

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

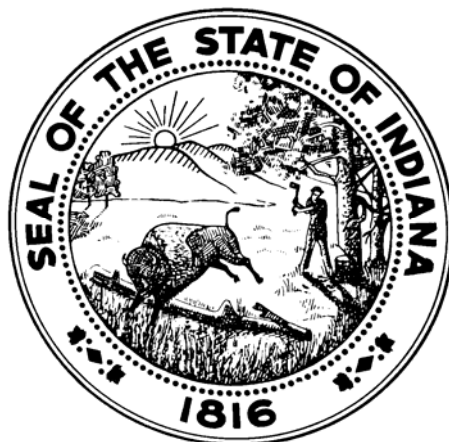
AUDIT REPORT

OF

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION

MORGAN COUNTY, INDIANA

July 1, 2004 to June 30, 2006



FILED

03/27/2007

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Michael D. Turner	07-01-04 to 06-30-07
Superintendent of Schools	Curtis Freeman, Jr.	07-01-04 to 06-30-07
President of the School Board	Phillip Wright	07-01-04 to 06-30-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE MOORESVILLE CONSOLIDATED
SCHOOL CORPORATION, MORGAN COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mooresville Consolidated School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, which collectively comprise the School Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2005 and 2006, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated January 8, 2007, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

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

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the School Corporation taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Funding Progress, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The School Corporation has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

January 8, 2007



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE MOORESVILLE CONSOLIDATED
SCHOOL CORPORATION, MORGAN COUNTY, INDIANA

We have audited the financial statements of the Mooresville Consolidated School Corporation (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated January 8, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the School Corporation's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

January 8, 2007

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 10,001,218
Restricted assets:	
Cash and investments	<u>2,670,472</u>
Total assets	<u>\$ 12,671,690</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 2,670,472
Unrestricted	<u>10,001,218</u>
Total net assets	<u>\$ 12,671,690</u>

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

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 11,088,293
Restricted assets:	
Cash and investments	<u>2,690,603</u>
Total assets	<u>\$ 13,778,896</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 2,690,603
Unrestricted	<u>11,088,293</u>
Total net assets	<u>\$ 13,778,896</u>

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

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 13,183,323	\$ -	\$ 158,646	\$ (13,024,677)
Support services	17,344,386	1,303,569	389,100	(15,651,717)
Community services	254,961	-	-	(254,961)
Debt service	<u>7,746,372</u>	<u>-</u>	<u>-</u>	<u>(7,746,372)</u>
Total governmental activities	<u>\$ 38,529,042</u>	<u>\$ 1,303,569</u>	<u>\$ 547,746</u>	<u>(36,677,727)</u>
General receipts:				
Property taxes				13,781,096
Other local sources				3,229,363
State aid				15,616,265
Grants and contributions not restricted				1,234,683
Bonds and loans				4,013,036
Sale of property, adjustments, and refunds				199,788
Investment earnings				53,875
Transfers:				
Intergovernmental				<u>1,797,996</u>
Total general receipts and transfers				<u>39,926,102</u>
Change in cash and investments				3,248,375
Net assets - beginning				<u>11,035,837</u>
Net assets - ending				<u>\$ 14,284,212</u>

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

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 13,201,738	\$ -	\$ 117,940	\$ (13,083,798)
Support services	18,928,842	1,372,037	504,389	(17,052,416)
Community services	272,258	-	-	(272,258)
Debt service	8,088,241	-	-	(8,088,241)
Total governmental activities	\$ 40,491,079	\$ 1,372,037	\$ 622,329	(38,496,713)
General receipts:				
Property taxes				14,158,402
Other local sources				3,317,084
State aid				16,031,116
Grants and contributions not restricted				1,246,599
Bonds and loans				4,116,328
Sale of property, adjustments, and refunds				498,666
Investment earnings				166,590
Transfers:				
Intergovernmental				1,659,877
Total general receipts and transfers				41,194,662
Change in cash and investments				1,107,206
Net assets - beginning				12,671,690
Net assets - ending				\$ 13,778,896

