

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, 2008 to June 30, 2010



FILED
02/18/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Shirley A. Meyer	07-01-08 to 06-30-11
Superintendent of Schools	James K. Conner	07-01-08 to 06-30-11
President of the School Board	Timothy L. Weadick Joanna King	07-01-08 to 06-30-10 07-01-10 to 06-30-11



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

TO: THE OFFICIALS OF THE 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, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2009 and 2010, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated January 4, 2011, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

The 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, Schedule of Contributions from the Employer and Other Contributing Entities, 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

January 4, 2011



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

TO: THE OFFICIALS OF THE 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, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated January 4, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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.

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

STATE BOARD OF ACCOUNTS

January 4, 2011

MIDDLEBURY COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 15,686,290	\$ -	\$ 640,164	\$ (15,046,126)
Support services	11,009,152	1,244,655	1,397,973	(8,366,524)
Noninstructional services	2,042,694	-	-	(2,042,694)
Facilities acquisition and construction	2,043,567	-	-	(2,043,567)
Debt service	16,973,806	-	-	(16,973,806)
Nonprogrammed charges	<u>757,536</u>	<u>-</u>	<u>-</u>	<u>(757,536)</u>
Total governmental activities	<u>\$ 48,513,045</u>	<u>\$ 1,244,655</u>	<u>\$ 2,038,137</u>	<u>(45,230,253)</u>
General receipts:				
Property taxes				18,548,234
Other local sources				2,901,164
State aid				16,505,370
Bonds and loans				3,958,696
Grants and contributions not restricted to specific programs				3,126,661
Investment earnings				<u>72,095</u>
Total general receipts				<u>45,112,220</u>
Change in net assets				(118,033)
Net assets - beginning				<u>8,575,497</u>
Net assets - ending				<u>\$ 8,457,464</u>
<u>Assets</u>				
Cash and investments				\$ 5,389,063
Restricted assets:				
Cash and investments				316,753
Cash with fiscal agent				<u>2,751,648</u>
Total assets				<u>\$ 8,457,464</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 316,753
Other purposes				2,751,648
Unrestricted				<u>5,389,063</u>
Total net assets				<u>\$ 8,457,464</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, 2010

<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	\$ 16,997,792	\$ -	\$ 622,964	\$ (16,374,828)
Support services	11,042,771	1,339,142	872,176	(8,831,453)
Noninstructional services	2,126,320	-	-	(2,126,320)
Facilities acquisition and construction	1,582,973	-	-	(1,582,973)
Debt service	10,000,419	-	-	(10,000,419)
Nonprogrammed charges	<u>948,125</u>	<u>-</u>	<u>-</u>	<u>(948,125)</u>
Total governmental activities	<u>\$ 42,698,400</u>	<u>\$ 1,339,142</u>	<u>\$ 1,495,140</u>	<u>(39,864,118)</u>
General receipts:				
Property taxes				19,072,565
Other local sources				2,496,308
State aid				21,809,294
Bonds and loans				490,019
Grants and contributions not restricted to specific programs				2,878,353
Sale of property				93,585
Investment earnings				<u>54,066</u>
Total general receipts				<u>46,894,190</u>
Change in net assets				7,030,072
Net assets - beginning				<u>8,457,464</u>
Net assets - ending				<u>\$ 15,487,536</u>
<u>Assets</u>				
Cash and investments				\$ 8,430,718
Restricted assets:				
Cash and investments				3,667,811
Cash with fiscal agent				<u>3,389,007</u>
Total assets				<u>\$ 15,487,536</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 3,667,811
Other purposes				3,389,007
Unrestricted				<u>8,430,718</u>
Total net assets				<u>\$ 15,487,536</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, 2009

	General	Rainy Day	Debt Service	Capital Projects	Other	Totals
Receipts:						
Local sources	\$ 8,090,057	\$ 40,647	\$ 7,498,138	\$ 3,438,356	\$ 3,687,703	\$ 22,754,901
Intermediate sources	290	-	-	-	806	1,096
State sources	17,691,872	-	-	-	370,831	18,062,703
Federal sources	679,864	-	-	-	2,927,601	3,607,465
Temporary loans	-	-	3,121,536	-	837,160	3,958,696
Interfund loans	-	236,533	-	236,533	471,765	944,831
Total receipts	26,462,083	277,180	10,619,674	3,674,889	8,295,866	49,329,692
Disbursements:						
Current:						
Instruction	13,621,267	-	-	500	2,064,523	15,686,290
Support services	6,889,224	-	-	1,508,360	2,611,568	11,009,152
Noninstructional services	509,049	-	-	-	1,533,645	2,042,694
Facilities acquisition and construction	-	-	-	2,017,538	26,029	2,043,567
Debt services	4,518,130	-	10,452,293	580,071	1,423,312	16,973,806
Nonprogrammed charges	1,005,739	-	-	-	436,498	1,442,237
Interfund loans	-	471,765	-	-	473,066	944,831
Total disbursements	26,543,409	471,765	10,452,293	4,106,469	8,568,641	50,142,577
Excess (deficiency) of receipts over disbursements	(81,326)	(194,585)	167,381	(431,580)	(272,775)	(812,885)
Other financing sources (uses):						
Transfers in	-	150,000	-	-	25,570	175,570
Transfers out	(150,000)	-	-	-	(25,570)	(175,570)
Total other financing sources (uses)	(150,000)	150,000	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(231,326)	(44,585)	167,381	(431,580)	(272,775)	(812,885)
Cash and investments - beginning	2,034,583	758,500	140,560	1,824,927	1,760,131	6,518,701
Cash and investments - ending	\$ 1,803,257	\$ 713,915	\$ 307,941	\$ 1,393,347	\$ 1,487,356	5,705,816
Amounts reported for governmental activities in the Statement of 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 operating receipts and operating disbursements of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.						
						2,751,648
Net assets of governmental activities						<u>\$ 8,457,464</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 1,803,257	\$ 713,915	\$ -	\$ 1,393,347	\$ 1,478,544	\$ 5,389,063
Restricted assets:						
Cash and investments	-	-	307,941	-	8,812	316,753
Total cash and investment assets - ending	\$ 1,803,257	\$ 713,915	\$ 307,941	\$ 1,393,347	\$ 1,487,356	\$ 5,705,816
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ 307,941	\$ -	\$ 8,812	\$ 316,753
Unrestricted	1,803,257	713,915	-	1,393,347	1,478,544	5,389,063
Total cash and investment fund balance - ending	\$ 1,803,257	\$ 713,915	\$ 307,941	\$ 1,393,347	\$ 1,487,356	\$ 5,705,816

