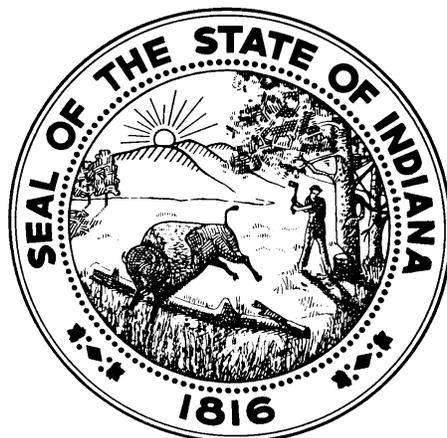


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF
MIDDLEBURY COMMUNITY SCHOOLS
ELKHART COUNTY, INDIANA
July 1, 2006 to June 30, 2008



FILED
06/05/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Shirley A. Meyer	07-01-06 to 06-30-09
Superintendent of Schools	James K. Connor	07-01-06 to 06-30-13
President of the School Board	Delores K. Merrick Timothy L. Weadick	07-01-06 to 06-30-07 07-01-07 to 06-30-09



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

TO: THE OFFICIALS OF THE MIDDLEBURY COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Middlebury Community Schools (School Corporation), as of and for the years ended June 30, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2007 and 2008, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated April 22, 2009, 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 audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the

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

U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

April 22, 2009



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

TO: THE OFFICIALS OF THE MIDDLEBURY COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Middlebury Community Schools (School Corporation), as of and for the years ended June 30, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated April 22, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

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

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

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

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

Compliance and Other Matters

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

The School Corporation's response to the findings identified in our audit is described in the accompanying section of the report entitled Official Response. 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 of trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

April 22, 2009

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

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 16,462,192	\$ -	\$ 121,651	\$ (16,340,541)
Support services	11,392,751	1,150,130	436,775	(9,805,846)
Community services	293,728	-	-	(293,728)
Nonprogrammed charges	3,624,658	2,980,733	-	(643,925)
Debt service	6,205,083	-	-	(6,205,083)
<u>Total government</u>	<u>\$ 37,978,412</u>	<u>\$ 4,130,863</u>	<u>\$ 558,426</u>	<u>(33,289,123)</u>
General receipts:				
Property taxes				9,509,525
Other local sources				3,796,283
State aid				13,632,083
Bonds and loans				4,359,787
Grants and contributions not restricted to specific programs				1,383,694
Sale of property, adjustments, and refunds				9,143
Investment earnings				447,043
<u>Total general receipts</u>				<u>33,137,558</u>
Change in net assets				(151,565)
Net assets - beginning				7,398,497
Net assets - ending				<u>\$ 7,246,932</u>
 <u>Assets</u>				
Cash and investments				\$ 4,904,781
Restricted assets:				
Cash and investments				662,439
Cash with fiscal agent				1,679,712
<u>Total assets</u>				<u>\$ 7,246,932</u>
 <u>Net Assets</u>				
Restricted for:				
Debt service				\$ 662,439
Other purposes				1,679,712
Unrestricted				4,904,781
<u>Total net assets</u>				<u>\$ 7,246,932</u>

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

MIDDLEBURY COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		Charges for Services	Operating Grants and Contributions	<u>Totals</u>
Governmental activities:				
Instruction	\$ 16,319,088	\$ -	\$ 309,686	\$ (16,009,402)
Support services	12,191,825	1,220,162	512,365	(10,459,298)
Community services	512,558	-	-	(512,558)
Nonprogrammed charges	4,260,526	2,823,472	-	(1,437,054)
Debt service	10,907,859	-	-	(10,907,859)
Total government	<u>\$ 44,191,856</u>	<u>\$ 4,043,634</u>	<u>\$ 822,051</u>	<u>(39,326,171)</u>
General receipts:				
Property taxes				16,863,857
Other local sources				1,511,499
State aid				13,700,738
Bonds and loans				7,000,772
Grants and contributions not restricted to specific programs				1,216,667
Investment earnings				<u>361,203</u>
Total general receipts				<u>40,654,736</u>
Change in net assets				1,328,565
Net assets - beginning				<u>7,246,932</u>
Net assets - ending				<u>\$ 8,575,497</u>
<u>Assets</u>				
Cash and investments				\$ 6,328,575
Restricted assets:				
Cash and investments				190,126
Cash with fiscal agent				<u>2,056,796</u>
Total assets				<u>\$ 8,575,497</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 190,126
Other purposes				2,056,796
Unrestricted				<u>6,328,575</u>
Total net assets				<u>\$ 8,575,497</u>

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

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

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 5,660,432	\$ 1,098,349	\$ 500,000	\$ 3,013,455	\$ 2,969,152	\$ 258,893	\$ 1,336,001	\$ 14,836,282
Intermediate sources	290	-	-	-	-	-	1,593	1,883
State sources	13,684,330	-	-	-	-	-	297,930	13,982,260
Federal sources	672,658	6,500	-	-	-	-	912,787	1,591,945
Bonds and loans	3,848,486	511,301	-	-	-	-	-	4,359,787
Sale of property, adjustments and refunds	9,142	-	-	-	-	-	-	9,142
Interfund loans	-	-	-	237,271	-	-	-	237,271
Total receipts	23,875,338	1,616,150	500,000	3,250,726	2,969,152	258,893	2,548,311	35,018,570
Disbursements:								
Current:								
Instruction	15,790,920	-	-	-	-	-	671,272	16,462,192
Support services	4,884,071	1,702,120	-	-	2,813,309	390,652	1,602,599	11,392,751
Community services	292,698	-	-	-	-	-	1,030	293,728
Nonprogrammed charges	1,094,795	-	-	-	-	-	78,583	1,173,378
Debt services	1,121,544	193,662	-	4,591,288	191,245	107,344	-	6,205,083
Interfund loans	-	-	-	-	237,271	-	-	237,271
Total disbursements	23,184,028	1,895,782	-	4,591,288	3,241,825	497,996	2,353,484	35,764,403
Excess (deficiency) of receipts over disbursements	691,310	(279,632)	500,000	(1,340,562)	(272,673)	(239,103)	194,827	(745,833)
Other financing sources (uses):								
Transfers in	111,907	25,909	250,000	-	-	-	27,393	415,209
Transfers out	(200,000)	(50,000)	-	(25,909)	-	-	(139,300)	(415,209)
Total other financing sources (uses)	(88,093)	(24,091)	250,000	(25,909)	-	-	(111,907)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	603,217	(303,723)	750,000	(1,366,471)	(272,673)	(239,103)	82,920	(745,833)
Cash and investments - beginning	647,774	714,845	-	2,028,910	1,550,986	319,049	1,051,489	6,313,053
Cash and investments - ending	\$ 1,250,991	\$ 411,122	\$ 750,000	\$ 662,439	\$ 1,278,313	\$ 79,946	\$ 1,134,409	5,567,220
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:								
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.								
								1,679,712
Net assets of governmental activities								\$ 7,246,932
Cash and Investment Assets - Ending								
Cash and investments	\$ 1,250,991	\$ 411,122	\$ 750,000	\$ -	\$ 1,278,313	\$ 79,946	\$ 1,134,409	\$ 4,904,781
Restricted assets:								
Cash and investments	-	-	-	662,439	-	-	-	662,439
Total cash and investment assets - ending	\$ 1,250,991	\$ 411,122	\$ 750,000	\$ 662,439	\$ 1,278,313	\$ 79,946	\$ 1,134,409	\$ 5,567,220
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ 662,439	\$ -	\$ -	\$ -	\$ 662,439
Unrestricted	1,250,991	411,122	750,000	-	1,278,313	79,946	1,134,409	4,904,781
Total cash and investment fund balance - ending	\$ 1,250,991	\$ 411,122	\$ 750,000	\$ 662,439	\$ 1,278,313	\$ 79,946	\$ 1,134,409	\$ 5,567,220

