

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

MITCHELL COMMUNITY SCHOOLS
LAWRENCE COUNTY, INDIANA

July 1, 2009 to June 30, 2011



FILED
03/01/2012

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on the Financial Statement and Supplementary Schedule of Expenditures of Federal Awards	3-4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance With Government Auditing Standards	5-6
Financial Statements: Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis	9
Notes to Financial Statement	10-14
Supplementary Information: Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis	16-25
Schedule of Capital Assets	26
Schedule of Long-Term Debt	27
Other Report	28
Supplemental Audit of Federal Awards: 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	30-31
Schedule of Expenditures of Federal Awards	34
Notes to Schedule of Expenditures of Federal Awards	35
Schedule of Findings and Questioned Costs	36-46
Auditee Prepared Schedules: Summary Schedule of Prior Audit Findings	47
Corrective Action Plan	48-50
Exit Conference	51

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kathy J. Kirk	07-01-09 to 01-17-11
	Sandra Beaman	01-18-11 to 02-07-11
	M. Malinda Powell	02-08-11 to 06-30-12
Superintendent of Schools	John W. Lantis	07-01-09 to 12-31-10
	Dr. Steve E. Phillips	01-01-11 to 06-30-12
President of the School Board	Christopher S. Shaw	07-01-09 to 06-30-10
	Jamie J. Kirk	07-01-10 to 06-30-11
	Christopher S. Shaw	07-01-11 to 06-30-12



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 THE FINANCIAL STATEMENT
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the accompanying financial statement of the Mitchell Community Schools (School Corporation), for the years ended June 30, 2010 and 2011. This financial statement is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinion.

As discussed in Note 1, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting noted above is a different basis than that used in the prior year.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the years ended June 30, 2010 and 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated February 7, 2012, 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 THE FINANCIAL STATEMENT
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. 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 financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the School Corporation's management, School Board, others within the entity, 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 7, 2012



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

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

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

We have audited the financial statement of the Mitchell Community Schools (School Corporation), for the years ended June 30, 2010 and 2011, and have issued our report thereon dated February 7, 2012. 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 statement, 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1 to be material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2011-2.

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, others within the entity, 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 7, 2012

FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

φ

(This page intentionally left blank.)

MITCHELL COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2010 and 2011

	Cash and Investments 07-01-09	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-10	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-11
General	\$ 3,166,078	\$ 12,296,691	\$ 11,768,375	\$ 7,739	\$ 3,702,133	\$ 12,152,492	\$ 12,415,398	\$ (67,038)	\$ 3,372,189
Debt Service	149	5,094,499	2,803,278	(594,316)	1,697,054	2,836,636	2,679,376	4,947	1,859,261
Retirement/Severance Bond Debt Service	838	116,812	123,036	5,386	-	14,037	-	(6,195)	7,842
Capital Projects	5,795	2,172,996	622,034	(9,353)	1,547,404	1,345,933	1,124,800	-	1,768,537
School Transportation	144,553	1,397,852	910,374	(8,046)	623,985	935,445	966,335	21,202	614,297
School Bus Replacement	147,179	-	-	(844)	146,335	-	6,500	-	139,835
Special Education Preschool	97,233	38,499	2,277	(133,455)	-	-	-	-	-
Rainy Day	-	-	-	500,000	500,000	-	54,957	-	445,043
Retirement/Severance Bond	59,451	-	-	-	59,451	-	-	(59,451)	-
School Lunch	166,309	591,995	587,348	-	170,956	910,528	795,240	-	286,244
Textbook Rental	104,652	167,581	223,518	-	48,715	149,247	74,857	-	123,105
Levy Excess	-	-	-	63,383	63,383	-	-	(21,202)	42,181
Educational License Plates	694	19	-	-	713	-	-	-	713
Early Intervention Grant	-	31,175	29,146	-	2,029	4,068	395	-	5,702
Reading Recovery	-	-	-	-	-	16,268	19,000	-	(2,732)
School Administration Professional Development	207	-	168	-	39	33	33	-	39
National Rural Education Grant	500	-	-	-	500	-	-	-	500
High Ability Grant	-	28,135	28,135	-	-	38,885	5,628	-	33,257
Gifted and Talented	18,611	-	18,611	-	-	-	-	-	-
School Technology	1,093	-	174,276	173,183	-	-	127,736	127,736	-
Technology Grant Equipment	1,846	-	1,846	-	-	-	-	-	-
Performance Based Awards	4,884	-	3,270	-	1,614	-	1,260	-	354
Cape Grant MJHS	1,675	-	956	-	719	-	152	-	567
Cape Grant Hatfield	8,794	-	-	-	8,794	-	-	-	8,794
Title I 2010-2011	-	-	-	-	-	184,464	259,937	73,625	(1,848)
Title I 2008-2009	56,484	24,438	76,898	(3,677)	347	-	-	(347)	-
Title I 2009-2010	-	284,455	197,146	-	87,309	13,938	27,970	(73,277)	-
Title V Part A 2005-2006	530	(530)	-	-	-	-	-	-	-
Title V Part A 2006-2007	3,235	530	3,204	-	561	-	325	-	236
Title V Part A 2009-2010	-	1,299	-	-	1,299	-	-	-	1,299
Drug Free Schools Title IV, PTA	8,708	-	4,765	-	3,943	-	1,390	-	2,553
Safe and Drug Free 2007-2008	5,475	-	5,475	-	-	-	-	-	-
Drug Free Schools Title IV 2009-2010	-	7,204	847	-	6,357	-	6,357	-	-
School to Career	67	-	-	-	67	-	-	-	67
Improving Teaching Quality, No Child Left Behind, Title II, Part A 2008-2009	-	47,202	21,764	-	25,438	-	25,438	-	-
Improving Teaching Quality, No Child Left Behind, Title II, Part A 2009-2010	-	97,262	61,959	-	35,303	-	35,481	-	(178)
Improving Teaching Quality, No Child Left Behind, Title II, Part A 2010-2011	-	-	-	-	-	-	85,139	-	(85,139)
Fiscal Stabilization - Education	607,486	400,031	1,007,517	-	-	-	-	-	-
Title I - Grants to LEAs	-	134,596	92,008	-	42,588	28,983	85,918	-	(14,347)
Special Education - Part B	-	246,081	192,548	-	53,533	50,726	147,098	-	(42,839)
Special Education - Part B - Preschool	-	16,899	16,899	-	-	220	220	-	-
Totals	\$ 4,612,526	\$ 23,195,721	\$ 18,977,678	\$ -	\$ 8,830,569	\$ 18,681,903	\$ 18,946,940	\$ -	\$ 8,565,532

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

MITCHELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT

Note 1. 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 accompanying financial statement presents the financial information for the School Corporation (primary government).