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, 2010

	General	Rainy Day	Debt Service	Capital Projects	Other	Totals
Receipts:						
Local sources	\$ 792,743	\$ -	\$ 11,740,702	\$ 5,524,093	\$ 4,899,551	\$ 22,957,089
Intermediate sources	436	-	-	-	412	848
State sources	22,200,028	-	-	-	322,480	22,522,508
Federal sources	725,929	-	-	-	2,934,351	3,660,280
Temporary loans	-	-	-	-	490,019	490,019
Interfund loans	-	215,000	-	-	-	215,000
	<u>23,719,136</u>	<u>215,000</u>	<u>11,740,702</u>	<u>5,524,093</u>	<u>8,646,813</u>	<u>49,845,744</u>
Disbursements:						
Current:						
Instruction	14,581,359	-	-	169	2,416,264	16,997,792
Support services	6,905,348	52,841	-	1,566,375	2,518,207	11,042,771
Noninstructional services	498,754	-	-	-	1,627,566	2,126,320
Facilities acquisition and construction	-	-	-	1,582,973	-	1,582,973
Debt services	-	-	8,257,304	466,047	1,277,068	10,000,419
Nonprogrammed charges	890,740	589,679	-	-	100,922	1,581,341
Interfund loans	-	-	-	-	215,000	215,000
	<u>22,876,201</u>	<u>642,520</u>	<u>8,257,304</u>	<u>3,615,564</u>	<u>8,155,027</u>	<u>43,546,616</u>
Excess (deficiency) of receipts over disbursements	<u>842,935</u>	<u>(427,520)</u>	<u>3,483,398</u>	<u>1,908,529</u>	<u>491,786</u>	<u>6,299,128</u>
Other financing sources (uses):						
Sale of capital assets	93,585	-	-	-	-	93,585
Transfers in	15,508	682,500	-	-	27,232	725,240
Transfers out	-	-	(143,000)	(438,500)	(143,740)	(725,240)
	<u>109,093</u>	<u>682,500</u>	<u>(143,000)</u>	<u>(438,500)</u>	<u>(116,508)</u>	<u>93,585</u>
Excess of receipts and other financing sources over disbursements and other financing uses	952,028	254,980	3,340,398	1,470,029	375,278	6,392,713
Cash and investments - beginning	<u>1,803,257</u>	<u>713,915</u>	<u>307,941</u>	<u>1,393,347</u>	<u>1,487,356</u>	<u>5,705,816</u>
Cash and investments - ending	<u>\$ 2,755,285</u>	<u>\$ 968,895</u>	<u>\$ 3,648,339</u>	<u>\$ 2,863,376</u>	<u>\$ 1,862,634</u>	<u>12,098,529</u>
Amounts reported for governmental activities in the Statement of 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 operating receipts and operating disbursements of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.						
						<u>3,389,007</u>
Net assets of governmental activities						<u>\$ 15,487,536</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 2,755,285	\$ 968,895	\$ -	\$ 2,863,376	\$ 1,843,162	\$ 8,430,718
Restricted assets:						
Cash and investments	-	-	3,648,339	-	19,472	3,667,811
Total cash and investment assets - ending	<u>\$ 2,755,285</u>	<u>\$ 968,895</u>	<u>\$ 3,648,339</u>	<u>\$ 2,863,376</u>	<u>\$ 1,862,634</u>	<u>\$ 12,098,529</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ 3,648,339	\$ -	\$ 19,472	\$ 3,667,811
Unrestricted	<u>2,755,285</u>	<u>968,895</u>	<u>-</u>	<u>2,863,376</u>	<u>1,843,162</u>	<u>8,430,718</u>
Total cash and investment fund balance - ending	<u>\$ 2,755,285</u>	<u>\$ 968,895</u>	<u>\$ 3,648,339</u>	<u>\$ 2,863,376</u>	<u>\$ 1,862,634</u>	<u>\$ 12,098,529</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
PROPRIETARY FUNDS
For the Year Ended June 30, 2009

	Internal Service Fund
	Self-Insurance
Operating receipts:	
Charges for services	\$ 3,315,529
Miscellaneous	10,151
Total operating receipts	3,325,680
Operating disbursements:	
Insurance claims and expense	2,630,828
Excess of operating receipts over operating disbursements	694,852
Change in net assets	694,852
Cash and investment fund balance - beginning	2,056,796
Cash and investment fund balance - ending	\$ 2,751,648
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash with fiscal agent	\$ 2,751,648
Total cash and investment assets - ending	\$ 2,751,648
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	\$ 2,751,648
Total cash and investment fund balance - ending	\$ 2,751,648

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, 2010

	Internal Service Fund
	<u>Self-Insurance</u>
Operating receipts:	
Charges for services	\$ 3,325,838
Miscellaneous	4,143
	<u>3,329,981</u>
Operating disbursements:	
Insurance claims and expense	<u>2,692,622</u>
Excess of operating receipts over operating disbursements	<u>637,359</u>
Change in net assets	637,359
Cash and investment fund balance - beginning	<u>2,751,648</u>
Cash and investment fund balance - ending	<u>\$ 3,389,007</u>
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash with fiscal agent	<u>\$ 3,389,007</u>
Total cash and investment assets - ending	<u>\$ 3,389,007</u>
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	<u>\$ 3,389,007</u>
Total cash and investment fund balance - ending	<u>\$ 3,389,007</u>

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, 2009

	Pension Trust Fund	Agency Funds
	Retirement/ Severance Bond	
Additions:		
Investment earnings:		
Interest	\$ 8,011	
Deductions:		
Benefits	68,187	
Deficiency of total additions over total deductions	(60,176)	
Cash and investment fund balance - beginning	655,006	
Cash and investment fund balance - ending	\$ 594,830	\$ 463,996
Net assets:		
Cash and investments	\$ 594,830	
Total net assets - cash and investment basis held in trust	\$ 594,830	

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, 2010

	Pension Trust Fund	Agency Funds
	Retirement/ Severance Bond	
Additions:		
Investment earnings:		
Interest	\$ 3,879	
Deductions:		
Benefits	51,693	
Deficiency of total additions over total deductions	(47,814)	
Cash and investment fund balance - beginning	594,830	
Cash and investment fund balance - ending	\$ 547,016	\$ 209,147
Net assets:		
Cash and investments	\$ 547,016	
Total net assets - cash and investment basis held in trust	\$ 547,016	

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

The School Corporation 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 a Head Start Program to serve the pre-school student populations of the participating school 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 corporation 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.