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

MIDDLEBURY COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 8,466,001	\$ 1,660,234	\$ 8,500	\$ 4,431,764	\$ 3,776,955	\$ 366,225	\$ 1,184,761	\$ 19,894,440
Intermediate sources	145	-	-	-	-	-	825	970
State sources	13,772,664	-	-	-	-	-	364,459	14,137,123
Federal sources	673,599	45,531	-	-	-	-	883,202	1,602,332
Bonds and loans	4,737,420	914,512	-	1,348,840	-	-	-	7,000,772
Interfund loans	-	-	-	236,533	237,271	-	-	473,804
Total receipts	27,649,829	2,620,277	8,500	6,017,137	4,014,226	366,225	2,433,247	43,109,441
Disbursements:								
Current:								
Instruction	15,628,908	-	-	-	-	-	690,180	16,319,088
Support services	5,482,671	1,867,238	-	-	2,818,579	398,513	1,624,824	12,191,825
Community services	509,638	-	-	-	-	-	2,920	512,558
Nonprogrammed charges	1,673,404	-	-	-	-	-	79,422	1,752,826
Debt services	3,645,781	511,301	-	6,300,799	449,978	-	-	10,907,859
Interfund loans	-	-	-	237,271	236,533	-	-	473,804
Total disbursements	26,940,402	2,378,539	-	6,538,070	3,505,090	398,513	2,397,346	42,157,960
Excess (deficiency) of receipts over disbursements	709,427	241,738	8,500	(520,933)	509,136	(32,288)	35,901	951,481
Other financing sources (uses):								
Transfers in	74,165	17,016	-	48,621	37,478	4,168	17,014	198,462
Transfers out	-	-	-	-	-	-	(198,462)	(198,462)
Total other financing sources (uses)	74,165	17,016	-	48,621	37,478	4,168	(181,448)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	783,592	258,754	8,500	(472,312)	546,614	(28,120)	(145,547)	951,481
Cash and investments - beginning	1,250,991	411,122	750,000	662,438	1,278,313	79,947	1,134,409	5,567,220
Cash and investments - ending	\$ 2,034,583	\$ 669,876	\$ 758,500	\$ 190,126	\$ 1,824,927	\$ 51,827	\$ 988,862	6,518,701
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:								
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.								
								2,056,796
Net assets of governmental activities								\$ 8,575,497
Cash and Investment Assets - Ending								
Cash and investments	\$ 2,034,583	\$ 669,876	\$ 758,500	\$ -	\$ 1,824,927	\$ 51,827	\$ 988,862	\$ 6,328,575
Restricted assets:								
Cash and investments	-	-	-	190,126	-	-	-	190,126
Total cash and investment assets - ending	\$ 2,034,583	\$ 669,876	\$ 758,500	\$ 190,126	\$ 1,824,927	\$ 51,827	\$ 988,862	\$ 6,518,701
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ 190,126	\$ -	\$ -	\$ -	\$ 190,126
Unrestricted	2,034,583	669,876	758,500	-	1,824,927	51,827	988,862	6,328,575
Total cash and investment fund balance - ending	\$ 2,034,583	\$ 669,876	\$ 758,500	\$ 190,126	\$ 1,824,927	\$ 51,827	\$ 988,862	\$ 6,518,701

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

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

	Internal Service Fund
	(Medical Benefit Trust Fund)
Operating receipts:	
Charges for services	\$ 2,980,733
Miscellaneous	64,813
Total operating receipts	3,045,546
Operating disbursements:	
Insurance claims and expense	2,451,278
Excess of operating receipts over operating disbursements	594,268
Change in net assets	594,268
Cash and investment fund balance - beginning	1,085,444
Cash and investment fund balance - ending	\$ 1,679,712
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash with fiscal agent	\$ 1,679,712
Total cash and investment assets - ending	\$ 1,679,712
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	\$ 1,679,712
Total cash and investment fund balance - ending	\$ 1,679,712

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

MIDDLEBURY COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
For the Year Ended June 30, 2008

	Internal Service Fund (Medical Benefit Trust Fund)
Operating receipts:	
Charges for services	\$ 2,823,472
Miscellaneous	61,310
Total operating receipts	2,884,782
Operating disbursements:	
Insurance claims and expense	2,507,698
Excess of operating receipts over operating disbursements	377,084
Change in net assets	377,084
Cash and investment fund balance - beginning	1,679,712
Cash and investment fund balance - ending	\$ 2,056,796
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash with fiscal agent	\$ 2,056,796
Total cash and investment assets - ending	\$ 2,056,796
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	\$ 2,056,796
Total cash and investment fund balance - ending	\$ 2,056,796

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

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

	Pension Trust Fund	Agency Fund
	(Retirement/ Severance Fund)	(Payroll)
Additions:		
Investment earnings:		
Interest	\$ 43,320	
Deductions:		
Benefits	103,385	
Administrative and general	43	
Total deductions	103,428	
Deficiency of total additions over total deductions	(60,108)	
Cash and investment fund balance - beginning	762,299	
Cash and investment fund balance - ending	\$ 702,191	\$ 188,519
Net assets:		
Cash and investments	\$ 702,191	
Total net assets - cash and investment basis held in trust	\$ 702,191	