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The regulatory 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.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Local sources which include taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, school corporation activities, revenue from community services activities, and other revenue from local sources.

Intermediate sources which include distributions from the County for fees collected for or on behalf of the School Corporation including educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

State sources which include distributions from the State of Indiana to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

MITCHELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Federal sources which include distributions from the federal government to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Other receipts which include amounts received from various sources which include return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Instruction which includes outflows for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services which include outflows for food service operations and community service operations.

Facilities acquisition and construction which includes outflows for the acquisition, development, construction, and improvement of new and existing facilities.

Debt services which include fixed obligations resulting from financial transactions previously entered into by the School Corporation. It includes all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

F. Other financing sources and uses

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses include the following:

Transfers in which includes money received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

Transfers out which includes money paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

MITCHELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

G. Fund Accounting

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the School Corporation. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

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

State statutes authorize the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

MITCHELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 5. Risk Management

The School Corporation may be 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.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the School Corporation to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the School Corporation by recording as a disbursement and replacement items purchased.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

MITCHELL COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teachers' Retirement Fund

Plan Description

The Indiana Teachers' Retirement Fund (TRF) is 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 Indiana Public Retirement System (INPRS) Board, most requirements of the system, and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent 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.

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

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 286-3544

Funding Policy and Annual Pension Cost

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

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the School Corporation. It is presented as intended by the School Corporation.

MITCHELL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Special Education Preschool	Rainy Day
Cash and investments - beginning	\$ 3,166,078	\$ 149	\$ 838	\$ 5,795	\$ 144,553	\$ 147,179	\$ 97,233	\$ -
Receipts:								
Local sources	461,611	4,973,488	116,812	2,172,996	1,397,852	-	-	-
Intermediate sources	482	-	-	-	-	-	-	-
State sources	11,783,712	121,011	-	-	-	-	38,499	-
Federal sources	-	-	-	-	-	-	-	-
Other	50,886	-	-	-	-	-	-	-
Total receipts	<u>12,296,691</u>	<u>5,094,499</u>	<u>116,812</u>	<u>2,172,996</u>	<u>1,397,852</u>	<u>-</u>	<u>38,499</u>	<u>-</u>
Disbursements:								
Current:								
Instruction	7,660,353	-	-	-	-	-	2,277	-
Support services	3,635,937	-	-	562,495	910,374	-	-	-
Noninstructional services	9,422	-	-	-	-	-	-	-
Facilities acquisition and construction	1,875	-	-	59,539	-	-	-	-
Debt services	-	2,803,278	123,036	-	-	-	-	-
Nonprogrammed charges	460,788	-	-	-	-	-	-	-
Total disbursements	<u>11,768,375</u>	<u>2,803,278</u>	<u>123,036</u>	<u>622,034</u>	<u>910,374</u>	<u>-</u>	<u>2,277</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>528,316</u>	<u>2,291,221</u>	<u>(6,224)</u>	<u>1,550,962</u>	<u>487,478</u>	<u>-</u>	<u>36,222</u>	<u>-</u>
Other financing sources (uses):								
Transfers in	1,236,052	-	130,427	-	-	-	-	500,000
Transfers out	<u>(1,228,313)</u>	<u>(594,316)</u>	<u>(125,041)</u>	<u>(9,353)</u>	<u>(8,046)</u>	<u>(844)</u>	<u>(133,455)</u>	<u>-</u>
Total other financing sources (uses)	<u>7,739</u>	<u>(594,316)</u>	<u>5,386</u>	<u>(9,353)</u>	<u>(8,046)</u>	<u>(844)</u>	<u>(133,455)</u>	<u>500,000</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>536,055</u>	<u>1,696,905</u>	<u>(838)</u>	<u>1,541,609</u>	<u>479,432</u>	<u>(844)</u>	<u>(97,233)</u>	<u>500,000</u>
Cash and investments - ending	<u>\$ 3,702,133</u>	<u>\$ 1,697,054</u>	<u>\$ -</u>	<u>\$ 1,547,404</u>	<u>\$ 623,985</u>	<u>\$ 146,335</u>	<u>\$ -</u>	<u>\$ 500,000</u>

MITCHELL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010
 (Continued)

	Retirement/ Severance Bond	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	Early Intervention Grant	School Administration Professional Development	National Rural Education Grant
Cash and investments - beginning	\$ 59,451	\$ 166,309	\$ 104,652	\$ -	\$ 694	\$ -	\$ 207	\$ 500
Receipts:								
Local sources	-	244,141	114,642	-	19	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	7,231	52,339	-	-	31,175	-	-
Federal sources	-	340,273	-	-	-	-	-	-
Other	-	350	600	-	-	-	-	-
Total receipts	-	591,995	167,581	-	19	31,175	-	-
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	-	-
Support services	-	3,391	223,518	-	-	29,146	168	-
Noninstructional services	-	583,957	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	587,348	223,518	-	-	29,146	168	-
Excess (deficiency) of receipts over disbursements	-	4,647	(55,937)	-	19	2,029	(168)	-
Other financing sources (uses):								
Transfers in	-	-	-	63,383	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	63,383	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	4,647	(55,937)	63,383	19	2,029	(168)	-
Cash and investments - ending	\$ 59,451	\$ 170,956	\$ 48,715	\$ 63,383	\$ 713	\$ 2,029	\$ 39	\$ 500

MITCHELL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010
 (Continued)