The School Corporation 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 students with disabilities 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 corporation (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 ECSEC and 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 joint ventures can be obtained from the Goshen Community Schools administrative office at 613 East Purl Street, Goshen, Indiana 46526.

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

The School Corporation is a participant 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 and collectively may implement. The School Corporation is obligated to remit a per student rate determined annually to supplement the Northern Indiana Educational Service Center. The NIESC has relied upon State grants and participant financial support to fund its programs and services. Since State grants are no longer available the continued existence of NIESC depends on continued funding by the participating school corporations. The participating school corporations are obligated for the debts of the NIESC. Complete financial statements for the Northern Indiana Educational Service Center (NIESC) can be obtained from the administrative office at 56535 Magnetic Drive, Mishawaka, Indiana 46545.

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

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

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

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Additionally, the School Corporation reports the following fund types:

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

The pension trust fund (retirement/severance fund) accounts for bonds and payments anticipated to be made to employees on or after the termination of employment or to pay post-retirement or severance benefits held by the school cooperation in a trustee capacity.

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

C. Measurement Focus and Basis of Accounting

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

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

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. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. 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.

3. Property Taxes

Normally, property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which may become delinquent if not paid by May 10 and November 10, respectively.

4. 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.

5. Long-Term Debt

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

6. Equity Classification

Government-Wide Statements

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

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

Fund Financial Statements

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

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 Activities

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

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.
4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

Government-Wide Financial Statements

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

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

G. Rounding Differences

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

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

The School Corporation's management cannot transfer budgeted appropriations between program classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any increase to the appropriations for any levied fund.

B. Cash and Investment Balance Deficits

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

Fund	2009	2010
Title I 2008-09	\$ 18,910	\$ -
Title II Part A 2008-09	10,284	-
Special Education Part B Stimulus	1,000	19,530
Title IV Part A 2009-10	-	2,047
Title II Part A 2009-10	-	3,201
Title I Stimulus Grant	-	1,951

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

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. IC 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. All funds are to be deposited in an approved depository. At June 30, 2010, the School Corporation had deposit balances in the amount of \$12,854,692.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

As of June 30, 2010, the School Corporation had the following investments:

Investment Type	Primary Government Market Value
Mutual funds	\$ <u>3,389,007</u>

Statutory Authorization for Investments

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

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

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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's investment policy for custodial credit risk states that the Middlebury Community Schools Employee Benefit Trust allows Money Market Funds when they are fully insured or guaranteed by the U.S. Government.

The following investments held by the School Corporation were 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:

Investment Type	2009 Not in the Government's Name	2010 Not in the Government's Name
Mutual Funds	<u>\$ 2,751,648</u>	<u>\$ 3,389,007</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's investment policy for interest rate risk is the School only purchases Certificates of Deposit with the exception of the Middlebury Community Schools Employee Benefit Trust.

Investment Type	Investment Maturities (in Years)		
	Less Than 1	1-2	More Than 2
Mutual bond funds	<u>\$ 2,714,007</u>	<u>\$ 675,000</u>	<u>\$ -</u>

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below. The School Corporation's investment policy for credit risk is to invest in instruments backed by Governmental Entities.

Standard and Poor's Rating	Moody's Rating	School's Investments Mutual Bond Funds
Unrated	Unrated	\$ 3,389,007

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.

The School Corporation held the following investments that were exposed to concentration of credit risk:

Primary Government:

Issuer	2009	2010
JP Morgan Chase Bank, NA	\$ 2,751,648	\$ 1,008
First State Bank	-	3,387,999
Totals	\$ 2,751,648	\$ 3,389,007

B. Interfund Transfers

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

Transfer From	Transfer To	2009	2010
General Fund	Rainy Day Fund	\$ 150,000	\$ -
Debt Service Fund	Rainy Day Fund	-	143,000
Capital Projects Fund	Rainy Day Fund	-	438,500
Other Governmental Funds	General Fund	-	15,508
Other Governmental Funds	Major Fund	-	101,000
Other Governmental Funds	Other Governmental Funds	25,570	27,232
Totals		\$ 175,570	\$ 725,240

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

IV. Other Information

A. Risk Management

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

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters are covered by commercial insurance from independent third parties.

The School Corporation has chosen to establish a risk financing fund for risks associated with medical benefits for 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. The School Corporation purchases commercial insurance for claims in excess of coverage provided by the fund, including individual claims in excess of \$80,000 per person and \$2,604,672 in the aggregate for the 2009-2010 plan year. 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.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Holding Corporations

The School Corporation has entered into capital leases with Middlebury Schools Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2009 and 2010 for Series A, High School Classroom Project totaled \$2,522,000 and \$2,976,000, respectively. Lease payments during the years 2009 and 2010 for Series B, Auditorium and Pool Project totaled \$993,288 and \$1,048,000, respectively.

The School Corporation has entered into a capital lease with Middlebury Elementary/Middle Schools Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2009 and 2010 totaled \$620,000 and \$620,000, respectively.

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

The School Corporation has entered into a capital lease with Middlebury Elementary Schools Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2009 and 2010 totaled \$1,146,500 and \$1,148,500, respectively.

The School Corporation has entered into a capital lease with Northridge High School Additions Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the year 2009 totaled \$1,390,600. The final lease payment was made on June 12, 2009.