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

MIDDLEBURY COMMUNITY SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	Pension Trust Fund	Agency Fund
	(Retirement/ Severance Fund)	(Payroll)
Additions:		
Investment earnings:		
Interest	\$ 30,874	
Deductions:		
Benefits	77,985	
Administrative and general	74	
Total deductions	78,059	
Deficiency of total additions over total deductions	(47,185)	
Cash and investment fund balance - beginning	702,191	
Cash and investment fund balance - ending	\$ 655,006	\$ 274,740
Net assets:		
Cash and investments	\$ 655,006	
Total net assets - cash and investment basis held in trust	\$ 655,006	

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

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

Primary Government: Middlebury Community Schools

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

Joint Venture

Middlebury Community Schools is a participant with eleven other school corporations of Elkhart and St. Joseph Counties in a joint venture to operate a Head Start Consortium (Consortium), which was created to develop, operate, participate and supervise the program to serve the preschool student populations of the participating corporations. The Consortium's continued existence depends on continued funding through a federal grant program. Participating school corporations are required to provide 'in-kind' services (transportation and classroom, gymnasium and playground space) to meet the grant requirements. No fees are assessed the school corporations for the operation of this program. The School Corporation may be obligated for the debts of the consortium should they not be covered by the grant. Complete financial statements for the Head Start Consortium can be obtained from South Bend Community School Corporation at 215 South St. Joseph Street, South Bend, Indiana, 46601.

Middlebury Community Schools is a member of the Elkhart County Special Education Cooperative (ECSEC), a joint venture with five other Elkhart County Public School Corporations. The Cooperative was formed for the purpose of providing services to handicapped students of the six school corporations in the most efficient manner possible (Special Education Program). Middlebury Community Schools also is a member of the Elkhart County Education Interlocal, a joint venture with four of the same five Elkhart County Public School Corporations as the ECSEC. The Interlocal provides programs for students who have difficulty learning in a traditional setting (Merit Learning Center). The operations of the Interlocal are managed by the superintendents of each school (Board of Directors), a Treasurer and Assistant Treasurer. The Special Education Program and the Merit Learning Center are administered by Goshen Community Schools. Funding for the operations of the Interlocal shall include grants and/or charges to the participating members. The joint ventures continued existence depends on continued funding by the School Corporation. Complete financial statements for the programs can be obtained from the administrative offices of Goshen Community Schools at 613 East Purl Street, Goshen, Indiana, 46526-4044.

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Middlebury Community Schools is a member with approximately 30 other schools in a joint venture to operate the Northern Indiana Educational Service Center (NIESC), which was created to allow participating schools to cooperate and share certain programs and services, which they collectively may implement. The School Corporation is obligated to remit a per student rate determined annually to supplement the NIESC's budget. NIESC's continued existence depends on continued funding by the School Corporations. The School Corporations are obligated for the debts of the NIESC. Complete financial statements for the programs can be obtained from the administrative offices of Plymouth Community Schools at 611 Berkley St., Plymouth, IN, 46563.

Middlebury Community Schools is a member with approximately 30 school corporations in a joint venture to operate North Central Energy Cooperative (NEC), which was created to procure natural gas in an economical and efficient manner. The School Corporation is obligated by contract to remit its actual natural gas expenses directly to the seller of the natural gas, Centerpoint Energy Services. There are no separate financial statements. However, Concord Community Schools is the administrative agent for the NEC.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. At this time, the School Corporation has not established any business-type activities.

Fund Financial Statements

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

The School Corporation reports the following major governmental funds:

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

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

The rainy day fund is used to account for funds in accordance with Indiana Code 36-1-8-5.1 and a locally adopted resolution.

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or - capital construction, and interest on emergency and temporary loans.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for funding and payments of medical, unreimbursed medical, dependent care, and Section 125 claims.

The pension trust fund (retirement/severance fund) accounts for bonds and payments authorized by IC 20-5-4-1.7. The trust fund pays to employees the anticipated postretirement or severance benefits held by the School Corporation in a trustee capacity.

The agency fund accounts for assets held by the School Corporation as an agent for amounts withheld from employees.

C. Measurement Focus and Basis of Accounting

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

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

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

As of January 1, 2008, the Department of Education has mandated a change in the chart of accounts used by the School Corporation. These changes have caused expenses to be allocated in a manner that is not consistent with reporting prior to January 1, 2008. This change does not affect the total amount of expenses, only the allocation of the expenses.

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

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to other departments or agencies primarily within the government (internal service funds).

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. Property taxes levied for the year 2007 were not billed until late in 2008 and not collected by the County Treasurer and available for distribution to the School Corporation until February, 2009.

3. Capital Assets

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

4. Long-Term Debt

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

5. Equity Classification

Government-Wide Statements

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

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

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

2. Operating Receipts and Disbursements

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

F. Internal and Interfund Balances and Activities

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

Fund Financial Statements

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

Government-Wide Financial Statements

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

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

Budgetary Information

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

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

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

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2008, the School Corporation had deposit balances in the amount of \$7,448,446. The entire amount was insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Investments

As of June 30, 2008, the School Corporation had the following investments:

Investment Type	Primary Government Market Value
Mutual Fund	\$ 2,056,796

Statutory Authorization for Investments

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

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

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

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The School Corporation does not have a formal investment policy for custodial credit risk for investments.

The following investments held by the School Corporation was exposed to custodial credit risks because they are uninsured and unregistered with securities held by the counterparty, or the counterparty's trust department or agent, either in the government's name or not in the government's name:

Primary Government:

<u>Investment Type</u>	<u>Not in the Government's Name</u>
Mutual Fund	<u>\$ 2,056,796</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School Corporation must follow state statute and limit the stated final maturities of the investments to no more than two years. The School Corporation does not have a formal investment policy for interest rate risk for investments.

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>		
	<u>Less Than 1</u>	<u>1-2</u>	<u>More Than 2</u>
Mutual bond funds	<u>\$ 2,056,796</u>	<u>\$ -</u>	<u>\$ -</u>

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below. The School Corporation does not have a formal investment policy for credit risk for investments.