	High Ability Grant	Gifted and Talented	School Technology	Technology Grant Equipment	Performance Based Awards	Cape Grant MJHS	Cape Grant Hatfield	Title I 2008-2009
Cash and investments - beginning	\$ -	\$ 18,611	\$ 1,093	\$ 1,846	\$ 4,884	\$ 1,675	\$ 8,794	\$ 56,484
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	28,135	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	24,438
Other	-	-	-	-	-	-	-	-
Total receipts	<u>28,135</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,438</u>
Disbursements:								
Current:								
Instruction	28,135	17,585	-	-	3,270	-	-	49,001
Support services	-	1,026	174,276	1,846	-	956	-	27,897
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>28,135</u>	<u>18,611</u>	<u>174,276</u>	<u>1,846</u>	<u>3,270</u>	<u>956</u>	<u>-</u>	<u>76,898</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(18,611)</u>	<u>(174,276)</u>	<u>(1,846)</u>	<u>(3,270)</u>	<u>(956)</u>	<u>-</u>	<u>(52,460)</u>
Other financing sources (uses):								
Transfers in	-	-	173,183	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(3,677)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>173,183</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,677)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>(18,611)</u>	<u>(1,093)</u>	<u>(1,846)</u>	<u>(3,270)</u>	<u>(956)</u>	<u>-</u>	<u>(56,137)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,614</u>	<u>\$ 719</u>	<u>\$ 8,794</u>	<u>\$ 347</u>

MITCHELL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010
 (Continued)

	Title I 2009-2010	Title V Part A 2005-2006	Title V Part A 2006-2007	Title V Part A 2009-2010	Drug Free Schools Title IV, PTA	Safe and Drug Free 2007-2008	Drug Free Schools Title IV 2009-2010	School to Career
Cash and investments - beginning	\$ -	\$ 530	\$ 3,235	\$ -	\$ 8,708	\$ 5,475	\$ -	\$ 67
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	284,455	(530)	530	1,299	-	-	7,204	-
Other	-	-	-	-	-	-	-	-
Total receipts	<u>284,455</u>	<u>(530)</u>	<u>530</u>	<u>1,299</u>	<u>-</u>	<u>-</u>	<u>7,204</u>	<u>-</u>
Disbursements:								
Current:								
Instruction	197,146	-	-	-	4,765	5,475	-	-
Support services	-	-	3,204	-	-	-	847	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>197,146</u>	<u>-</u>	<u>3,204</u>	<u>-</u>	<u>4,765</u>	<u>5,475</u>	<u>847</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>87,309</u>	<u>(530)</u>	<u>(2,674)</u>	<u>1,299</u>	<u>(4,765)</u>	<u>(5,475)</u>	<u>6,357</u>	<u>-</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>87,309</u>	<u>(530)</u>	<u>(2,674)</u>	<u>1,299</u>	<u>(4,765)</u>	<u>(5,475)</u>	<u>6,357</u>	<u>-</u>
Cash and investments - ending	<u>\$ 87,309</u>	<u>\$ -</u>	<u>\$ 561</u>	<u>\$ 1,299</u>	<u>\$ 3,943</u>	<u>\$ -</u>	<u>\$ 6,357</u>	<u>\$ 67</u>

MITCHELL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010
 (Continued)

	Improving Teaching Quality, No Child Left Behind, Title II, Part A 2008-2009	Improving Teaching Quality, No Child Left Behind, Title II, Part A 2009-2010	Fiscal Stabilization - Education	Title I - Grants to LEAs	Special Education - Part B	Special Education - Part B - Preschool	Totals
Cash and investments - beginning	\$ -	\$ -	\$ 607,486	\$ -	\$ -	\$ -	\$ 4,612,526
Receipts:							
Local sources	-	-	-	-	-	-	9,481,561
Intermediate sources	-	-	-	-	-	-	482
State sources	-	-	-	-	-	-	12,062,102
Federal sources	47,202	97,262	400,031	134,596	246,081	16,899	1,599,740
Other	-	-	-	-	-	-	51,836
Total receipts	<u>47,202</u>	<u>97,262</u>	<u>400,031</u>	<u>134,596</u>	<u>246,081</u>	<u>16,899</u>	<u>23,195,721</u>
Disbursements:							
Current:							
Instruction	21,764	61,959	689,243	92,008	150,624	16,899	9,000,504
Support services	-	-	311,393	-	41,924	-	5,928,398
Noninstructional services	-	-	6,389	-	-	-	599,768
Facilities acquisition and construction	-	-	-	-	-	-	61,414
Debt services	-	-	-	-	-	-	2,926,314
Nonprogrammed charges	-	-	492	-	-	-	461,280
Total disbursements	<u>21,764</u>	<u>61,959</u>	<u>1,007,517</u>	<u>92,008</u>	<u>192,548</u>	<u>16,899</u>	<u>18,977,678</u>
Excess (deficiency) of receipts over disbursements	<u>25,438</u>	<u>35,303</u>	<u>(607,486)</u>	<u>42,588</u>	<u>53,533</u>	<u>-</u>	<u>4,218,043</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	2,103,045
Transfers out	-	-	-	-	-	-	(2,103,045)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>25,438</u>	<u>35,303</u>	<u>(607,486)</u>	<u>42,588</u>	<u>53,533</u>	<u>-</u>	<u>4,218,043</u>
Cash and investments - ending	<u>\$ 25,438</u>	<u>\$ 35,303</u>	<u>\$ -</u>	<u>\$ 42,588</u>	<u>\$ 53,533</u>	<u>\$ -</u>	<u>\$ 8,830,569</u>

MITCHELL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES
 REGULATORY BASIS
 For the Year Ended June 30, 2011