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

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 7,419,386	\$ 1,600,784	\$ -	\$ 3,991,460	\$ 3,183,566	\$ 337,778	\$ 1,834,834	\$ 18,367,808
Intermediate sources	95	-	-	-	-	-	-	95
State sources	15,672,804	-	-	-	-	-	315,189	15,987,993
Federal sources	-	-	-	-	-	-	1,410,702	1,410,702
Bonds and loans	1,990,480	525,796	-	590,768	905,992	-	-	4,013,036
Sale of property, adjustments and refunds	44,105	51,646	-	-	4,528	-	99,508	199,787
Intergovernmental transfers	517,039	132,949	1,037,724	-	-	-	110,284	1,797,996
Total receipts	25,643,909	2,311,175	1,037,724	4,582,228	4,094,086	337,778	3,770,517	41,777,417
Disbursements:								
Current:								
Instruction	12,108,656	-	-	-	-	-	1,074,667	13,183,323
Support services	10,849,249	1,538,927	-	-	2,623,038	287,515	2,045,657	17,344,386
Community services	252,354	-	-	-	-	-	2,607	254,961
Nonprogrammed charges	374,353	11,360	-	161,875	1,059,858	1,994	3,082	1,612,522
Debt services	1,875,706	383,473	-	4,272,319	837,202	-	377,672	7,746,372
Total disbursements	25,460,318	1,933,760	-	4,434,194	4,520,098	289,509	3,503,685	40,141,564
Excess (deficiency) of total receipts over (under) total disbursements	183,591	377,415	1,037,724	148,034	(426,012)	48,269	266,832	1,635,853
Cash and investments - beginning	3,753,826	576,881	-	2,336,117	2,770,592	660,018	938,403	11,035,837
Cash and investments - ending	\$ 3,937,417	\$ 954,296	\$ 1,037,724	\$ 2,484,151	\$ 2,344,580	\$ 708,287	\$ 1,205,235	\$ 12,671,690

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

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2006

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 7,840,903	\$ 1,658,816	\$ 35,055	\$ 3,793,353	\$ 3,346,328	\$ 419,549	\$ 1,920,013	\$ 19,014,017
Intermediate sources	95	-	-	-	-	-	-	95
State sources	16,055,283	-	-	-	-	-	283,902	16,339,185
Federal sources	-	-	-	-	-	-	1,560,859	1,560,859
Bonds and loans	973,578	453,327	-	568,778	783,670	-	1,336,975	4,116,328
Sale of property, adjustments and refunds	60,546	56,875	-	747	315,513	-	64,986	498,667
Intergovernmental transfers	480,747	-	1,049,435	-	-	-	129,695	1,659,877
Total receipts	<u>25,411,152</u>	<u>2,169,018</u>	<u>1,084,490</u>	<u>4,362,878</u>	<u>4,445,511</u>	<u>419,549</u>	<u>5,296,430</u>	<u>43,189,028</u>
Disbursements:								
Current:								
Instruction	11,978,447	-	38,500	-	-	-	1,184,791	13,201,738
Support services	10,722,079	1,641,205	388,627	-	3,198,026	360,051	2,618,854	18,928,842
Community services	262,875	-	-	-	-	-	9,383	272,258
Nonprogrammed charges	354,794	11,648	-	28,395	1,073,097	2,893	119,916	1,590,743
Debt services	1,990,480	498,222	-	4,314,626	905,992	-	378,921	8,088,241
Total disbursements	<u>25,308,675</u>	<u>2,151,075</u>	<u>427,127</u>	<u>4,343,021</u>	<u>5,177,115</u>	<u>362,944</u>	<u>4,311,865</u>	<u>42,081,822</u>
Excess (deficiency) of total receipts over (under) total disbursements	102,477	17,943	657,363	19,857	(731,604)	56,605	984,565	1,107,206
Cash and investments - beginning	<u>3,937,417</u>	<u>954,296</u>	<u>1,037,724</u>	<u>2,484,151</u>	<u>2,344,580</u>	<u>708,287</u>	<u>1,205,235</u>	<u>12,671,690</u>
Cash and investments - ending	<u>\$ 4,039,894</u>	<u>\$ 972,239</u>	<u>\$ 1,695,087</u>	<u>\$ 2,504,008</u>	<u>\$ 1,612,976</u>	<u>\$ 764,892</u>	<u>\$ 2,189,800</u>	<u>\$ 13,778,896</u>