<u>Standard and Poor's Rating</u>	<u>Moody's Rating</u>	<u>School's Investments Mutual Fund</u>
Unrated	Unrated	<u>\$ 2,056,796</u>

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Concentration of Credit Risk

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

Primary Government:

Issuer	2008
JPMorgan Chase Bank	<u>\$ 2,056,796</u>

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2007 and 2008, were as follows:

Transfer From	Transfer To	2006-2007	2007-2008
General	Rainy day	\$ 200,000	\$ -
Transportation operating	Rainy day	50,000	-
Other governmental funds	General	111,907	74,165
Other governmental funds	Transportation operating	25,909	17,016
Other governmental funds	Debt service	-	48,621
Other governmental funds	Capital projects	-	37,478
Other governmental funds	School bus replacement	-	4,168
Other governmental funds	Other governmental funds	27,393	17,014
Totals		\$ 415,209	\$ 198,462

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

IV. Other Information

A. Risk Management

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

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

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Medical Benefits to Employees, Retirees, and Dependents (Excluding Postemployment Benefits)

The School Corporation has chosen to establish a risk financing fund for risks associated with medical benefits and Section 125 dependent care and unreimbursed medical claims to employees, retirees and dependents. The risk financing fund is accounted for in the Medical Benefit Trust Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$75,000 per person and \$5,000,000 in the aggregate per plan year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based on participants' (employees') payroll distribution. Retirees and dependents who continue to participate in the medical plan pay 100% of their own premiums.

B. Holding Corporations

The School Corporation has entered into a capital lease with Middlebury Elementary Schools Building Corporation, a (for profit) holding corporation (the lessor). The School Corporation also has capital leases with Middlebury Elementary/Middle School Building Corporation, Northridge High School Additions Building Corporation and Middlebury Building Schools Corporation, all (not-for-profit) holding corporations (the lessors). All were organized pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessors have been determined to be a related party of the School Corporation. Lease payments during the year ended June 30, 2008, totaled \$4,815,583.

C. Subsequent Events

Construction of the new high school (grades 9-12), renovation of the prior high school into a middle school (grades 6-8) and the prior middle school into an intermediate school (grades 4-5), plus some work done at the Middlebury Elementary School was completed in August 2008 readied for occupancy. The School Corporation is leasing from Middlebury School Building Corporation (a not-for-profit holding corporation) for the construction and renovations. The holding corporation issued bonds totaling \$79,760,000 for the financing of the projects. Lease payments to the holding corporation began June 30, 2008.

Beginning in 2009, the State General Fund as part of the basic grant distribution shall pay to each school corporation, an amount sufficient to provide all funding for the General and Special Education Pre-school Funds. For property taxes due and payable after December 31, 2008, the Department of Local Government Finance shall reduce the maximum permissible property tax levy of any school corporation by the amount of the payment to be made in 2009 by the State.

D. Temporary Loans

The School Corporation issues tax anticipation warrants for cash flow purposes in advance of property tax collections and/or state tuition support distributions, depositing the proceeds in the appropriate funds. Short-term debt activity for the years ended June 30, 2007, and June 30, 2008, was as follows.

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund	Loans Payable June 30, 2007	Loans Payable June 30, 2008
General	\$ 3,426,491	\$ 4,518,130
Debt Service	-	1,348,840
Transportation Operating	511,301	914,512
Totals	\$ 3,937,792	\$ 6,781,482

E. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 295,931
Interest on net pension obligation	(20,534)
Adjustment to annual required contribution	23,400
Annual pension cost	298,797
Contributions made	275,494
Increase in net pension obligation	23,303
Net pension obligation, beginning of year	(283,223)
Net pension obligation, end of year	\$ (259,920)

Contribution rates:	
School Corporation	7.25%
Plan members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

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

MIDDLEBURY COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-05	\$ 208,498	122%	\$ (283,237)
	06-30-06	259,341	100%	(283,223)
	06-30-07	298,797	92%	(259,920)

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

Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Costs

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

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Plan members are required to contribute 3.0% of their salary and the School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 7.75% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2008, 2007, and 2006, were \$485,366, \$412,213 and \$342,413, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years, respectively.

MIDDLEBURY COMMUNITY SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-05	\$ 2,975,829	\$ 3,675,689	\$ (699,860)	81%	\$ 3,714,631	(19%)
07-01-06	3,250,518	3,846,277	(595,759)	85%	3,870,766	(15%)
07-01-07	3,745,915	4,279,915	(534,000)	88%	3,800,472	(14%)

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

	Special Education Preschool	School Lunch	Textbook Rental	Levy Excess	Education License Plates	Safe Haven Schools	Early Intervention
Receipts:							
Local sources	\$ 18,122	\$ 929,373	\$ 200,343	\$ 181,533	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	1,593	-	-
State sources	152,497	27,792	27,661	-	-	15,941	3,500
Federal sources	-	381,322	-	-	-	-	-
Total receipts	<u>170,619</u>	<u>1,338,487</u>	<u>228,004</u>	<u>181,533</u>	<u>1,593</u>	<u>15,941</u>	<u>3,500</u>
Disbursements:							
Current:							
Instruction	166,201	-	-	-	1,181	-	-
Support services	-	1,283,284	192,641	-	-	-	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	78,583	-	-	-	-	-
Total disbursements	<u>166,201</u>	<u>1,361,867</u>	<u>192,641</u>	<u>-</u>	<u>1,181</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>4,418</u>	<u>(23,380)</u>	<u>35,363</u>	<u>181,533</u>	<u>412</u>	<u>15,941</u>	<u>3,500</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	(18,885)	-	-	(93,022)	-	-	(3,500)
Total other financing sources (uses)	<u>(18,885)</u>	<u>-</u>	<u>-</u>	<u>(93,022)</u>	<u>-</u>	<u>-</u>	<u>(3,500)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(14,467)</u>	<u>(23,380)</u>	<u>35,363</u>	<u>88,511</u>	<u>412</u>	<u>15,941</u>	<u>-</u>
Cash and investments - beginning	<u>32,853</u>	<u>315,685</u>	<u>218,111</u>	<u>93,022</u>	<u>788</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 18,386</u>	<u>\$ 292,305</u>	<u>\$ 253,474</u>	<u>\$ 181,533</u>	<u>\$ 1,200</u>	<u>\$ 15,941</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 18,386</u>	<u>\$ 292,305</u>	<u>\$ 253,474</u>	<u>\$ 181,533</u>	<u>\$ 1,200</u>	<u>\$ 15,941</u>	<u>\$ -</u>
Total cash and investment assets - ending	<u>\$ 18,386</u>	<u>\$ 292,305</u>	<u>\$ 253,474</u>	<u>\$ 181,533</u>	<u>\$ 1,200</u>	<u>\$ 15,941</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 18,386</u>	<u>\$ 292,305</u>	<u>\$ 253,474</u>	<u>\$ 181,533</u>	<u>\$ 1,200</u>	<u>\$ 15,941</u>	<u>\$ -</u>
Total cash and investment fund balance - ending	<u>\$ 18,386</u>	<u>\$ 292,305</u>	<u>\$ 253,474</u>	<u>\$ 181,533</u>	<u>\$ 1,200</u>	<u>\$ 15,941</u>	<u>\$ -</u>

