receipts	42,485	220,729	25,360	38,712	27,150	2,500	-	559,003
Disbursements:								
Current:								
Instruction	42,485	-	-	7,718	-	-	15,298	216,640
Support services	-	218,172	24,146	-	-	1,810	-	263,377
Nonprogrammed charges	-	-	-	-	-	-	-	19,750
Total disbursements	42,485	218,172	24,146	7,718	-	1,810	15,298	499,767
Excess (deficiency) of receipts over disbursements	-	2,557	1,214	30,994	27,150	690	(15,298)	59,236
Other financing sources (uses):								
Transfers out	-	-	-	-	-	-	-	(19,397)
Total other financing sources (uses)	-	-	-	-	-	-	-	(19,397)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	2,557	1,214	30,994	27,150	690	(15,298)	39,839
Cash and investments - beginning	-	22,059	(869)	-	-	-	-	47,974
Cash and investments - ending	\$ -	\$ 24,616	\$ 345	\$ 30,994	\$ 27,150	\$ 690	\$ (15,298)	\$ 87,813
<u>Cash and Investment Assets - Ending</u>								
Cash and investments	\$ -	\$ 24,616	\$ 345	\$ -	\$ -	\$ -	\$ -	\$ 44,277
Restricted assets:								
Cash and investments	-	-	-	30,994	27,150	690	(15,298)	43,536
Total cash and investment assets - ending	\$ -	\$ 24,616	\$ 345	\$ 30,994	\$ 27,150	\$ 690	\$ (15,298)	\$ 87,813
<u>Cash and Investment Fund Balance - Ending</u>								
Restricted for:								
Other purposes	\$ -	\$ -	\$ -	\$ 30,994	\$ 27,150	\$ 690	\$ (15,298)	\$ 43,536
Unrestricted	-	24,616	345	-	-	-	-	44,277
Total cash and investment fund balance - ending	\$ -	\$ 24,616	\$ 345	\$ 30,994	\$ 27,150	\$ 690	\$ (15,298)	\$ 87,813

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, 2010

	Preschool Special Education	Rainy Day	Excess Tax Levy	Education License Plates	Non-English Speaking Program	Rising Sun Projectors	Rising Sun H1N1	Title I
Receipts:								
Local sources	\$ -	\$ -	\$ 73,172	\$ -	\$ -	\$ 25,000	\$ 8,379	\$ -
Intermediate sources	-	-	-	375	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	172,072
Total receipts	-	-	73,172	375	-	25,000	8,379	172,072
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	-	139,502
Support services	-	-	-	-	-	25,000	898	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Nonprogrammed charges	30,298	-	-	-	-	-	-	-
Total disbursements	30,298	-	-	-	-	25,000	898	139,502
Excess (deficiency) of receipts over disbursements	(30,298)	-	73,172	375	-	-	7,481	32,570
Other financing sources (uses):								
Transfers in	-	99,500	-	-	-	-	-	-
Transfers out	-	-	(73,172)	-	-	-	-	-
Total other financing sources (uses)	-	99,500	(73,172)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(30,298)	99,500	-	375	-	-	7,481	32,570
Cash and investments - beginning	30,298	-	-	2,681	309	-	-	(17,046)
Cash and investments - ending	\$ -	\$ 99,500	\$ -	\$ 3,056	\$ 309	\$ -	\$ 7,481	\$ 15,524
Cash and Investment Assets - Ending								
Cash and investments	\$ -	\$ 99,500	\$ -	\$ 3,056	\$ 309	\$ -	\$ 7,481	\$ 15,524
Restricted assets:								
Cash and investments	-	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 99,500	\$ -	\$ 3,056	\$ 309	\$ -	\$ 7,481	\$ 15,524
Cash and Investment Fund Balance - Ending								
Restricted for:								
Other purposes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	99,500	-	3,056	309	-	7,481	15,524
Total cash and investment fund balance - ending	\$ -	\$ 99,500	\$ -	\$ 3,056	\$ 309	\$ -	\$ 7,481	\$ 15,524

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, 2010
 (Continued)