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

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

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Local sources	\$ 82,663	\$ -
Sale of property, adjustments and refunds	<u>-</u>	<u>34,865</u>
Total additions	<u>82,663</u>	<u>34,865</u>
Deductions:		
Instruction	-	2,339
Support services	-	21,736
Nonprogrammed charges	<u>517,039</u>	<u>-</u>
Total deductions	<u>517,039</u>	<u>24,075</u>
Excess (deficiency) of total additions over (under) total deductions	(434,376)	10,790
Cash and investments - beginning	<u>3,909,139</u>	<u>17,743</u>
Cash and investments - ending	<u>\$ 3,474,763</u>	<u>\$ 28,533</u>

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

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

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Local sources	\$ 116,346	\$ -
Sale of property, adjustments and refunds	<u>-</u>	<u>24,164</u>
Total additions	<u>116,346</u>	<u>24,164</u>
Deductions:		
Instruction	-	4,871
Support services	-	31,513
Nonprogrammed charges	<u>363,954</u>	<u>-</u>
Total deductions	<u>363,954</u>	<u>36,384</u>
Deficiency of total additions under total deductions	(247,608)	(12,220)
Cash and investments - beginning	<u>3,474,763</u>	<u>28,533</u>
Cash and investments - ending	<u>\$ 3,227,155</u>	<u>\$ 16,313</u>

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

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
 STATEMENT OF CASH AND INVESTMENTS
 FIDUCIARY FUNDS
 June 30, 2005

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 3,474,763	\$ 28,533	\$ 108,986
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	<u>\$ 3,474,763</u>	<u>\$ 28,533</u>	

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

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2006

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 3,227,155	\$ 16,313	\$ 91,188
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	\$ 3,227,155	\$ 16,313	

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

MOORESVILLE CONSOLIDATED 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: Mooresville Consolidated School Corporation

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

Joint Venture

The School Corporation is a participant with Avon Community School Corporation, Brownsburg School Corporation, Danville Community School Corporation, Eagle-Union School Corporation, Monroe-Gregg School Corporation, Metropolitan School District of Pike Township, Plainfield Community School Corporation, School Town of Speedway, and Metropolitan School District of Wayne Township in a joint venture to operate West Central Joint Services (Co-op) which was created to provide special education. The West Central Joint Services (Co-op's) continued existence depends on continued funding by the School Corporation. Complete financial statements for the West Central Joint Services (Co-op) can be obtained from the administrative office at 8650 West Washington Street, Indianapolis, IN, 46231.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Cash and Investments and the Statement of Cash Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

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

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

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

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

The rainy day fund is to account for transfers of unused and unencumbered funds in accordance with Indiana Code 36-1-8-5 and a locally adopted resolution. The fund is subject to the same appropriation process as funds that receive tax money.

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.

The School Corporation reports the following major proprietary funds:

Additionally, the School Corporation reports the following fund types:

The pension trust funds account for the activities of the Retirement/Severance Bond Fund, which accumulate resources for pension benefit payments.

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

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

C. Measurement Focus and Basis of Accounting

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

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

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

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 6 days per year. Unused sick leave may be accumulated indefinitely. Accumulated sick leave is paid to employees through cash payments upon termination.

b. Personal Leave

Nonteaching or administrative and noncertified School Corporation employees earn personal leave at rates from 9 days to 11 days per year based upon the number of years of service. Unused personal leave revert to accumulated sick leave at the end of each year.

Teachers earn 6 paid leave days each contract year. Unused personal leave revert to accumulated sick leave at the end of each year.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

4. Capital Assets

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

5. Long-Term Debt

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

6. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

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

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts and Disbursements

1. Program Receipts

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

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

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

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

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

Government-Wide Financial Statements

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

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Cash and Investments and the Statements of Cash Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Cash and Investments and the Statements of Cash Activities.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

B. Cash and Investment Balance Deficits

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

Fund	2004	2005
Mid-State Adult Ed	\$ 65,853	\$ 65,015
Workforce Dev Grant	-	3,982

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

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. At June 30, 2006, the sweep account balance held at First Indiana Bank in the amount of \$265,407 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-School Corporation's name. The remaining 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.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of June 30, 2006, the School Corporation had the following investments:

Investment Type	Primary Government Market Value
Mutual funds	\$ 328,473
Repurchase agreements	265,407
Total	<u>\$ 593,880</u>

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment Policies

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 unit 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 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 unit'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.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School Corporation must follow state statute and limit the stated final maturities of the investments to no more than two years.