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

	Economics Education Grant 06-07	Gifted/ Talented 06-07	Gifted/ Talented 05-06	Reading Recovery 06-07	School Improvement	Medicaid Reimbursement	Non-English Speaking Program
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ 6,500	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	1,000	17,200	-	-	46,339	-	6,000
Federal sources	-	-	-	-	-	-	-
Total receipts	1,000	17,200	-	6,500	46,339	-	6,000
Disbursements:							
Current:							
Instruction	431	14,100	3,609	19,113	1,130	-	-
Support services	569	-	-	-	50,107	133	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	1,000	14,100	3,609	19,113	51,237	133	-
Excess (deficiency) of receipts over disbursements	-	3,100	(3,609)	(12,613)	(4,898)	(133)	6,000
Other financing sources (uses):							
Transfers in	-	-	-	3,500	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	3,500	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	3,100	(3,609)	(9,113)	(4,898)	(133)	6,000
Cash and investments - beginning	-	-	3,609	25,181	56,056	369	-
Cash and investments - ending	\$ -	\$ 3,100	\$ -	\$ 16,068	\$ 51,158	\$ 236	\$ 6,000
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 3,100	\$ -	\$ 16,068	\$ 51,158	\$ 236	\$ 6,000
Total cash and investment assets - ending	\$ -	\$ 3,100	\$ -	\$ 16,068	\$ 51,158	\$ 236	\$ 6,000
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ -	\$ 3,100	\$ -	\$ 16,068	\$ 51,158	\$ 236	\$ 6,000
Total cash and investment fund balance - ending	\$ -	\$ 3,100	\$ -	\$ 16,068	\$ 51,158	\$ 236	\$ 6,000

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

	School Technology	Coordinated School Health	Title 1 05-06	Title 1 06-07	Title V-A 04-05	Title V-A 05-06
Receipts:						
Local sources	\$ -	\$ 130	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	62,000	230,175	-	6,910
Total receipts	-	130	62,000	230,175	-	6,910
Disbursements:						
Current:						
Instruction	-	-	24,185	233,526	-	666
Support services	-	15	6,945	3,259	2,739	4,556
Community services	-	-	160	870	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	-	15	31,290	237,655	2,739	5,222
Excess (deficiency) of receipts over disbursements	-	115	30,710	(7,480)	(2,739)	1,688
Other financing sources (uses):						
Transfers in	-	-	-	23,891	-	-
Transfers out	-	-	(23,891)	-	(1)	(1)
Total other financing sources (uses)	-	-	(23,891)	23,891	(1)	(1)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	115	6,819	16,411	(2,740)	1,687
Cash and investments - beginning	550	69	(6,819)	-	2,740	-
Cash and investments - ending	<u>\$ 550</u>	<u>\$ 184</u>	<u>\$ -</u>	<u>\$ 16,411</u>	<u>\$ -</u>	<u>\$ 1,687</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 550	\$ 184	\$ -	\$ 16,411	\$ -	\$ 1,687
Total cash and investment assets - ending	<u>\$ 550</u>	<u>\$ 184</u>	<u>\$ -</u>	<u>\$ 16,411</u>	<u>\$ -</u>	<u>\$ 1,687</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 550	\$ 184	\$ -	\$ 16,411	\$ -	\$ 1,687
Total cash and investment fund balance - ending	<u>\$ 550</u>	<u>\$ 184</u>	<u>\$ -</u>	<u>\$ 16,411</u>	<u>\$ -</u>	<u>\$ 1,687</u>

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

	Drug Free	Title V-A 06-07	Medicaid Reimbursement Federal	Title II-A Teacher Quality 06-07	Title II-A Teacher Quality 05-06	Title II-A Teacher Quality 04-05
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	13,368	343	131,236	2,948	-
Total receipts	-	13,368	343	131,236	2,948	-
Disbursements:						
Current:						
Instruction	-	-	-	76,677	49,570	-
Support services	3,211	13,368	1,166	-	-	1,014
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	3,211	13,368	1,166	76,677	49,570	1,014
Excess (deficiency) of receipts over disbursements	(3,211)	-	(823)	54,559	(46,622)	(1,014)
Other financing sources (uses):						
Transfers in	-	-	-	-	1	1
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	1	1
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,211)	-	(823)	54,559	(46,621)	(1,013)
Cash and investments - beginning	3,211	-	8,083	-	46,621	1,013
Cash and investments - ending	\$ -	\$ -	\$ 7,260	\$ 54,559	\$ -	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ 7,260	\$ 54,559	\$ -	\$ -
Total cash and investment assets - ending	\$ -	\$ -	\$ 7,260	\$ 54,559	\$ -	\$ -
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ -	\$ -	\$ 7,260	\$ 54,559	\$ -	\$ -
Total cash and investment fund balance - ending	\$ -	\$ -	\$ 7,260	\$ 54,559	\$ -	\$ -

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

	Title II-D Technology 05-06	Title II-D Technology 04-05	Title III English Language Enhancement	Taglit Assessment	Construction	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,336,001
Intermediate sources	-	-	-	-	-	1,593
State sources	-	-	-	-	-	297,930
Federal sources	3,065	-	81,420	-	-	912,787
Total receipts	3,065	-	81,420	-	-	2,548,311
Disbursements:						
Current:						
Instruction	161	149	80,573	-	-	671,272
Support services	573	3,202	-	-	35,817	1,602,599
Community services	-	-	-	-	-	1,030
Nonprogrammed charges	-	-	-	-	-	78,583
Total disbursements	734	3,351	80,573	-	35,817	2,353,484
Excess (deficiency) of receipts over disbursements	2,331	(3,351)	847	-	(35,817)	194,827
Other financing sources (uses):						
Transfers in	-	-	-	-	-	27,393
Transfers out	-	-	-	-	-	(139,300)
Total other financing sources (uses)	-	-	-	-	-	(111,907)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,331	(3,351)	847	-	(35,817)	82,920
Cash and investments - beginning	-	3,351	-	230	246,766	1,051,489
Cash and investments - ending	\$ 2,331	\$ -	\$ 847	\$ 230	\$ 210,949	\$ 1,134,409
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 2,331	\$ -	\$ 847	\$ 230	\$ 210,949	\$ 1,134,409
Total cash and investment assets - ending	\$ 2,331	\$ -	\$ 847	\$ 230	\$ 210,949	\$ 1,134,409
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ 2,331	\$ -	\$ 847	\$ 230	\$ 210,949	\$ 1,134,409
Total cash and investment fund balance - ending	\$ 2,331	\$ -	\$ 847	\$ 230	\$ 210,949	\$ 1,134,409