	Title V	Title IV	Title II Part A	ARRA Title I	ARRA Special Education Part B	School Bus Replacement	QZAB
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 390,661	\$ 151,171
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	1,959	3,429	43,356	59,780	40,663	-	-
Total receipts	1,959	3,429	43,356	59,780	40,663	390,661	151,171
Disbursements:							
Current:							
Instruction	-	-	43,356	48,487	43,651	-	-
Support services	-	5,739	-	-	-	232,023	-
Facilities acquisition and construction	-	-	-	-	-	-	154,561
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	5,739	43,356	48,487	43,651	232,023	154,561
Excess (deficiency) of receipts over disbursements	1,959	(2,310)	-	11,293	(2,988)	158,638	(3,390)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(21,300)	-
Total other financing sources (uses)	-	-	-	-	-	(21,300)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,959	(2,310)	-	11,293	(2,988)	137,338	(3,390)
Cash and investments - beginning	764	2,310	-	-	-	24,616	-
Cash and investments - ending	\$ 2,723	\$ -	\$ -	\$ 11,293	\$ (2,988)	\$ 161,954	\$ (3,390)
Cash and Investment Assets - Ending							
Cash and investments	\$ 2,723	\$ -	\$ -	\$ 11,293	\$ (2,988)	\$ 161,954	\$ (3,390)
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 2,723	\$ -	\$ -	\$ 11,293	\$ (2,988)	\$ 161,954	\$ (3,390)
Cash and Investment Fund Balance - Ending							
Restricted for:							
Other purposes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	2,723	-	-	11,293	(2,988)	161,954	(3,390)
Total cash and investment fund balance - ending	\$ 2,723	\$ -	\$ -	\$ 11,293	\$ (2,988)	\$ 161,954	\$ (3,390)

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, 2010
 (Continued)

	<u>Non-Program</u>	<u>RCCF- PLTW</u>	<u>Rising Sun FB Field Grant</u>	<u>Rising Sun Grant</u>	<u>Rising Sun Vision Grant</u>	<u>Technology Loan</u>	<u>Totals</u>
Receipts:							
Local sources	\$ 23,929	\$ 30,957	\$ -	\$ 4,216	\$ -	\$ -	\$ 707,485
Intermediate sources	-	-	-	-	-	-	375
State sources	-	-	-	-	-	52,000	52,000
Federal sources	-	-	-	-	-	-	321,259
Total receipts	<u>23,929</u>	<u>30,957</u>	<u>-</u>	<u>4,216</u>	<u>-</u>	<u>52,000</u>	<u>1,081,119</u>
Disbursements:							
Current:							
Instruction	-	59,154	-	-	-	36,702	370,852
Support services	25,973	-	-	-	690	-	290,323
Facilities acquisition and construction	-	-	27,150	-	-	-	181,711
Nonprogrammed charges	-	-	-	-	-	-	30,298
Total disbursements	<u>25,973</u>	<u>59,154</u>	<u>27,150</u>	<u>-</u>	<u>690</u>	<u>36,702</u>	<u>873,184</u>
Excess (deficiency) of receipts over disbursements	<u>(2,044)</u>	<u>(28,197)</u>	<u>(27,150)</u>	<u>4,216</u>	<u>(690)</u>	<u>15,298</u>	<u>207,935</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	99,500
Transfers out	-	-	-	-	-	-	(94,472)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,028</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(2,044)</u>	<u>(28,197)</u>	<u>(27,150)</u>	<u>4,216</u>	<u>(690)</u>	<u>15,298</u>	<u>212,963</u>
Cash and investments - beginning	<u>345</u>	<u>30,994</u>	<u>27,150</u>	<u>-</u>	<u>690</u>	<u>(15,298)</u>	<u>87,813</u>
Cash and investments - ending	<u>\$ (1,699)</u>	<u>\$ 2,797</u>	<u>\$ -</u>	<u>\$ 4,216</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,776</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ (1,699)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 293,763
Restricted assets:							
Cash and investments	-	2,797	-	4,216	-	-	7,013
Total cash and investment assets - ending	<u>\$ (1,699)</u>	<u>\$ 2,797</u>	<u>\$ -</u>	<u>\$ 4,216</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,776</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Other purposes	\$ -	\$ 2,797	\$ -	\$ 4,216	\$ -	\$ -	\$ 7,013
Unrestricted	(1,699)	-	-	-	-	-	293,763
Total cash and investment fund balance - ending	<u>\$ (1,699)</u>	<u>\$ 2,797</u>	<u>\$ -</u>	<u>\$ 4,216</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,776</u>

MILAN COMMUNITY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2010

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Elementary school renovation	\$ 2,156,000	\$ 116,000
Loans payable:		
Veterans' Memorial	46,769	13,830
Common School	6,858,500	668,000
Indiana Bond Bank	<u>466,030</u>	<u>470,255</u>
Total governmental activities debt	<u>\$ 9,527,299</u>	<u>\$ 1,268,085</u>

MILAN COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS-SEGREGATION OF DUTIES

The School Corporation does not have adequate segregation of accounting duties or compensating controls in place to ensure the accuracy of financial reporting and the safeguarding of cash. The Treasurer is responsible for writing receipts; making deposits; writing vendor and payroll checks; recording receipts and checks on the ledger; performing month end bank reconciliations; and processing payroll that includes the calculation of payroll and payroll withholding amounts paid.