Investment Type	Investment Maturities (in Years)		
	Less Than 1	1-2	More Than 2
Mutual bond funds*	\$ 328,473	\$ -	\$ -
Repurchase agreements	<u>265,407</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 593,880</u>	<u>\$ -</u>	<u>\$ -</u>

*The mutual bond funds had a weighted average maturity of less than 12 months.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below.

Mooreville Consolidated School Coproration's Investments					
Standard and Poor's Rating	Moody's Rating	Mutual Funds	Corporate Bonds	Government Sponsored Enterprise	Investment Pools
Unrated	Unrated	\$ 328,473	\$ -	\$ -	\$ -

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School Corporation does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

B. Interfund Transfers

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

Transfer From	Transfer To	2004	2005
General fund	Other governmental	\$ 42,788	\$ 59,974
Major fund	Major fund	1,037,724	1,049,435
	Other governmental	197,362	66,598
Other governmental	General fund	-	116,793
	Other governmental	3,082	3,123
All others	General fund	517,039	363,954
Totals		\$ 1,797,995	\$ 1,659,877

The School Corporation typically uses transfers for cash flow purposes according to various statutes.

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 (excluding postemployment benefits); and natural disasters.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. Risk financing is not utilized for the other risks of loss.

Medical Benefits to Employees, Retirees and Dependents

During 1990 the School Corporation joined with other governmental entities to form the Central Indiana Employees Insurance Trust, a public entity risk pool currently operating as a common risk management and insurance program for six member governmental entities. The purpose of the risk pool is to provide a medium for the funding and administration of medical benefits to employees, Retirees and Dependents. The School Corporation pays an annual premium to the risk pool for its medical benefits to employees, retirees and dependent coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$2,000,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$125,000 limit.

B. Holding Corporations

The School Corporation has entered into a capital lease with the Mooresville Multipurpose School Building Corporation and the Mooresville 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. Lease payments during the year totaled \$3,574,628.

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. 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:

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 190,547
Interest on net pension obligation	(34,312)
Adjustment to annual required contribution	39,102
Annual pension cost	195,337
Contributions made	212,761
Decrease in net pension obligation	(17,424)
Net pension obligation, beginning of year	(473,275)
Net pension obligation, end of year	\$ (490,699)
Contribution rates:	
School Corporation	6%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Three Year Trend Information

	<u>Year</u>	<u>Annual</u>	<u>Percentage</u>	<u>Net</u>
	<u>Ending</u>	<u>Pension Cost</u>	<u>of APC</u>	<u>Pension</u>
		<u>(APC)</u>	<u>Contributed</u>	<u>Obligation</u>
PERF	06-30-03	\$ 188,112	120%	\$ (422,457)
	06-30-04	169,936	130%	(473,275)
	06-30-05	195,337	125%	(490,699)

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

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2004, 2005, and 2006, were \$432,672, \$425,350, and \$487,482, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years, respectively.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 3,008,807	\$ 2,933,585	\$ 75,222	103%	\$ 3,529,343	2%
07-01-04	3,106,658	3,330,847	(224,189)	93%	3,503,321	(6%)
07-01-05	3,275,222	3,893,657	(618,435)	84%	3,555,160	(17%)

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

The School Corporation contracted with American Appraisal Association to appraise and track the capital assets. The report from American Appraisal Association did not include the purchase cost or estimated purchase cost of the land owned by the School Corporation.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OLD OUTSTANDING CHECKS

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

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

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

Indiana Code 5-11-10.5-5 states:

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

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

DEPOSITS – APPLIES NEWBY ELEMENTARY

Receipts in numerous instances were deposited.

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

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

BANK ACCOUNT RECONCILIATIONS - APPLIES TO MADISON ELEMENTARY

Depository reconciliations of the fund balances to the bank account balances were not presented for audit or were incorrect. The reconciliation for North Madison Elementary was incorrect for the years ending May 31, 2005 and May 31, 2006.

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

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

INTERNAL CONTROLS TEXTBOOK RENTAL FEES applies to Waverly Elementary

A review of the procedures for handling textbook rental fees, showed that there were generally insufficient details available to trace individual duplicate receipts to the deposit of those fees. There also was insufficient information to determine that the monies received were deposited in the same form in which they were received (i.e., cash, check, money order. . .).

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

ERRORS ON CLAIMS - APPLIES TO MOORESVILLE HIGH SCHOOL AND PAUL HADLEY MIDDLE SCHOOL

The following deficiencies were noted on claims during the audit period:

High School

Claims or invoices presented for audit did not have evidence to support receipt of goods or services.