C. Subsequent Events

On February 23, 2010, three school systems, including Middlebury Community Schools, Hamilton Southeastern Schools, and Franklin Township Community School Corporation, filed a lawsuit against the State of Indiana in regards to the school funding formula used to calculate the amount each school system receives. The State of Indiana filed a motion to dismiss the lawsuit. On November 24, 2010, Hamilton County Superior Court Judge, Steven R. Nation, denied the motion to dismiss. The three school systems are proceeding with the lawsuit.

D. Temporary Loans

The School Corporation has temporary loans outstanding at June 30, 2009, and at June 30, 2010, for cash flow purposes in advance of property tax collections and/or state tuition support distributions in the following funds and amounts:

Fund	June 30, 2009	June 30, 2010
Transportation Operating	\$ 802,093	\$ 490,019
Debt Service	1,393,771	-

E. Other Postemployment Benefits

All retirees and their spouses are eligible for medical benefits under the Middlebury Community Schools Group Health Plan, which is a self-insurance plan. The retiree is responsible for paying the full cost of the benefit. A full cost premium is determined annually. The actual benefits provided under the self-insurance plan may be more or less than the premium charged. The annual premium for each year of the audit period was \$4,851 for single coverage and \$15,347 for family coverage.

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. 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

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the School Corporation for the fiscal years ending June 30, 2009, and June 30, 2010, were \$365,769 and \$381,837, respectively.

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

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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 employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

The School Corporation's contributions to the plan for the fiscal years ending June 30, 2009 and 2010, were \$466,031 and \$519,739, 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)
07-01-07	\$ 3,745,915	\$ 4,279,915	\$ (534,000)	88%	\$ 3,800,472	(14%)
07-01-08	4,062,096	4,667,409	(605,313)	87%	4,178,563	(14%)
07-01-09	4,436,736	5,020,072	(583,336)	88%	4,761,937	(12%)

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, 2009

	Transportation Operating Fund	Special Education Preschool Fund	School Lunch Fund	Textbook Rental Fund	Education License Plates Fund	Reading Recovery 2005-06 Fund	High Ability 2007-08 Fund
Receipts:							
Local sources	\$ 1,654,310	\$ 26,788	\$ 1,024,697	\$ 170,505	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	806	-	-
State sources	-	126,860	27,496	60,482	-	1,500	-
Federal sources	13,702	-	562,827	-	-	-	-
Temporary loans	802,093	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total receipts	2,470,105	153,648	1,615,020	230,987	806	1,500	-
Disbursements:							
Current:							
Instruction	-	157,139	-	-	862	-	11,702
Support services	1,822,530	-	127	301,216	-	-	-
Noninstructional services	-	-	1,532,674	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	914,512	-	-	-	-	-	-
Nonprogrammed charges	-	-	119,177	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	2,737,042	157,139	1,651,978	301,216	862	-	11,702
Excess (deficiency) of receipts over disbursements	(266,937)	(3,491)	(36,958)	(70,229)	(56)	1,500	(11,702)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(1,500)	-
Total other financing sources (uses)	-	-	-	-	-	(1,500)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(266,937)	(3,491)	(36,958)	(70,229)	(56)	-	(11,702)
Cash and investments - beginning	669,876	3,729	249,552	384,091	300	-	11,702
Cash and investments - ending	\$ 402,939	\$ 238	\$ 212,594	\$ 313,862	\$ 244	\$ -	\$ -
Cash and Investment Assets - Ending							
Cash and investments	\$ 402,939	\$ 238	\$ 212,594	\$ 313,862	\$ 244	\$ -	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 402,939	\$ 238	\$ 212,594	\$ 313,862	\$ 244	\$ -	\$ -
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	402,939	238	212,594	313,862	244	-	-
Total cash and investment fund balance - ending	\$ 402,939	\$ 238	\$ 212,594	\$ 313,862	\$ 244	\$ -	\$ -

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, 2009
 (Continued)

	High Ability 2008-09 Fund	Reading Recovery 2006-07 Fund	Tech Prep PLTW 2008-09 Fund	School Improvement Fund	Medicaid Reimbursement Fund	Non-English Speaking Program Fund	School Technology Fund
Receipts:							
Local sources	\$ -	\$ 1,500	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	43,687	-	8,218	49,971	-	52,617	-
Federal sources	-	-	9,838	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total receipts	43,687	1,500	18,056	49,971	-	52,617	-
Disbursements:							
Current:							
Instruction	34,301	5,972	13,484	-	-	94,469	-
Support services	-	-	-	51,509	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	34,301	5,972	13,484	51,509	-	94,469	-
Excess (deficiency) of receipts over disbursements	9,386	(4,472)	4,572	(1,538)	-	(41,852)	-
Other financing sources (uses):							
Transfers in	-	1,500	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	1,500	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	9,386	(2,972)	4,572	(1,538)	-	(41,852)	-
Cash and investments - beginning	-	2,972	-	60,389	236	51,987	550
Cash and investments - ending	\$ 9,386	\$ -	\$ 4,572	\$ 58,851	\$ 236	\$ 10,135	\$ 550
Cash and Investment Assets - Ending							
Cash and investments	\$ 9,386	\$ -	\$ 4,572	\$ 58,851	\$ 236	\$ 10,135	\$ 550
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 9,386	\$ -	\$ 4,572	\$ 58,851	\$ 236	\$ 10,135	\$ 550
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	9,386	-	4,572	58,851	236	10,135	550
Total cash and investment fund balance - ending	\$ 9,386	\$ -	\$ 4,572	\$ 58,851	\$ 236	\$ 10,135	\$ 550

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, 2009
 (Continued)