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond
Cash and investments - beginning	\$ 3,702,133	\$ 1,697,054	\$ -	\$ 1,547,404	\$ 623,985	\$ 146,335	\$ 500,000	\$ 59,451
Receipts:								
Local sources	231,201	2,836,636	14,037	1,345,933	935,445	-	-	-
Intermediate sources	3,374	-	-	-	-	-	-	-
State sources	11,805,816	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other	112,101	-	-	-	-	-	-	-
Total receipts	<u>12,152,492</u>	<u>2,836,636</u>	<u>14,037</u>	<u>1,345,933</u>	<u>935,445</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:								
Current:								
Instruction	8,355,174	-	-	-	-	-	-	-
Support services	3,698,627	-	-	812,856	966,335	6,500	54,957	-
Noninstructional services	3,924	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	311,944	-	-	-	-
Debt services	-	2,679,376	-	-	-	-	-	-
Nonprogrammed charges	357,673	-	-	-	-	-	-	-
Total disbursements	<u>12,415,398</u>	<u>2,679,376</u>	<u>-</u>	<u>1,124,800</u>	<u>966,335</u>	<u>6,500</u>	<u>54,957</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(262,906)</u>	<u>157,260</u>	<u>14,037</u>	<u>221,133</u>	<u>(30,890)</u>	<u>(6,500)</u>	<u>(54,957)</u>	<u>-</u>
Other financing sources (uses):								
Transfers in	223,242	4,947	59,451	-	21,202	-	-	-
Transfers out	(290,280)	-	(65,646)	-	-	-	-	(59,451)
Total other financing sources (uses)	<u>(67,038)</u>	<u>4,947</u>	<u>(6,195)</u>	<u>-</u>	<u>21,202</u>	<u>-</u>	<u>-</u>	<u>(59,451)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(329,944)</u>	<u>162,207</u>	<u>7,842</u>	<u>221,133</u>	<u>(9,688)</u>	<u>(6,500)</u>	<u>(54,957)</u>	<u>(59,451)</u>
Cash and investments - ending	<u>\$ 3,372,189</u>	<u>\$ 1,859,261</u>	<u>\$ 7,842</u>	<u>\$ 1,768,537</u>	<u>\$ 614,297</u>	<u>\$ 139,835</u>	<u>\$ 445,043</u>	<u>\$ -</u>

MITCHELL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	Early Intervention Grant	Reading Recovery	School Administration Professional Development	National Rural Education Grant
Cash and investments - beginning	\$ 170,956	\$ 48,715	\$ 63,383	\$ 713	\$ 2,029	\$ -	\$ 39	\$ 500
Receipts:								
Local sources	220,414	109,529	-	-	-	-	33	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	229,854	39,368	-	-	4,068	16,268	-	-
Federal sources	459,910	-	-	-	-	-	-	-
Other	350	350	-	-	-	-	-	-
Total receipts	<u>910,528</u>	<u>149,247</u>	<u>-</u>	<u>-</u>	<u>4,068</u>	<u>16,268</u>	<u>33</u>	<u>-</u>
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	-	-
Support services	7,245	74,857	-	-	395	19,000	33	-
Noninstructional services	787,995	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>795,240</u>	<u>74,857</u>	<u>-</u>	<u>-</u>	<u>395</u>	<u>19,000</u>	<u>33</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>115,288</u>	<u>74,390</u>	<u>-</u>	<u>-</u>	<u>3,673</u>	<u>(2,732)</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	(21,202)	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(21,202)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>115,288</u>	<u>74,390</u>	<u>(21,202)</u>	<u>-</u>	<u>3,673</u>	<u>(2,732)</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 286,244</u>	<u>\$ 123,105</u>	<u>\$ 42,181</u>	<u>\$ 713</u>	<u>\$ 5,702</u>	<u>\$ (2,732)</u>	<u>\$ 39</u>	<u>\$ 500</u>

MITCHELL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	High Ability Grant	School Technology	Performance Based Awards	Cape Grant MJHS	Cape Grant Hatfield	Title I 2010-2011	Title I 2008-2009	Title I 2009-2010
Cash and investments - beginning	\$ -	\$ -	\$ 1,614	\$ 719	\$ 8,794	\$ -	\$ 347	\$ 87,309
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	38,885	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	184,464	-	13,938
Other	-	-	-	-	-	-	-	-
Total receipts	38,885	-	-	-	-	184,464	-	13,938
Disbursements:								
Current:								
Instruction	5,628	-	1,260	-	-	259,937	-	27,970
Support services	-	127,736	-	152	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	5,628	127,736	1,260	152	-	259,937	-	27,970
Excess (deficiency) of receipts over disbursements	33,257	(127,736)	(1,260)	(152)	-	(75,473)	-	(14,032)
Other financing sources (uses):								
Transfers in	-	127,736	-	-	-	73,625	-	-
Transfers out	-	-	-	-	-	-	(347)	(73,277)
Total other financing sources (uses)	-	127,736	-	-	-	73,625	(347)	(73,277)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	33,257	-	(1,260)	(152)	-	(1,848)	(347)	(87,309)
Cash and investments - ending	\$ 33,257	\$ -	\$ 354	\$ 567	\$ 8,794	\$ (1,848)	\$ -	\$ -

MITCHELL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	Title V Part A 2006-2007	Title V Part A 2009-2010	Drug Free Schools Title IV, PTA	Safe and Drug Free 2007-2008	Drug Free Schools Title IV 2009-2010	School to Career	Improving Teaching Quality, No Child Left Behind, Title II, Part A 2008-2009
Cash and investments - beginning	\$ 561	\$ 1,299	\$ 3,943	\$ -	\$ 6,357	\$ 67	\$ 25,438
Receipts:							
Local sources	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-	-
Disbursements:							
Current:							
Instruction	-	-	1,390	(503)	6,357	-	25,438
Support services	325	-	-	503	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	325	-	1,390	-	6,357	-	25,438
Excess (deficiency) of receipts over disbursements	(325)	-	(1,390)	-	(6,357)	-	(25,438)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(325)	-	(1,390)	-	(6,357)	-	(25,438)
Cash and investments - ending	\$ 236	\$ 1,299	\$ 2,553	\$ -	\$ -	\$ 67	\$ -

MITCHELL COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	Improving Teaching Quality, No Child Left Behind, Title II, Part A 2009-2010	Improving Teaching Quality, No Child Left Behind, Title II, Part A 20010-11	Title I - Grants to LEAs	Special Education - Part B	Special Education - Part B - Preschool	Totals
Cash and investments - beginning	\$ 35,303	\$ -	\$ 42,588	\$ 53,533	\$ -	\$ 8,830,569
Receipts:						
Local sources	-	-	-	-	-	5,693,228
Intermediate sources	-	-	-	-	-	3,374
State sources	-	-	-	-	-	12,134,259
Federal sources	-	-	28,983	50,726	220	738,241
Other	-	-	-	-	-	112,801
Total receipts	-	-	28,983	50,726	220	18,681,903
Disbursements:						
Current:						
Instruction	35,481	85,139	85,918	147,098	185	9,036,472
Support services	-	-	-	-	35	5,769,556
Noninstructional services	-	-	-	-	-	791,919
Facilities acquisition and construction	-	-	-	-	-	311,944
Debt services	-	-	-	-	-	2,679,376
Nonprogrammed charges	-	-	-	-	-	357,673
Total disbursements	35,481	85,139	85,918	147,098	220	18,946,940
Excess (deficiency) of receipts over disbursements	(35,481)	(85,139)	(56,935)	(96,372)	-	(265,037)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	510,203
Transfers out	-	-	-	-	-	(510,203)
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(35,481)	(85,139)	(56,935)	(96,372)	-	(265,037)
Cash and investments - ending	\$ (178)	\$ (85,139)	\$ (14,347)	\$ (42,839)	\$ -	\$ 8,565,532