Paul Hadley Middle School

Claims paid to athletic officials, score keepers and others were not evidenced by a signature by School Officials that service was rendered. Golf course fees were paid without invoices or receipts.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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

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

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

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

ECA EDUCATIONAL FEES - APPLIES TO MOORESVILLE HIGH SCHOOL

Some educational fees were being receipted to and retained in an Extra-Curricular Fund.

We noted that funds of an educational nature were accounted for through the High School ECA accounts. The Adult Education tuition and Driver's Ed fees are receipted into an ECA fund. Periodically, the Treasurer sends the money to the School Corporation. She also refunds the Fund.

A similar comment appeared in the prior Report B25218.

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

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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 MOORESVILLE CONSOLIDATED
SCHOOL CORPORATION, MORGAN COUNTY, INDIANA

Compliance

We have audited the compliance of the Mooresville Consolidated School Corporation (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2005 and 2006. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2005 and 2006.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the School Corporation's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

January 8, 2007

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2004 and 2005

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-04	Total Federal Awards Expended 06-30-05
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education Child Nutrition Cluster National School Lunch Program	10.555	04-05 05-06	\$ 364,897 -	\$ - 474,028
Total for program			364,897	474,028
Total for federal grantor agency			364,897	474,028
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Pass-Through Morgan County Court Services Juvenile Accountability Incentive Block Grants	16.523	99-JB-037	972	4,957
Total for federal grantor agency			972	4,957
<u>U.S. DEPARTMENT OF LABOR</u>				
Pass-Through Metropolitan School District of Wayne Township WIA Pilots, Demonstrations, and Research Projects School to Work	17.261	STW 633	1,500	2,000
Total for federal grantor agency			1,500	2,000
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education Title 1 Grants to Local Education Agencies	84.010	03-5930 04-5930 05-5930	95,049 267,710 -	- 116,134 312,423
Total for program			362,759	428,557
Pass-Through Metropolitan School District of Wayne Township Special Education - Grants to States	84.027	Fy 03-04 FY 04-05 04 Carryover	58,794 408,302 58,794	- 519,603 -
Total for program			525,890	519,603
Pass-Through Institute for Behavior and Health Safe and Drug Free Schools and Communities National Programs Enhancing and Assessing Student Drug Testing	84.184		-	7,500

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

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2004 and 2005
(Continued)

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-04	Total Federal Awards Expended 06-30-05
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through Indiana Department of Education				
Safe and Drug Free Schools and Communities - State Grants	84.186			
		02-183	1,052	-
		04-052	10,929	5,597
		03-009	3,655	2,347
		05-094	-	8,047
			<u>15,636</u>	<u>15,991</u>
Total for program				
State Grants for Innovative Programs	84.298			
Enter project in this cell				
		04-05	14,370	1,875
		03-04	5,040	104
		05-06	-	11,165
		02-03	335	-
			<u>19,745</u>	<u>13,144</u>
Total for program				
Education Technology State Grants	84.318			
		FY 04-05	7,778	757
Special Education Technology and Media Services for Individuals with Disabilities	84.327			
		FY 04-05	4,121	-
Improving Teacher Quality State Grants	84.367			
		FY99	356	-
		03-04	48,297	3,490
		03-030	8,238	265
		04-186	40,620	90,494
		05-006	-	43,390
			<u>97,511</u>	<u>137,639</u>
Total for program				
Total for federal grantor agency			<u>1,033,440</u>	<u>1,123,191</u>
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>				
Pass-Through Indiana Department of Education				
Learn and Serve America School and Community Based Programs	94.004			
		School Years 04-05	50,488	-
		School Years 05-06	-	55,150
			<u>50,488</u>	<u>55,150</u>
Total for program				
Total for federal grantor agency			<u>50,488</u>	<u>55,150</u>
Total federal awards expended			<u>\$ 1,451,297</u>	<u>\$ 1,659,326</u>

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

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

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

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2005 and 2006. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2002	2003
National School Lunch Program	10.555	\$ 54,073	\$ 39,549

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

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

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

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

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title 1 Grants to Local Education Agencies
84.027	Special Education - Grants to States

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

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

MOORESVILLE CONSOLIDATED SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on January 8, 2007, with Michael D. Turner, Treasurer; Curtis Freeman Jr., Superintendent of Schools; and Beverley Vibes, Board Member. The officials concurred with our audit findings.