	Coordinated School Health Fund	Economics Education Grant 2007-08 Fund	Title I 2007-08 Fund	Title I 2008-09 Fund	Title V-A 2006-07 Fund	Title V 2007-08 Fund	Title IV Part A 2007-08 Fund
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	31,000	279,765	-	6,085	-
Temporary loans	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total receipts	-	-	31,000	279,765	-	6,085	-
Disbursements:							
Current:							
Instruction	-	651	15,077	277,461	-	-	-
Support services	-	-	1,992	44,912	1,406	4,546	1,222
Noninstructional services	-	-	599	372	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	-	651	17,668	322,745	1,406	4,546	1,222
Excess (deficiency) of receipts over disbursements	-	(651)	13,332	(42,980)	(1,406)	1,539	(1,222)
Other financing sources (uses):							
Transfers in	-	-	-	24,070	-	-	-
Transfers out	-	-	(24,070)	-	-	-	-
Total other financing sources (uses)	-	-	(24,070)	24,070	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(651)	(10,738)	(18,910)	(1,406)	1,539	(1,222)
Cash and investments - beginning	160	651	10,738	-	1,406	-	1,222
Cash and investments - ending	\$ 160	\$ -	\$ -	\$ (18,910)	\$ -	\$ 1,539	\$ -
Cash and Investment Assets - Ending							
Cash and investments	\$ 160	\$ -	\$ -	\$ (18,910)	\$ -	\$ 1,539	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 160	\$ -	\$ -	\$ (18,910)	\$ -	\$ 1,539	\$ -
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	160	-	-	(18,910)	-	1,539	-
Total cash and investment fund balance - ending	\$ 160	\$ -	\$ -	\$ (18,910)	\$ -	\$ 1,539	\$ -

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, 2009
 (Continued)

	Title IV Part A 2008-09 Fund	Medicaid Reimbursement Federal Fund	Title II Part A 2008-09 Fund	Title II Part A 2007-08 Fund	Title II Teacher Quality 2007-08 Fund	Title III 2007-08 Fund
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	5,964	-	17,170	37,385	47,700	-
Temporary loans	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total receipts	5,964	-	17,170	37,385	47,700	-
Disbursements:						
Current:						
Instruction	-	5,148	27,454	70,284	47,483	1,152
Support services	148	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	148	5,148	27,454	70,284	47,483	1,152
Excess (deficiency) of receipts over disbursements	5,816	(5,148)	(10,284)	(32,899)	217	(1,152)
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	5,816	(5,148)	(10,284)	(32,899)	217	(1,152)
Cash and investments - beginning	-	5,148	-	32,899	-	1,152
Cash and investments - ending	\$ 5,816	\$ -	\$ (10,284)	\$ -	\$ 217	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ 5,816	\$ -	\$ (10,284)	\$ -	\$ 217	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 5,816	\$ -	\$ (10,284)	\$ -	\$ 217	\$ -
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	5,816	-	(10,284)	-	217	-
Total cash and investment fund balance - ending	\$ 5,816	\$ -	\$ (10,284)	\$ -	\$ 217	\$ -

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, 2009
 (Continued)

	Fiscal Stabilization Fund	Special Education Part B Stimulus Fund	Severance Retirement Fund	Bus Replacement Fund	Construction Fund	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ 434,280	\$ 375,623	\$ -	\$ 3,687,703
Intermediate sources	-	-	-	-	-	806
State sources	-	-	-	-	-	370,831
Federal sources	1,916,165	-	-	-	-	2,927,601
Temporary loans	-	-	35,067	-	-	837,160
Interfund loans	-	-	471,765	-	-	471,765
Total receipts	1,916,165	-	941,112	375,623	-	8,295,866
Disbursements:						
Current:						
Instruction	1,300,884	1,000	-	-	-	2,064,523
Support services	-	-	-	381,960	-	2,611,568
Noninstructional services	-	-	-	-	-	1,533,645
Facilities acquisition and construction	-	-	-	-	26,029	26,029
Debt services	-	-	508,800	-	-	1,423,312
Nonprogrammed charges	317,321	-	-	-	-	436,498
Interfund loans	-	-	473,066	-	-	473,066
Total disbursements	1,618,205	1,000	981,866	381,960	26,029	8,568,641
Excess (deficiency) of receipts over disbursements	297,960	(1,000)	(40,754)	(6,337)	(26,029)	(272,775)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	25,570
Transfers out	-	-	-	-	-	(25,570)
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	297,960	(1,000)	(40,754)	(6,337)	(26,029)	(272,775)
Cash and investments - beginning	-	-	49,566	51,827	169,978	1,760,131
Cash and investments - ending	\$ 297,960	\$ (1,000)	\$ 8,812	\$ 45,490	\$ 143,949	\$ 1,487,356
Cash and Investment Assets - Ending						
Cash and investments	\$ 297,960	\$ (1,000)	\$ -	\$ 45,490	\$ 143,949	\$ 1,478,544
Restricted assets:						
Cash and investments	-	-	8,812	-	-	8,812
Total cash and investment assets - ending	\$ 297,960	\$ (1,000)	\$ 8,812	\$ 45,490	\$ 143,949	\$ 1,487,356
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ 8,812	\$ -	\$ -	\$ 8,812
Unrestricted	297,960	(1,000)	-	45,490	143,949	1,478,544
Total cash and investment fund balance - ending	\$ 297,960	\$ (1,000)	\$ 8,812	\$ 45,490	\$ 143,949	\$ 1,487,356

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, 2010

	Transportation Operating Fund	Special Education Preschool Fund	School Lunch Fund	Textbook Rental Fund	Education License Plates Fund	Alternative Education Fund	Reading Recovery 2005-06 Fund
Receipts:							
Local sources	\$ 2,899,485	\$ -	\$ 1,046,344	\$ 215,138	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	412	-	-
State sources	-	66,000	27,622	83,746	-	3,103	1,000
Federal sources	35,602	-	758,734	-	-	-	-
Temporary loans	490,019	-	-	-	-	-	-
Total receipts	3,425,106	66,000	1,832,700	298,884	412	3,103	1,000
Disbursements:							
Current:							
Instruction	-	50,730	-	-	581	-	-
Support services	1,924,740	-	-	414,024	-	-	-
Noninstructional services	-	-	1,624,164	-	-	-	-
Debt services	802,093	-	-	-	-	-	-
Nonprogrammed charges	-	-	100,922	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	2,726,833	50,730	1,725,086	414,024	581	-	-
Excess (deficiency) of receipts over disbursements	698,273	15,270	107,614	(115,140)	(169)	3,103	1,000
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	(93,000)	(15,508)	-	-	-	-	(1,000)
Total other financing sources (uses)	(93,000)	(15,508)	-	-	-	-	(1,000)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	605,273	(238)	107,614	(115,140)	(169)	3,103	-
Cash and investments - beginning	402,939	238	212,594	313,862	244	-	-
Cash and investments - ending	\$ 1,008,212	\$ -	\$ 320,208	\$ 198,722	\$ 75	\$ 3,103	\$ -
Cash and Investment Assets - Ending							
Cash and investments	\$ 1,008,212	\$ -	\$ 320,208	\$ 198,722	\$ 75	\$ 3,103	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 1,008,212	\$ -	\$ 320,208	\$ 198,722	\$ 75	\$ 3,103	\$ -
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	1,008,212	-	320,208	198,722	75	3,103	-
Total cash and investment fund balance - ending	\$ 1,008,212	\$ -	\$ 320,208	\$ 198,722	\$ 75	\$ 3,103	\$ -