The lack of segregation is caused by the School Corporation having a small staff that limits the School Corporation's ability to segregate accounting duties.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OVERDRAWN CASH BALANCES

Cash balances were overdrawn as of June 30, 2009 and June 30, 2010, for the following funds:

Fund	2009	2010
General	\$ 572,377	\$ -
Technology Loan	15,298	-
QZAB	-	3,390
Non-Program	-	1,699

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

POSTEMPLOYMENT HEALTH INSURANCE PREMIUMS

We noted the following regarding the payment of postemployment health insurance premiums:

1. The School Corporation paid the entire cost of \$4,000 for the health insurance premiums for six retirees for the months of July and August of the year 2010 which represented an additional cost to the School Corporation of \$2,800.

Article VI (Fringe Benefits) of the master contract between the School Board and the Milan Education Association states in part in subsection "G" (Retaining Insurance Coverage):

MILAN COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

"Bargaining unit members who retire between the ages of fifty (50) and the age the bargaining unit member qualifies for Medicare coverage, who have ten (10) years of service with the Corporation immediately prior to retirement, shall be allowed to continue to participate in the group health insurance plan until the bargaining unit member qualifies for Medicare coverage. The Corporation shall pay \$100.00 (One hundred dollars) per month toward group health insurance coverage, in the same manner as for employees, until the bargaining unit member qualifies for Medicare coverage for any bargaining unit member who had been enrolled in an insurance plan through the Corporation's group health plan at the time of his/her retirement. . ."

Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

2. The School Corporation paid the entire cost of the health insurance premiums for individuals no longer employed for the months of July and August of the year 2010 at a cost of \$2,000.

Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

IC 5-10-8-2.6(e) states in part:

"After June 30, 1986, a public employer shall provide a group health insurance program . . . to each retired employee:

- (1) whose retirement date is: (A) after May 31, 1986, for a retired employee who was a teacher (as defined in IC 20-18-2-22) for a school corporation; or (B) after June 30, 1986, for a retired employee not covered by clause (A);
- (2) who will have reached fifty-five (55) years of age on or before the employee's retirement date but who will not be eligible on that date for Medicare coverage as prescribed by 42 U.S.C. 1395 et seq.;
- (3) who will have completed twenty (20) years of creditable employment with a public employer on or before the employee's retirement date, ten (10) years of which must have been completed immediately preceding the retirement date; and
- (4) who will have completed at least fifteen (15) years of participation in the retirement plan of which the employee is a member on or before the employee's retirement date."

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

MILAN COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

HOURLY RATE NOT ON APPROVED SALARY SCHEDULE

The School Board approved on January 19, 2009, a salary schedule for noncertified employees. The schedule established a base rate and incremental increases for employees based on years of service. We noted one custodian with 28 years experience was paid \$3.08 per hour more than the rate of pay on the approved salary schedule for custodians with 28 years experience.

Gretchen Berger, Treasurer, stated on January 5, 2011, that when the salary schedule was adopted, the custodian was already paid more than the highest rate for custodians on the schedule. Rather than decreasing his hourly rate of pay to the new approved hourly rate, O. Eugene Pitts, Interim Superintendent of Schools instructed her to continue paying the custodian based on his current hourly rate of pay with annual increases proportional to those on the approved schedule. No information was presented for examination that the School Board approved the payment arrangement as directed by the Interim Superintendent.

The payment to the custodian in excess of the amount approved in the salary schedule was \$5,990 for the year 2009 and \$5,813 for the year 2010.

Doug Norman, President of the School Board stated that the School Corporation plans to retroactively approve the custodian's payment arrangement for previous years at a future School Board meeting.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 13)

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

CERTIFIED REPORT NOT FILED

The School Corporation did not file a Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100-R) with the State Board of Accounts for the year 2009.

IC 5-11-13-1 states in part:

"Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

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

Compliance

We have audited the compliance of the Milan Community School Corporation (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2009 and 2010. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States 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 each of its major federal programs for the years ended June 30, 2009 and 2010.

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

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)

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.

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.