MITCHELL COMMUNITY SCHOOLS
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2011

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

	<u>Ending Balance</u>
Capital assets, not being depreciated:	
Buildings	\$ 30,218,657
Improvements other than buildings	2,116,011
Machinery and equipment	<u>261,114</u>
Total capital assets not being depreciated	<u><u>\$ 32,595,782</u></u>

MITCHELL COMMUNITY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2011

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year	Fund
Capital leases:			
Elementary School	\$ 5,070,000	\$ 781,000	Debt Service
Multi Building Lease	795,000	342,000	Debt Service
School Building	19,110,000	1,464,000	Debt Service
Notes and loans payable	<u>112,500</u>	<u>37,500</u>	Debt Service
Total debt	<u>\$ 25,087,500</u>	<u>\$ 2,624,500</u>	

MITCHELL COMMUNITY SCHOOLS
OTHER REPORT

The audit report presented herein was prepared in addition to the official report prepared for the individual School Corporation office listed below:

Former School Corporation Treasurer Special Investigation

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 MITCHELL COMMUNITY SCHOOLS, LAWRENCE COUNTY, INDIANA

Compliance

We have audited the compliance of the Mitchell Community Schools (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2010 and 2011. 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, 2010 and 2011. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2011-3 and 2011-4.

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there is no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2011-5 to be a material weakness.

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

This report is intended solely for the information and use of the School Corporation's management, School Board, others within the entity, 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 7, 2012

(This page intentionally left blank.)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

MITCHELL COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2010 and 2011

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 06-30-10	Total Federal Awards Expended 06-30-11
U.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Indiana Department of Education Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 99,000	\$ 99,887
National School Lunch Program	10.555		<u>330,903</u>	<u>333,560</u>
Total for federal grantor agency			<u>429,903</u>	<u>433,447</u>
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010			
SY 2008-2009		09-5085	80,574	-
SY 2009-2010		10-5085	197,147	27,971
SY 2010-2011		11-5085	<u>-</u>	<u>258,051</u>
Total for program			<u>277,721</u>	<u>286,022</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389			
SY 2009-2010		10-5085	92,008	18,281
SY 2010-2011		10-5085	<u>-</u>	<u>67,637</u>
Total for program			<u>92,008</u>	<u>85,918</u>
Total for cluster			<u>369,729</u>	<u>371,940</u>
Pass-Through North Lawrence Community Schools Special Education Cluster (IDEA)				
ARRA - Special Education - Grants to States, Recovery Act	84.391			
		33310-049-SN01	<u>192,548</u>	<u>147,097</u>
ARRA - Special Education - Preschool Grants, Recovery Act	84.392			
		44410-049-SN01	<u>16,898</u>	<u>220</u>
Total for cluster			<u>209,446</u>	<u>147,317</u>
Pass-Through Indiana Department of Education State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394		<u>1,007,515</u>	<u>-</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186			
FY2006-2007		06-5085	4,764	1,390
FY2007-2008		07-5085	5,475	-
FY2009-2010		09-5085	<u>847</u>	<u>6,357</u>
Total for program			<u>11,086</u>	<u>7,747</u>
State Grants for Innovative Programs	84.298			
FY2006		06-5085	<u>3,204</u>	<u>325</u>
Improving Teacher Quality State Grants	84.367			
SY 2008-2009		08-5085	21,764	25,438
SY 2009-2010		09-5085	61,959	35,481
SY 2010-2011		10-5085	<u>-</u>	<u>85,139</u>
Total for program			<u>83,723</u>	<u>146,058</u>
Total for federal grantor agency			<u>1,684,703</u>	<u>673,387</u>
Total federal awards expended			<u>\$ 2,114,606</u>	<u>\$ 1,106,834</u>

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

MITCHELL COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Mitchell Community Schools (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. 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 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.

Note 2. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2010 and 2011. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2010	2011
Child Nutrition Cluster:			
Food Commodities			
School Breakfast Program	10.553	\$ 10,692	\$ 12,453
National School Lunch Program	10.555	35,900	41,539

MITCHELL COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	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?	yes

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster
Title I, Part A Cluster
Special Education Cluster (IDEA)
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

Section II – Financial Statement Findings

FINDING 2011-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING - MATERIAL WEAKNESSES

We noted the following material weaknesses in the internal controls over financial transactions and reporting:

Credit Card Disbursements

Credit card disbursements were made without the proper controls. The School Corporation had two VISA credit cards. One card for Mitchell Community Schools was named John W. Lantis, former Superintendent of Schools. The other card for Mitchell Community Schools was named Business Card.

MITCHELL COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

A. Six purchases were made with the John W. Lantis, former Superintendent of Schools, credit card without proper supporting documentation. Five of these purchases were meals at restaurants and a bakery and were only supported by credit card slips with no detailed restaurant receipts attached. The other payment was for \$81.26 and no documentation was attached.

B. No log was kept for the card named Business Card. During the period December 29, 2009 to December 29, 2010, this card had \$6,806.91 of purchases and fees charged to the account. These purchases had no supporting documentation.

Disbursement Errors

The following disbursement errors were made:

- A. Duplicate payments were made for the same purchase.
- B. Payments were made from copies of invoices.
- C. Some accounts payable vouchers did not agree with the invoices attached.
- D. Over twenty-five checks were disbursed that had no supporting documentation. Three of those checks were not approved by the School Board.
- E. Disbursements were made to numerous vendors from Mitchell Community School funds that could not be determined to be valid expenses of the School Corporation.
- F. No School Board approval was found for check numbers 13267 thru 13430.
- G. Check number 12010 was unaccounted for. No record of the check being issued could be found and a void check was not presented for audit.
- H. On two occasions disbursements were made from the bank account without a check being issued. These disbursements were not approved by the Superintendent or the School Board. They were not supported by any detailed documentation and did not appear to be for School Corporation expenses.