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, 2010
 (Continued)

	High Ability 2008-09 Fund	High Ability 2009-10 Fund	Reading Recovery 2006-07 Fund	Tech Prep PLTW 2008-09 Fund	Tech Prep PLTW 2009-10 Fund	School Improvement Plan Grant Fund
Receipts:						
Local sources	\$ -	\$ -	\$ 1,500	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	43,560	-	-	8,826	8,750
Federal sources	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-
Total receipts	-	43,560	1,500	-	8,826	8,750
Disbursements:						
Current:						
Instruction	9,386	35,119	2,500	265	8,826	-
Support services	-	-	-	4,307	-	34,214
Noninstructional services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	9,386	35,119	2,500	4,572	8,826	34,214
Excess (deficiency) of receipts over disbursements	(9,386)	8,441	(1,000)	(4,572)	-	(25,464)
Other financing sources (uses):						
Transfers in	-	-	1,000	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	1,000	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(9,386)	8,441	-	(4,572)	-	(25,464)
Cash and investments - beginning	9,386	-	-	4,572	-	58,851
Cash and investments - ending	\$ -	\$ 8,441	\$ -	\$ -	\$ -	\$ 33,387
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 8,441	\$ -	\$ -	\$ -	\$ 33,387
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 8,441	\$ -	\$ -	\$ -	\$ 33,387
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	8,441	-	-	-	33,387
Total cash and investment fund balance - ending	\$ -	\$ 8,441	\$ -	\$ -	\$ -	\$ 33,387

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, 2010
 (Continued)

	Medicaid Reimbursement Fund	Non-English Speaking Program Fund	School Technology Fund	Coordinated School Health Program Fund	No Excuses University Fund	Excess PTRC Distribution Fund
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 400	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	1,139	45,221	-	-	500	33,013
Federal sources	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-
Total receipts	1,139	45,221	-	400	500	33,013
Disbursements:						
Current:						
Instruction	-	45,221	-	-	-	-
Support services	120	-	-	143	-	-
Noninstructional services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	120	45,221	-	143	-	-
Excess (deficiency) of receipts over disbursements	1,019	-	-	257	500	33,013
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	1,019	-	-	257	500	33,013
Cash and investments - beginning	236	10,135	550	160	-	-
Cash and investments - ending	<u>\$ 1,255</u>	<u>\$ 10,135</u>	<u>\$ 550</u>	<u>\$ 417</u>	<u>\$ 500</u>	<u>\$ 33,013</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 1,255	\$ 10,135	\$ 550	\$ 417	\$ 500	\$ 33,013
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 1,255</u>	<u>\$ 10,135</u>	<u>\$ 550</u>	<u>\$ 417</u>	<u>\$ 500</u>	<u>\$ 33,013</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	1,255	10,135	550	417	500	33,013
Total cash and investment fund balance - ending	<u>\$ 1,255</u>	<u>\$ 10,135</u>	<u>\$ 550</u>	<u>\$ 417</u>	<u>\$ 500</u>	<u>\$ 33,013</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, 2010
 (Continued)

	Title I 2008-09 Fund	Title I 2009-10 Fund	Title V 2007-08 Fund	Title IV Part A 2008-09 Fund	Title IV Part A 2009-10 Fund	Medicaid Reimbursement Fund
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	67,000	320,357	2,373	3,000	5,846	45
Temporary loans	-	-	-	-	-	-
Total receipts	67,000	320,357	2,373	3,000	5,846	77
Disbursements:						
Current:						
Instruction	13,072	224,543	-	-	-	-
Support services	7,371	94,038	3,912	8,816	7,893	-
Noninstructional services	1,415	1,987	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	21,858	320,568	3,912	8,816	7,893	-
Excess (deficiency) of receipts over disbursements	45,142	(211)	(1,539)	(5,816)	(2,047)	77
Other financing sources (uses):						
Transfers in	-	26,232	-	-	-	-
Transfers out	(26,232)	-	-	-	-	-
Total other financing sources (uses)	(26,232)	26,232	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	18,910	26,021	(1,539)	(5,816)	(2,047)	77
Cash and investments - beginning	(18,910)	-	1,539	5,816	-	-
Cash and investments - ending	\$ -	\$ 26,021	\$ -	\$ -	\$ (2,047)	\$ 77
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 26,021	\$ -	\$ -	\$ (2,047)	\$ 77
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 26,021	\$ -	\$ -	\$ (2,047)	\$ 77
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	26,021	-	-	(2,047)	77
Total cash and investment fund balance - ending	\$ -	\$ 26,021	\$ -	\$ -	\$ (2,047)	\$ 77

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, 2010
 (Continued)

	Title II Part A 2008-09 Fund	Title II Part A 2009-10 Fund	Title II Teacher Quality 2007-08 Fund	Title III 2009-10 Fund	Fiscal Stabilization Fund	Title I Stimulus Grant Fund
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	120,000	15,090	-	45,630	863,626	86,253
Temporary loans	-	-	-	-	-	-
Total receipts	120,000	15,090	-	45,630	863,626	86,253
Disbursements:						
Current:						
Instruction	105,716	18,291	85	45,630	1,161,586	87,448
Support services	-	-	132	-	-	756
Noninstructional services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	105,716	18,291	217	45,630	1,161,586	88,204
Excess (deficiency) of receipts over disbursements	14,284	(3,201)	(217)	-	(297,960)	(1,951)
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	14,284	(3,201)	(217)	-	(297,960)	(1,951)
Cash and investments - beginning	(10,284)	-	217	-	297,960	-
Cash and investments - ending	<u>\$ 4,000</u>	<u>\$ (3,201)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,951)</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 4,000	\$ (3,201)	\$ -	\$ -	\$ -	\$ (1,951)
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 4,000</u>	<u>\$ (3,201)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,951)</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	4,000	(3,201)	-	-	-	(1,951)
Total cash and investment fund balance - ending	<u>\$ 4,000</u>	<u>\$ (3,201)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,951)</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, 2010
 (Continued)