MIDDLEBURY COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008

	Special Education Preschool	School Lunch	Testbook Rental	Levy Excess	Education License Plates	Safe Haven Schools
Receipts:						
Local sources	\$ 29,665	\$ 974,808	\$ 176,288	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	825	-
State sources	123,335	27,389	57,280	-	-	9,395
Federal sources	-	427,695	-	-	-	-
Total receipts	<u>153,000</u>	<u>1,429,892</u>	<u>233,568</u>	<u>-</u>	<u>825</u>	<u>9,395</u>
Disbursements:						
Current:						
Instruction	167,972	-	-	-	1,725	-
Support services	-	1,392,874	102,951	-	-	25,336
Community services	-	349	-	-	-	-
Nonprogrammed charges	-	79,422	-	-	-	-
Total disbursements	<u>167,972</u>	<u>1,472,645</u>	<u>102,951</u>	<u>-</u>	<u>1,725</u>	<u>25,336</u>
Excess (deficiency) of receipts over disbursements	<u>(14,972)</u>	<u>(42,753)</u>	<u>130,617</u>	<u>-</u>	<u>(900)</u>	<u>(15,941)</u>
Other financing sources (uses):						
Transfers in	315	-	-	-	-	-
Transfers out	-	-	-	(181,533)	-	-
Total other financing sources (uses)	<u>315</u>	<u>-</u>	<u>-</u>	<u>(181,533)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(14,657)</u>	<u>(42,753)</u>	<u>130,617</u>	<u>(181,533)</u>	<u>(900)</u>	<u>(15,941)</u>
Cash and investments - beginning	<u>18,386</u>	<u>292,305</u>	<u>253,474</u>	<u>181,533</u>	<u>1,200</u>	<u>15,941</u>
Cash and investments - ending	<u>\$ 3,729</u>	<u>\$ 249,552</u>	<u>\$ 384,091</u>	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ -</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 3,729</u>	<u>\$ 249,552</u>	<u>\$ 384,091</u>	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ -</u>
Total cash and investment assets - ending	<u>\$ 3,729</u>	<u>\$ 249,552</u>	<u>\$ 384,091</u>	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 3,729</u>	<u>\$ 249,552</u>	<u>\$ 384,091</u>	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ -</u>
Total cash and investment fund balance - ending	<u>\$ 3,729</u>	<u>\$ 249,552</u>	<u>\$ 384,091</u>	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ -</u>

MIDDLEBURY COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Early Intervention	High Ability 07-08	Gifted/ Talented 06-07	Reading Recovery 06-07	School Improvement	Medicaid Reimbursement
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 4,000	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	3,000	43,687	-	-	46,794	-
Federal sources	-	-	-	-	-	-
Total receipts	<u>3,000</u>	<u>43,687</u>	<u>-</u>	<u>4,000</u>	<u>46,794</u>	<u>-</u>
Disbursements:						
Current:						
Instruction	-	31,985	3,100	20,096	164	-
Support services	-	-	-	-	37,399	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>31,985</u>	<u>3,100</u>	<u>20,096</u>	<u>37,563</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>3,000</u>	<u>11,702</u>	<u>(3,100)</u>	<u>(16,096)</u>	<u>9,231</u>	<u>-</u>
Other financing sources (uses):						
Transfers in	-	-	-	3,000	-	-
Transfers out	(3,000)	-	-	-	-	-
Total other financing sources (uses)	<u>(3,000)</u>	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>11,702</u>	<u>(3,100)</u>	<u>(13,096)</u>	<u>9,231</u>	<u>-</u>
Cash and investments - beginning	<u>-</u>	<u>-</u>	<u>3,100</u>	<u>16,068</u>	<u>51,158</u>	<u>236</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 11,702</u>	<u>\$ -</u>	<u>\$ 2,972</u>	<u>\$ 60,389</u>	<u>\$ 236</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ -</u>	<u>\$ 11,702</u>	<u>\$ -</u>	<u>\$ 2,972</u>	<u>\$ 60,389</u>	<u>\$ 236</u>
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 11,702</u>	<u>\$ -</u>	<u>\$ 2,972</u>	<u>\$ 60,389</u>	<u>\$ 236</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ -</u>	<u>\$ 11,702</u>	<u>\$ -</u>	<u>\$ 2,972</u>	<u>\$ 60,389</u>	<u>\$ 236</u>
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 11,702</u>	<u>\$ -</u>	<u>\$ 2,972</u>	<u>\$ 60,389</u>	<u>\$ 236</u>

MIDDLEBURY COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Non-English Speaking Program	School Technology	Coordinated School Health	Economics Education Grant 07-08	Title 1 06-07	Title 1 07-08
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	51,579	-	-	2,000	-	-
Federal sources	-	-	-	-	20,000	270,839
Total receipts	51,579	-	-	2,000	20,000	270,839
Disbursements:						
Current:						
Instruction	5,592	-	-	1,349	19,552	269,593
Support services	-	-	24	-	2,500	2,296
Community services	-	-	-	-	660	1,911
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	5,592	-	24	1,349	22,712	273,800
Excess (deficiency) of receipts over disbursements	45,987	-	(24)	651	(2,712)	(2,961)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	13,699
Transfers out	-	-	-	-	(13,699)	-
Total other financing sources (uses)	-	-	-	-	(13,699)	13,699
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	45,987	-	(24)	651	(16,411)	10,738
Cash and investments - beginning	6,000	550	184	-	16,411	-
Cash and investments - ending	\$ 51,987	\$ 550	\$ 160	\$ 651	\$ -	\$ 10,738
Cash and Investment Assets - Ending						
Cash and investments	\$ 51,987	\$ 550	\$ 160	\$ 651	\$ -	\$ 10,738
Total cash and investment assets - ending	\$ 51,987	\$ 550	\$ 160	\$ 651	\$ -	\$ 10,738
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 51,987	\$ 550	\$ 160	\$ 651	\$ -	\$ 10,738
Total cash and investment fund balance - ending	\$ 51,987	\$ 550	\$ 160	\$ 651	\$ -	\$ 10,738