Bank Account Reconciliations

Depository reconciliations of the fund balances to the bank account balances were not correct. On two occasions checks on the outstanding check list were voided and replacement checks were issued to a vendor that was not the vendor on the original checks. Stop payments were not issued on the voided checks. In one instance the voided check cleared the bank after the replacement check had been written. In order to reconcile, another check on the outstanding check list was altered to show a lesser amount than the amount the check was originally issued for.

Receipt Issuance

Receipts were not written at the time of the transaction. Fifty-one receipts were identified that were backdated.

MITCHELL COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Deposits

Eight deposits were identified where the deposits were not made intact and the receipts were written for amounts which could not be verified to bank deposits. Integra Bank provided detailed information for the deposits on twenty days. The dates on the checks making up the deposits indicate that deposits were made later than the next business day.

Posting Errors

The Payroll Withholding Fund contained numerous errors. Insurance payments are made from the General Fund during the year. The employee's share of insurance is deducted from their paychecks once each year. This amount should be transferred to the General Fund. However, the transfers for 2010 and 2011 were not made.

Payroll Deductions and Disbursements

The Treasurer's federal withholdings did not agree with the amount required based on the W-4 on file.

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 Indiana Public School Corporations, Chapter 9)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

We recommended that the School Corporation establish proper controls to address the deficiencies noted with the receipting process, bank reconciliation process, disbursement process and payroll records.

FINDING 2011-2 - CONDITION OF RECORDS

Credit Card Disbursements

Credit card disbursements were made without the proper controls. The School Corporation had two VISA credit cards. One card for Mitchell Community Schools was in the name of John W. Lantis, former Superintendent of Schools. The other card was for Mitchell Community Schools was named Business Card.

A. Six purchases were made with the former Superintendent's credit card without proper supporting documentation. Five of these purchases were meals at restaurants and a bakery and were only supported by credit card slips with no detailed restaurant receipts attached. The other payment was for \$81.26 and no documentation was attached.

B. No log was kept for the card named Business Card. During the period December 29, 2009 to December 29, 2010, this card had \$6,806.91 of purchases and fees charged to the account. These purchases had no supporting documentation.

MITCHELL COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Disbursement Errors

The following disbursement errors were made:

- A. Duplicate payments were made for the same purchase.
- B. Payments were made from copies of invoices.
- C. Some accounts payable vouchers did not agree with the invoices attached.
- D. Over twenty-five checks were disbursed that had no supporting documentation. Three of those checks were not approved by the School Board.
- E. Disbursements were made to numerous vendors from Mitchell Community School funds that could not be determined to be valid expenses of the School Corporation.
- F. No School Board approval was found for check numbers 13267 thru 13430.

MITCHELL COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

G. Check number 12010 was unaccounted for. No record of the check being issued could be found and a void check was not presented for audit.

H. On two occasions disbursements were made from the bank account without a check being issued. These disbursements were not approved by the Superintendent or the School Board. They were not supported by any detailed documentation and did not appear to be for a School Corporation expenses.

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. . . ."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Bank Account Reconciliations

Depository reconciliations of the fund balances to the bank account balances were not correct. On two occasions checks on the outstanding check list were voided and replacement checks were issued to a vendor that was not the vendor on the original checks. Stop payments were not issued on the voided checks. In one instance the voided check cleared the bank after the replacement check had been written. In order to reconcile, another check on the outstanding check list was altered to show a lesser amount than the amount the check was originally issued for.

Indiana Code 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."

MITCHELL COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Receipt Issuance

Receipts were not written at the time of the transaction. Fifty-one receipts were identified that were backdated.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Deposits

Eight deposits were identified where the deposits were not made intact and the receipts were written for amounts which could not be verified to bank deposits. Integra Bank provided detailed information for the deposits on twenty days. The dates on the checks making up the deposits indicate that deposits were made later than the next business day. The deposit on September 13, 2010, included checks dated June 17, August 5, and August 31.

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . . Public funds deposited . . . shall be deposited in the same form in which they were received."

Transaction Recording

The Indiana Department of Revenue charged Mitchell Community Schools \$3,739.49 in penalties and interest for late payment of the June 30, 2009 payroll withholdings. The payment was made by automatic withdrawal from the bank on September 11, 2009. The disbursement was not posted to the School Corporation's ledger. In addition, the School Corporation received a refund from Pearson Education for \$32,198.82. \$3,739.49 of this refund was not posted to the School Corporation's ledger as a receipt.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Posting Errors

The following posting errors were noted:

- A. Check number 12132 was entered into the accounting system as 13132. Check number 13395 was entered as 13396.
- B. Check 11948 was written for \$7,987.70, but was posted for \$6,886.94.
- C. Employee insurance payments are made from the General Fund during the year. The employee's share of insurance is deducted from their paychecks once each year and is posted to the Payroll Withholding Fund. This amount should be transferred to the General Fund. However, it was left in the Payroll Withholding Fund. The amount that should be transferred is \$19,497.38.

MITCHELL COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Payroll Deductions and Disbursements

The Treasurer's federal withholdings did not agree with the amount required based on the W-4 on file.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolutions 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)

We recommended the School Corporation:

1. Promptly record all financial transactions in the Schools accounting system.
2. Post transactions accurately and properly complete monthly cash reconcilements by verifying the correct postings of source documents (receipts and checks) to the financial records.
3. Investigate in a timely manner any discrepancies between the reconciled amounts and the transactions and balances.
4. Monitor all changes made to the payroll records.
5. Write receipts for all collections and at the time of the transaction.
6. Deposit collections intact and by the next banking business day.
7. Limit the number of credit cards to the smallest number needed and establish controls for credit cards.
8. Prepare all disbursements each month for board approval including the proper supporting documentation.
9. Establish a system to account for all check numbers.