The School Corporation's response to the findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

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

February 4, 2011

MILAN COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2009 and 2010

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 06-30-09	Total Federal Awards Expended 06-30-10
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education Child Nutrition Cluster School Breakfast Program	10.553			
		FY 09	\$ 55,213	\$ -
		FY 10	-	68,394
National School Lunch Program	10.555			
		FY 09	230,607	-
		FY 10	-	244,668
Total for federal grantor agency			<u>285,820</u>	<u>313,062</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education Title I, Part A Cluster Title I Grants to Local Educational Agencies	84.010			
		FY 2009	153,672	-
		FY 2010	-	139,502
Total for program			<u>153,672</u>	<u>139,502</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	10-6910	-	48,487
Total for cluster			<u>153,672</u>	<u>187,989</u>
Special Education Cluster (IDEA) ARRA - Special Education - Grants to States, Recovery Act	84.391	33310-SN01	-	43,651
State Fiscal Stabilization Fund Cluster ARRA - State Fiscal Stabilization Fund (SFSF) - Education Grant Recovery Act	84.394	10-6910	-	902,224
Safe and Drug-Free Schools and Communities - State Grants SY 2007-2008 SY 2008-2009	84.186			
		07-6910	1,716	2,310
		08-6910	-	3,429
Total for program			<u>1,716</u>	<u>5,739</u>
Improving Teacher Quality State Grants SY08-09 SY09-10	84.367			
		08-6910	42,485	-
		09-6910	-	43,356
Total for program			<u>42,485</u>	<u>43,356</u>
Total for federal grantor agency			<u>197,873</u>	<u>1,182,959</u>
Total federal awards expended			<u>\$ 483,693</u>	<u>\$ 1,496,021</u>

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

MILAN COMMUNITY SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Milan Community School Corporation (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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, 2009 and 2010. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2008-2009	2009-2010
School Breakfast Program	10.553	\$ 9,361	\$ 8,414
National School Lunch Program	10.555	<u>39,098</u>	<u>30,416</u>
Total noncash assistance		<u>\$ 48,459</u>	<u>\$ 38,830</u>

MILAN COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weaknesses identified?	yes
Significant deficiencies 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
Significant deficiencies 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
Title I Part A Cluster
State Fiscal Stabilization Fund Cluster

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

Auditee qualified as low-risk auditee?	no
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MILAN COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II – Financial Statement Findings

FINDING 2010-1. INTERNAL CONTROLS - SEGREGATION OF DUTIES

The School Corporation does not have adequate segregation of accounting duties or compensating controls in place to ensure the accuracy of financial reporting and the safeguarding of cash. The Treasurer is responsible for writing receipts; making deposits; writing vendor and payroll checks; recording receipts and checks on the ledger; performing month end bank reconciliations; and processing payroll that includes the calculation of payroll and payroll withholding amounts paid.

Segregation of duties is the concept of having different people do different tasks within the organization. Segregation of duties provides the foundation of good internal control by assuring that no one individual is in a position to perpetuate and conceal errors or irregularities in the normal course of their authorized duties. Compensating controls are safeguards put in place to mitigate the effects of the lack of segregation of duties.

The lack of segregation is caused by the School Corporation having a small staff that limits the School Corporation's ability to segregate accounting duties.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

We recommended the School Corporation Officials either enhance segregation of accounting duties or implement compensating controls.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

MILAN COMMUNITY SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

MILAN COMMUNITY SCHOOL CORPORATION
412E CARR STREET
MILAN, IN 47031

Re: Corrective Action Plan Finding 2010-1

FINDING 2010-1, INTERNAL CONTROLS- SEGREGATION OF DUTIES

Contact Person: Dr. Thomas Reale
Title: Superintendent
Phone Number: 812 654-2365

The School Corporation does not have adequate segregation of accounting duties or compensating controls in place to ensure the accuracy of financial reporting and the safeguarding of cash. The Treasurer is responsible for writing receipts; making deposits; writing vendor and payroll checks; recording receipts and checks on the ledger; performing month end bank reconciliations; and processing payroll that includes the calculation of payroll and payroll withholding amounts paid.

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The lack of segregation is caused by the School Corporation having a small staff that limits the School Corporation's ability to segregate accounting duties.

CORRECTIVE ACTION PLAN

Milan Community School Corporation will review and implement procedures involving current staff that would provide to some degree, segregation of duties. However, management and governance have determined that the cost associated with employing additional staff would outweigh the benefits of a stronger internal control structure.



(Signature)

Sup't

(Title)

2-1-11

(Date)

MILAN COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 4, 2011, with Gretchen Berger, Treasurer; Doug Norman, President of the School Board; and Dr. Thomas G. Reale, Superintendent of Schools. The officials concurred with our audit findings.