MIDDLEBURY COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Title V-A 05-06	Title V-A 06-07	Title IV Part A 07-08	Medicaid Reimbursement Federal	Title II-A Teacher Quality 06-07	Title II-D Technology 05-06
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	6,081	11,618	-	-	-
Total receipts	-	6,081	11,618	-	-	-
Disbursements:						
Current:						
Instruction	239	418	-	-	54,559	71
Support services	1,448	4,257	10,396	2,112	-	2,260
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	1,687	4,675	10,396	2,112	54,559	2,331
Excess (deficiency) of receipts over disbursements	(1,687)	1,406	1,222	(2,112)	(54,559)	(2,331)
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	(1,687)	1,406	1,222	(2,112)	(54,559)	(2,331)
Cash and investments - beginning	1,687	-	-	7,260	54,559	2,331
Cash and investments - ending	\$ -	\$ 1,406	\$ 1,222	\$ 5,148	\$ -	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 1,406	\$ 1,222	\$ 5,148	\$ -	\$ -
Total cash and investment assets - ending	\$ -	\$ 1,406	\$ 1,222	\$ 5,148	\$ -	\$ -
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ -	\$ 1,406	\$ 1,222	\$ 5,148	\$ -	\$ -
Total cash and investment fund balance - ending	\$ -	\$ 1,406	\$ 1,222	\$ 5,148	\$ -	\$ -

MIDDLEBURY COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Title II Teacher Quality 07-08	Title III English Language Enhancement	Title III 07-08	Taglit Assessment	Construction	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,184,761
Intermediate sources	-	-	-	-	-	825
State sources	-	-	-	-	-	364,459
Federal sources	95,700	-	51,269	-	-	883,202
Total receipts	95,700	-	51,269	-	-	2,433,247
Disbursements:						
Current:						
Instruction	62,801	847	50,117	-	-	690,180
Support services	-	-	-	-	40,971	1,624,824
Community services	-	-	-	-	-	2,920
Nonprogrammed charges	-	-	-	-	-	79,422
Total disbursements	62,801	847	50,117	-	40,971	2,397,346
Excess (deficiency) of receipts over disbursements	32,899	(847)	1,152	-	(40,971)	35,901
Other financing sources (uses):						
Transfers in	-	-	-	-	-	17,014
Transfers out	-	-	-	(230)	-	(198,462)
Total other financing sources (uses)	-	-	-	(230)	-	(181,448)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	32,899	(847)	1,152	(230)	(40,971)	(145,547)
Cash and investments - beginning	-	847	-	230	210,949	1,134,409
Cash and investments - ending	<u>\$ 32,899</u>	<u>\$ -</u>	<u>\$ 1,152</u>	<u>\$ -</u>	<u>\$ 169,978</u>	<u>\$ 988,862</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 32,899</u>	<u>\$ -</u>	<u>\$ 1,152</u>	<u>\$ -</u>	<u>\$ 169,978</u>	<u>\$ 988,862</u>
Total cash and investment assets - ending	<u>\$ 32,899</u>	<u>\$ -</u>	<u>\$ 1,152</u>	<u>\$ -</u>	<u>\$ 169,978</u>	<u>\$ 988,862</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 32,899</u>	<u>\$ -</u>	<u>\$ 1,152</u>	<u>\$ -</u>	<u>\$ 169,978</u>	<u>\$ 988,862</u>
Total cash and investment fund balance - ending	<u>\$ 32,899</u>	<u>\$ -</u>	<u>\$ 1,152</u>	<u>\$ -</u>	<u>\$ 169,978</u>	<u>\$ 988,862</u>

MIDDLEBURY COMMUNITY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

June 30, 2008

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

<u>School Corporation</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 1,908,794
Buildings	93,081,696
Improvements other than buildings	2,908,575
Machinery and equipment	10,403,424
Construction in progress	<u>10,590,036</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 118,892,525</u>

MIDDLEBURY COMMUNITY SCHOOLS
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
June 30, 2008

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Holding corporations		
Northridge High School Additions Building Corporation	\$ 1,350,000	\$ 1,390,600
Middlebury Elementary/Middle School Building Corporation	881,764	620,000
Middlebury School Building Corporation	9,005,000	1,147,000
Middlebury Schools Building Corporation-Series A	63,200,000	3,350,613
Middlebury Schools Building Corporation-Series B	16,300,000	993,288
Technology leases		
2004	113,226	116,733
2005	311,619	133,307
2006	482,658	133,713
2007	900,000	199,027
Loans payable:		
Common school loans		
A0349	450,000	96,563
A0277	112,500	79,687
A1029	25,697	17,346
Bonds payable:		
General obligation bonds:		
Severance/Retirement	<u>3,465,000</u>	<u>473,734</u>
Total governmental activities debt	<u>\$ 96,597,464</u>	<u>\$ 8,751,611</u>

MIDDLEBURY COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

EXTRA-CURRICULAR DISBURSEMENTS (Applies to Orchard View Elementary)

Numerous claims for payment lacked proper documentation, including one claim for cash in the amount of \$323 for cash fundraiser prizes. Due to the lack of supporting information, the validity and accountability for some monies disbursed could not be established.

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 Extra-Curricular Accounts, Chapter 7)

Disbursements, other than proper petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

EXCESSIVE OR UNREASONABLE COSTS (Applies to Orchard View Elementary)

The Extra-Curricular paid claims benefitting teachers, staff, volunteers, and the School Corporation from the Student Activity, Student Council, and Miscellaneous Funds. \$638 was spent on a staff coffee bar, \$1,162 was spent on food for staff meetings and parties, \$368 for plaques, \$308 for gifts for bus drivers and parent helpers, and \$1,217 for lobby improvements, grounds upkeep, and miscellaneous corporate expenses.

The Miscellaneous Fund includes money contributed by teachers, staff, parents, and students. We could not always determine if money collected from the students was spent on the students.