MITCHELL COMMUNITY SCHOOLS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 (Continued)

Section III – Federal Award Findings and Questioned Costs

FINDING 2011-3 - REPORTING

Federal Agency: Department of Education
 Federal Program: Title I Grants to Local Educational Agencies
 CFDA Number: 84.010
 Federal Award Number and Year: 09-5085, SY 2008-09; 10-5085, SY 2009-10; 11-5085, SY 2010-11
 Pass-Through Entity: Indiana Department of Education

Quarterly Monitoring Reports for the Title I Grants to Local Educational Agencies were required to be submitted by the tenth of each month. The reports were filed on the following dates:

<u>Report Name</u>	<u>Due Date</u>	<u>Date Submitted</u>	<u>Days Late</u>
2010-11 Quarterly report	04-10-11	04-11-11	1
2010-11 Quarterly report	01-10-11	03-17-11	66
2010-11 Quarterly report	10-10-10	03-17-11	158
2009-10 Quarterly report	07-10-10	07-18-10	8
2009-10 Quarterly report	04-10-10	04-21-10	11
2009-10 Quarterly report	01-10-10	01-26-10	16
2009-10 Quarterly report	10-10-09	10-09-09	-
2008-09 Quarterly report	07-10-09	07-16-09	16

Reimbursement requests for Title I programs are due by the first and fifteenth of each month. The first expenditures for the SY 2010-2011 program were made on August 20, 2010. The first reimbursement request for this program was not submitted until April 19, 2011.

34 CFR 80.20(b) (1) states: "Financial Reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant."

Internal controls were not adequate to prevent the required monitoring reports from being submitted late. The controls also did not allow the School Corporation to be reimbursed for federal expenditures on a timely basis.

We recommended that officials take steps to enforce established internal controls, and communicate and implement consequences for not following established controls.

FINDING 2011-4 - ACTIVITIES ALLOWED AND ALLOWABLE COST

Federal Agency: Department of Education
 Federal Program: ARRA - State Fiscal Stabilization Fund (SFSF) – Education
 State Grants, Recovery Act
 CFDA Number: 84.394
 Pass-Through Entity: Indiana Department of Education

MITCHELL COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Check number 12370 was made out to Ball State University on June 15, 2010. The check was for \$548. The supporting documentation attached indicated the vendor should have been Bloomington Hospital. Mitchell Community Schools could not provide any evidence that the payment to Ball State University was a valid expense of the School Corporation.

34 CFR 80.20(b) states in part:

". . . (5) Allowable cost. Applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs.

(6) Source documentation. Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contracts and subgrant award documents, etc. . . ."

Internal controls were bypassed in this case, which had the effect of charging an expense to the School Corporation's ARRA - Fiscal Stabilization Fund - Education State Grants, Recovery Act that was not a valid expense.

We recommended that officials take steps to enforce established internal controls, and communicate and implement consequences for not following established controls.

***FINDING 2011-5 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS
AND REPORTING - MATERIAL WEAKNESSES***

Federal Agency: Department of Education

Federal Program: Title I, Grants to Local Educational Agencies; ARRA - Title I, Grants to Local Educational Agencies, Recovery Act; ARRA - Special Education - Grants to States, Recovery Act; ARRA - Special Education - Preschool Grants, Recovery Act; ARRA - State Fiscal Stabilization Fund (SFSF); Education State Grants, Recovery Act

CFDA Number: 84.010; 84.394; 84.391; 84.392; 84.394

Federal Award Number and Year: 09-5085, SY 2008-09; 10-5085, SY 2009-10; 11-5085, SY 2010-11SY 2006-07; SY 2008-09, SY 2009-10, SY 2010-11

Pass-Through Entities: Indiana Department of Education; North Lawrence Community Schools

We noted the following material weaknesses in the internal controls over financial transactions and reporting:

Credit Card Disbursements

Credit card disbursements were made without the proper controls. The School Corporation had two VISA credit cards. One card for Mitchell Community Schools was named John W. Lantis, former Superintendent of Schools. The other card for Mitchell Community Schools was named Business Card.

A. Six purchases were made with the former Superintendent's credit card without proper supporting documentation. Five of these purchases were meals at restaurants and a bakery and were only supported by credit card slips with no detailed restaurant receipts attached. The other payment was for \$81.26 and no documentation was attached.

B. No log was kept for the card named Business Card. During the period December 29, 2009 to December 29, 2010, this card had \$6,806.91 of purchases and fees charged to the account. These purchases had no supporting documentation.

MITCHELL COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Disbursement Errors

The following disbursement errors were made:

- A. Duplicate payments were made for the same purchase.
- B. Payments were made from copies of invoices.
- C. Some accounts payable vouchers did not agree with the invoices attached.
- D. Over twenty-five checks were disbursed that had no supporting documentation. Three of those checks were not approved by the School Board.
- E. Disbursements were made to numerous vendors from Mitchell Community School funds that could not be determined to be valid expenses of the School Corporation.
- F. No School Board approval was found for check numbers 13267 thru 13430.
- G. Check number 12010 was unaccounted for. No record of the check being issued could be found and a void check was not presented for audit.
- H. On two occasions disbursements were made from the bank account without a check being issued. These disbursements were not approved by the Superintendent or the School Board. They were not supported by any detailed documentation and did not appear to be for a School Corporation expenses.

Bank Account Reconciliations

Depository reconciliations of the fund balances to the bank account balances were not correct. On two occasions checks on the outstanding check list were voided and replacement checks were issued to a vendor that was not the vendor on the original checks. Stop payments were not issued on the voided checks. In one instance the voided check cleared the bank after the replacement check had been written. In order to reconcile, another check on the outstanding check list was altered to show a lesser amount than the amount the check was originally issued for.

Receipt Issuance

Receipts were not written at the time of the transaction. Fifty-one receipts were identified that were backdated.

Deposits

Eight deposits were identified where the deposits were not made intact and the receipts were written for amounts which could not be verified to bank deposits. Integra Bank provided detailed information for the deposits on twenty days. The dates on the checks making up the deposits indicate that deposits were made later than the next business day.

Posting Errors

The Payroll Withholding Fund contained numerous errors. Insurance payments are made from the General Fund during the year. The employee's share of insurance is deducted from their paychecks once each year. This amount should be transferred to the General Fund. However, the transfers for 2010 and 2011 were not made.