	Special Education Part B Stimulus Fund	McKinney- Vento Ed for Homeless Fund	Severance/ Retirement Fund	Bus Replacement Fund	Construction Fund	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ 700,635	\$ 36,017	\$ -	\$ 4,899,551
Intermediate sources	-	-	-	-	-	412
State sources	-	-	-	-	-	322,480
Federal sources	606,476	4,319	-	-	-	2,934,351
Temporary loans	-	-	-	-	-	490,019
Total receipts	606,476	4,319	700,635	36,017	-	8,646,813
Disbursements:						
Current:						
Instruction	607,265	-	-	-	-	2,416,264
Support services	17,741	-	-	-	-	2,518,207
Noninstructional services	-	-	-	-	-	1,627,566
Debt services	-	-	474,975	-	-	1,277,068
Nonprogrammed charges	-	-	-	-	-	100,922
Interfund loans	-	-	215,000	-	-	215,000
Total disbursements	625,006	-	689,975	-	-	8,155,027
Excess (deficiency) of receipts over disbursements	(18,530)	4,319	10,660	36,017	-	491,786
Other financing sources (uses):						
Transfers in	-	-	-	-	-	27,232
Transfers out	-	-	-	(8,000)	-	(143,740)
Total other financing sources (uses)	-	-	-	(8,000)	-	(116,508)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(18,530)	4,319	10,660	28,017	-	375,278
Cash and investments - beginning	(1,000)	-	8,812	45,490	143,949	1,487,356
Cash and investments - ending	<u>\$ (19,530)</u>	<u>\$ 4,319</u>	<u>\$ 19,472</u>	<u>\$ 73,507</u>	<u>\$ 143,949</u>	<u>\$ 1,862,634</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ (19,530)	\$ 4,319	\$ -	\$ 73,507	\$ 143,949	\$ 1,843,162
Restricted assets:						
Cash and investments	-	-	19,472	-	-	19,472
Total cash and investment assets - ending	<u>\$ (19,530)</u>	<u>\$ 4,319</u>	<u>\$ 19,472</u>	<u>\$ 73,507</u>	<u>\$ 143,949</u>	<u>\$ 1,862,634</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ 19,472	\$ -	\$ -	\$ 19,472
Unrestricted	(19,530)	4,319	-	73,507	143,949	1,843,162
Total cash and investment fund balance - ending	<u>\$ (19,530)</u>	<u>\$ 4,319</u>	<u>\$ 19,472</u>	<u>\$ 73,507</u>	<u>\$ 143,949</u>	<u>\$ 1,862,634</u>

MIDDLEBURY COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2009

	<u>Payroll Clearing</u>	<u>Prepaid Food</u>	<u>McS Clearing</u>	<u>Clearing Account Employer</u>	<u>Totals</u>
Additions:					
Agency fund additions	\$ 18,235,818	\$ 230,344	\$ 261,596	\$ 43,818	\$ 18,771,576
Deductions:					
Agency fund deductions	<u>18,289,841</u>	<u>227,266</u>	<u>25,201</u>	<u>40,012</u>	<u>18,582,320</u>
Excess (deficiency) of total additions over total deductions	(54,023)	3,078	236,395	3,806	189,256
Cash and investment fund balance - beginning	<u>219,976</u>	<u>30,470</u>	<u>28,100</u>	<u>(3,806)</u>	<u>274,740</u>
Cash and investment fund balance - ending	<u>\$ 165,953</u>	<u>\$ 33,548</u>	<u>\$ 264,495</u>	<u>\$ -</u>	<u>\$ 463,996</u>

MIDDLEBURY COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2010

	<u>Payroll Clearing</u>	<u>Prepaid Food</u>	<u>McS Clearing</u>	<u>Clearing Account Employer</u>	<u>Totals</u>
Additions:					
Agency fund additions	\$ 19,591,734	\$ 224,677	\$ (254,154)	\$ 13,757	\$ 19,576,014
Deductions:					
Agency fund deductions	<u>19,591,347</u>	<u>220,489</u>	<u>1,257</u>	<u>17,770</u>	<u>19,830,863</u>
Excess (deficiency) of total additions over total deductions	387	4,188	(255,411)	(4,013)	(254,849)
Cash and investment fund balance - beginning	<u>165,953</u>	<u>33,548</u>	<u>264,495</u>	<u>-</u>	<u>463,996</u>
Cash and investment fund balance - ending	<u>\$ 166,340</u>	<u>\$ 37,736</u>	<u>\$ 9,084</u>	<u>\$ (4,013)</u>	<u>\$ 209,147</u>

MIDDLEBURY COMMUNITY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2010

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 1,908,794
Buildings	113,925,160
Improvements other than buildings	9,808,575
Machinery and equipment	<u>13,005,823</u>
 Total governmental activities, capital assets not being depreciated	 <u><u>\$ 138,648,352</u></u>

MIDDLEBURY COMMUNITY SCHOOLS
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
June 30, 2010

The School has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Middlebury Elementary/Middle Schools Building Corp	\$ 414,848	\$ 620,000
Middlebury Elementary Schools Building Corp.	7,540,000	1,150,000
Middlebury Schools Building Corp. Series A	61,930,000	4,549,000
Middlebury Schools Building Corp. Series B	15,670,000	1,099,500
Common school loan:		
1993 Common school loan A0349	300,000	89,063
Bonds payable:		
General obligation bonds:		
Severance/Retirement	2,870,000	474,531
Technology leases:		
2005	65,167	66,653
2006	252,485	133,713
2007	559,872	199,027
Total governmental activities debt	\$ 89,602,372	\$ 8,381,487

MIDDLEBURY COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS AND RECORD OF HOURS WORKED

The controls over the payroll process were insufficient. Some employees were paid from two or more funds and the School Corporation did not have each employee submit a record of hours worked. The employees generally only communicated to the payroll department the hours not worked. If an employee did not provide an "affidavit" indicating time off, the assumption was the employee worked his or her "normal" hours. For some positions there were no compensating controls. These are positions that require a substitute be provided when that particular employee is off from work. Since some employees did not maintain a (daily) record of hours worked by job duty, we could not determine if the applicable funds were appropriately charged.