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

EDUCATIONAL EXPENSES (Applies to Northridge Middle School)

The Extra-Curricular paid claims benefitting teachers and the School Corporation from the Milkshake and General Funds. \$8,400 was paid out of the Milkshake Fund for the Reading Plus LAN site license for 25 users (\$5,500), Visagraph III (\$2,400), and staff training (\$500). Reading Plus benefits students who need assistance with reading skills. \$1,500 was paid out of the General Fund for Professional Development Training for teachers (Plato), and \$1,950 was paid out of the General Fund for substitute teachers for the teachers attending the Plato workshop. The money in those funds was contributed by the students.

The extra-curricular account is to be used only for functions which are not educational in nature. Accounts for educational functions must be maintained in the school corporation records. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

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 MIDDLEBURY COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

Compliance

We have audited the compliance of the Middlebury 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, 2007 and 2008. 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, 2007 and 2008.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

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

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

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

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

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

STATE BOARD OF ACCOUNTS

April 22, 2009

MIDDLEBURY COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2007 and 2008

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 06-30-07	Total Federal Awards Expended 06-30-08
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 42,182	\$ 51,665
National School Lunch Program	10.555		<u>381,032</u>	<u>420,291</u>
Total for federal grantor agency			<u>423,214</u>	<u>471,956</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Goshen Community Schools Special Education Cluster				
Special Education - Grants to States	84.027	2006-07 2007-08	720,468	-
			<u>-</u>	<u>736,796</u>
Total for cluster			<u>720,468</u>	<u>736,796</u>
Pass-Through Indiana Department of Education Title I Grants to Local Educational Agencies	84.010	2005-06 2006-07 2007-08	31,290	-
			237,655	22,712
			<u>-</u>	<u>273,800</u>
Total for program			<u>268,945</u>	<u>296,512</u>
Pass-Through Elkhart Community Schools Vocational Education-Basic Grants to States	84.048	2006-07 2007-08	6,034	-
			<u>-</u>	<u>4,827</u>
Total for program			<u>6,034</u>	<u>4,827</u>
Pass-Through Indiana Department of Education Safe and Drug-Free Schools and Communities - States Grants	84.186	2005-06 2006-07 2007-08	3,211	-
			13,368	-
			<u>-</u>	<u>10,396</u>
Total for program			<u>16,579</u>	<u>10,396</u>
State Grants for Innovative Programs	84.298	2004-05 2005-06 2006-07	2,739	-
			5,222	1,687
			<u>-</u>	<u>4,675</u>
Total for program			<u>7,961</u>	<u>6,362</u>
Education Technology State Grants	84.318	2004-05 2005-06	3,351	-
			<u>733</u>	<u>2,331</u>
Total for program			<u>4,084</u>	<u>2,331</u>
English Language Acquisition Grants	84.365	2006-07 2007-08	80,573	847
			<u>-</u>	<u>50,117</u>
Total for program			<u>80,573</u>	<u>50,964</u>
Improving Teacher Quality State Grants	84.367	2004-05 2005-06 2006-07 2007-08	1,013	-
			49,570	-
			76,677	54,559
			<u>-</u>	<u>62,801</u>
Total for program			<u>127,260</u>	<u>117,360</u>
Total for federal grantor agency			<u>1,231,904</u>	<u>1,225,548</u>
Total federal awards expended			<u>\$ 1,655,118</u>	<u>\$ 1,697,504</u>

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

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

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

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

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2007 and 2008. This noncash assistance is also included in the federal expenditures presented in the schedule.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>2007</u>	<u>2008</u>
Child Nutrition Cluster	10.555	<u>\$ 41,892</u>	<u>\$ 44,260</u>

MIDDLEBURY COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

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

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

Identification of Major Programs:

Name of Federal Program or Cluster

Special Education Cluster

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

MIDDLEBURY COMMUNITY SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

EXIT CONFERENCE

The contents of this report were discussed on April 22, 2009, with James K. Conner, Superintendent of Schools; Shirley A. Meyer, Treasurer; and Timothy L. Weadick, President of the School Board. The official response has been made a part of this report and may be found on pages 51 and 52.



Orchard View

Elementary School

To: State Board of Accounts
From: Brian Sloan, Principal
Re: OFFICIAL RESPONSE
Date: February 23, 2009

I appreciated having the chance to meet with the state auditor as she explained her report in detail. It also gave me the opportunity to share some items from my perspective as well as ask follow up questions.

As this audit covers a two-year span, it was also helpful for me to see the totals in some specific areas, as the expenditures were larger than I had realized. Also, having had the chance to share how we typically appropriate student council funds for various items, including those listed on the report, it gave me some additional insight into the process the state wishes to see.

Student council money, in most cases, is approved to be spent after a vote from the elected student council representatives. I have attached a few examples of what typical minutes from a meeting would look like. Please keep in mind that they were written at a third grade level. Often the student council body has approved funding for teacher and other staff related items. As I took over in this position almost eight years ago, the informal training I received on how to deal with these accounts was to have the duly elected student council representatives approve and vote on such expenditures. While this is not an excuse, it is simply the mode of operation I felt was transparent in the spending of these funds. I understand and take seriously the auditor's concern about how the money is spent as well as wanting and needing the minutes for each approved expenditure. I will make sure the paper trail is consistently there for any purchases in the future.

I also feel it necessary to point out that some of the items listed, such as artificial flowers to decorate the lobby, while might look as if student council funds were used, is not completely accurate. For example, each year our PTO has donated various amounts of money for us to use to help modernize parts of the building. We take these funds and place them in our student council account and then pay for the items from this account using the PTO donation, not student council fundraiser money. Over the last several years we have also utilized money we have received from collecting and recycling used ink cartridges and this money has gone towards some of the items on the list.

That being said, I do recognize the need for better documentation. Also, we have significantly curtailed many of the student council approved items to recognize the staff due to the ever-changing economy.

I also want it stated here in writing that my wonderful bookkeeper, Mrs. Wanda Weirich, was simply allocating the funds per my instructions.

Thank you for bringing these items and your expectations to my attention. I am sure that at our next audit you will see and recognize a significant change.

2/11/2008

Student Council Minutes

- * Meeting started at 12:00 with 13 people in attendance
- * Budget items were discussed: Items purchased include things for Spell Bowl, some staff T- shirts,
- * Budget items were approved
- * Mr. Sloan talked about having Spirit Day. He suggests Friday February 22nd. This date was approved. He will make an announcement in the AM regarding the date.
- * Next meeting we will have to talk about a March Spirit Day date.
- * Date for the next meeting will be announced soon
- * Meeting was adjourned at 12:20 PM

Lexi Meskowski - Secretary