MITCHELL COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Payroll Deductions and Disbursements

The Treasurer's federal withholdings did not agree with the amount required based on the W-4 on file.

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.

34 CFR 80.20(b) states in part:

". . . (3) Internal control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes. . . ."

We recommended that the School establish proper controls to address the deficiencies noted with the receipting process, bank reconciliation process, disbursement process and payroll records.

MITCHELL COMMUNITY SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

Dr. Steve E. Phillips
SUPERINTENDENT

Phillip Storm
ASSISTANT SUPERINTENDENT

Malinda Powell
TREASURER

Debbie Arthur
SECY. TO BOARD/
DEPUTY TREASURER

Debbie Ellis
BENEFITS/SECRETARY

Mitchell Community Schools

441 North 8th Street • Mitchell, Indiana 47446
Phone 812-849-4481 • Fax 812-849-2133
MITCHELL COMMUNITY SCHOOL

BOARD OF TRUSTEES

Debra S. Beeler

Jamie J. Kirk

Marnie J. LaFevor

Christopher S. Shaw

Michele L. Super

CORRECTIVE ACTION PLAN – FEBRUARY, 2012

FINDINGS

Finding 2011-1, Internal Controls Over Financial Transactions and Reporting – Material Weaknesses

Finding 2011-2, Condition of Records

Federal Finding 2011-4, Activities Allowed and Allowable Cost

Federal Agency: Department of Education

Federal Program: ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act

CFDA Number: 84.394

Pass-Through Entity: Indiana Department of Education

Federal Finding 2011-5, Internal Controls Over Financial Transactions and Reporting – Material

Weaknesses

Federal Agency: Department of Education

Federal Program: Title I, Grants to Local Educational Agencies; ARRA – Title I, Grants to Local

Educational Agencies, Recovery Act; ARRA – Special Education Grants to States, Recovery Act; ARRA –

Special Education – Pre-school Grants, Recovery Act; ARRA – State Fiscal Stabilization Fund (SFSF); e

Education State Grants, Recovery Act

CFDA Number: 84.010; 84.394; 84.391; 84.392; 84.394

CORRECTIVE ACTION PLAN

1. The Treasurer of Mitchell Community Schools responsible for the exceptions listed has been replaced.
2. There will only be one VISA card used by Mitchell Community Schools. There will not be a second “Business Card.” The sole card will be kept in the MCS Safe. The procedure (log) for utilizing the card will include signing the card in and out. This includes employee’s name, position, date issued, date returned, and estimated charges. Detailed receipts and documentation will accompany transactions. This process will be strictly enforced by the superintendent.
3. Disbursement Errors (A) through (H) will be corrected. Duplicate payments for the same purchase will not be made. Payments will not be made from copies of invoices (to the best of our ability). Accounts payable vouchers and invoices will agree. Checks will have supportive documentation. Disbursements to vendors will be for valid corporation expenses. General, effective fiscal practices will be observed.
4. The MCS Treasurer will reconcile monthly the balance of the public funds with the balance provided by respective depositories as per I.C. 5-13-6 (e)

5. Mitchell Community Schools will correct the errors outlined in the Payroll Deduction exceptions. Employee insurance will be deducted from the General Fund as per statute
6. The MCS Treasurer's compensation will reflect the amount that he/she is scheduled to receive as approved by the governing body. The Treasurer's withholdings will agree with the amount required based on the W-4 on file.
7. Receipts will be written in a timely manner. Receipts will not be backdated and issued/recorded at the time of the transaction.
8. Deposits will be made the next business day as outlined in I.C. 5-13-6-1 (c).
9. Late charges and interest by the Indiana Department of Revenue will not be realized since payments will be made on time.

Many of the Corrective Action Plan Goals have been addressed immediately. All goals will be implemented by March 31, 2012 with the exception of goals that are ongoing.

Signed: 
Dr. Steve E. Phillips, Superintendent

Date: 2-13-12

Dr. Steve E. Phillips

SUPERINTENDENT

Phillip Storm
ASSISTANT SUPERINTENDENT

Malinda Powell
TREASURER

Debbie Arthur
SECY. TO BOARD/
DEPUTY TREASURER

Debbie Ellis
BENEFITS/SECRETARY

Mitchell Community Schools

441 North 8th Street • Mitchell, Indiana 47446
Phone 812-849-4481 • Fax 812-849-2133

BOARD OF TRUSTEES

Debra S. Beeler

Jamie J. Kirk

Mamie J. LaFavor

Christopher S. Shaw

Michele L. Super

MITCHELL COMMUNITY SCHOOL CORPORATION

FEDERAL GRANT CORRECTIVE ACTION PLAN – FEBRUARY, 2012

Below are the actions Mitchell Community Schools have taken, and will take to correct the exceptions on the Indiana State Board of Account Audit.

Federal Finding 2011-3, Reporting

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Education Agencies

CFDA Number: 84.010

Federal Award Number and Year: 09-5085, SY 2008-09; 10-5085, SY 2009-10; 11-5085, SY 2010-11

Pass-Through Entity: Indiana Department of Education

1. The Treasurer of Mitchell Community Schools responsible for the exceptions has been replaced.
2. Claims (vouchers), dockets, and invoices will be more stringently reviewed. (ongoing)
3. A third party (Corporation Office Secretary) will review the claims and invoices.
4. Additional training for both the superintendent and treasurer has and will be implemented. (ongoing)
5. Random contacts with vendors will be conducted. (ongoing)
6. Improved safeguards will be added to Board Dockets. This includes: signatures on all forms, dates, total summaries, etc.
7. The Board of Trustees will be informed of irregularities to look for when reviewing claims.
8. Mr. Phil Storm, Assistant Superintendent, will oversee all federal grant programs with special attention given to the Food Service Program. (ongoing)
9. Title I Reimbursement requests will be made in a timely manner.

Many of the Corrective Action Plan Goals have been addressed immediately. All goals will be implemented by March 31, 2012 with the exceptions of goals that are ongoing.

Signed: _____

Dr. Steve E. Phillips, Superintendent

Date: _____

2-13-12

MITCHELL COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on February 7, 2012, with Christopher S. Shaw, President of the School Board; Dr. Steve E. Phillips, Superintendent of Schools; Phillip Storm, Assistant Superintendent of Schools; and M. Malinda Powell, Treasurer.