Some employees who provided services that are related to extra-curricular activities were paid for such services directly by the Treasurer from a respective school extra-curricular account.

IC 5-11-9-4(b) states in part: ". . . records be maintained showing which hours were worked each day by officers and employees . . . employed . . . in more than one (1) position by the same public agency . . ."

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

The School Administrator and Uniform Compliance Guidelines, Volume 170, June 2005, Page 4, states in part that pay of teachers and other personnel for service at interscholastic athletic events such as ticket takers, scoreboard personnel, etc., are expenses of the Athletic Fund of the Extra-Curricular Account. Pay of concession stand supervisors and of ticket takers, etc., for fine arts events should be paid from the proceeds of the activity sponsoring these events. Payment to all such personnel must be by way of a payroll. If an extra-curricular payroll is not maintained, the payments may be made a part of the school corporation payroll and charged to a school corporation General Fund appropriation; however, the General Fund must be reimbursed for such payment by the activity which the employees served. (The School Administrator and Uniform Compliance Guidelines, Volume 170, Page 4) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

MIDDLEBURY COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

PAYMENT TO EMPLOYEES FROM EXTRA-CURRICULAR ACTIVITY FUNDS
(Applies to Northridge High School)

Payments to School Corporation employees working at Extra-Curricular activity events were made through the extra-curricular account rather than through the School Corporation payroll system.

The School Administrator and Uniform Compliance Guidelines, Volume 170, June 2005, Page 4, states in part that pay of teachers and other personnel for service at interscholastic athletic events such as ticket takers, scoreboard personnel, etc., are expenses of the Athletic Fund of the Extra-Curricular Account. Pay of concession stand supervisors and of ticket takers, etc., for fine arts events should be paid from the proceeds of the activity sponsoring these events. Payment to all such personnel must be by way of a payroll. If an extra-curricular payroll is not maintained, the payments may be made a part of the school corporation payroll and charged to a school corporation General Fund appropriation; however, the General Fund must be reimbursed for such payment by the activity which the employees served. (The School Administrator and Uniform Compliance Guidelines, Volume 170, Page 4) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

DISBURSEMENT DOCUMENTATION (Applies to Orchard View Elementary School)

Several payments were observed which did not contain adequate supporting documentation such as receipts, and invoices. The payments reviewed that did not have supporting documentation were primarily for field trips; however, some other purchases also did not have supporting documentation. 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)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE 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, 2009 and 2010. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2009 and 2010.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of 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, the School Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

January 4, 2011

MIDDLEBURY COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2009 and 2010

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-09	Total Federal Awards Expended 06-30-10
U.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 73,464	\$ 109,266
National School Lunch Program	10.555		<u>574,829</u>	<u>741,131</u>
Total for federal grantor agency			<u>648,293</u>	<u>850,397</u>
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010	FY 07-08	41,738	-
		FY 08-09	322,746	48,090
		FY 09-10	<u>-</u>	<u>320,568</u>
Total for program			<u>364,484</u>	<u>368,658</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 09-10	<u>-</u>	<u>88,205</u>
Total for Title I, Part A cluster			<u>364,484</u>	<u>456,863</u>
Pass-Through Goshen Community Schools				
Special Education Cluster				
Special Education - Grants to States	84.027	FY 08-09	750,221	-
		FY 09-10	<u>-</u>	<u>808,761</u>
Total for program			<u>750,221</u>	<u>808,761</u>
ARRA - Special Education - Grants to States, Recovery Act	84.391		<u>1,000</u>	<u>625,006</u>
Total for Special Education cluster			<u>751,221</u>	<u>1,433,767</u>
Pass-Through Indiana Department of Education				
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394		<u>1,618,205</u>	<u>1,161,586</u>
Pass-Through Elkhart Community Schools				
Career and Technical Education - Basic Grants to States	84.048	FY 08-09	4,300	-
		FY 09-10	<u>-</u>	<u>3,000</u>
Total for program			<u>4,300</u>	<u>3,000</u>
Pass-Through Indiana Department of Education				
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 07-08	1,222	-
		FY 08-09	148	8,816
		FY 09-10	<u>-</u>	<u>7,893</u>
Total for program			<u>1,370</u>	<u>16,709</u>
State Grants for Innovative Programs	84.298	2006-07	1,406	-
		2007-08	<u>4,546</u>	<u>3,912</u>
Total for program			<u>5,952</u>	<u>3,912</u>
English Language Acquisition Grants	84.365	FY 07-08	1,152	-
		FY 08-09	47,483	217
		FY 09-10	<u>-</u>	<u>45,630</u>
Total for program			<u>48,635</u>	<u>45,847</u>
Improving Teacher Quality State Grants	84.367	FY 07-08	70,284	-
		FY 08-09	27,454	105,716
		FY 09-10	<u>-</u>	<u>18,291</u>
Total for program			<u>97,738</u>	<u>124,007</u>
Total for federal grantor agency			<u>2,891,905</u>	<u>3,245,691</u>
Total federal awards expended			<u>\$ 3,540,198</u>	<u>\$ 4,096,088</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 cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2009 and 2010. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2009	2010
Child Nutrition Cluster	10.555	\$ 85,466	\$ 91,660

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

Child Nutrition Cluster
Title I, Part A Cluster
Special Education Cluster
State Fiscal Stabilization Fund Cluster

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

Auditee qualified as low-risk auditee? yes

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.

MIDDLEBURY COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on January 4, 2011, with James K. Conner, Superintendent of Schools; Joanna King, President of the School Board; and Shirley A. Meyer, Treasurer. The officials concurred with our audit findings.