

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

MANCHESTER COMMUNITY SCHOOLS
WABASH COUNTY, INDIANA

July 1, 2010 to June 30, 2012



FILED
01/23/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kendra J. Miller	07-01-10 to 06-30-13
Superintendent of Schools	Dr. Diana Showalter Dr. William C. Reichhart	07-01-10 to 11-18-10 11-19-10 to 06-30-13
President of the School Board	Sally S. Krouse Brian Schilling	07-01-10 to 06-30-11 07-01-11 to 06-30-13



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE MANCHESTER COMMUNITY SCHOOLS, WABASH COUNTY, INDIANA

We have audited the accompanying financial statement of the Manchester Community Schools (School Corporation), for the period of July 1, 2010 to June 30, 2012. This financial statement is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The basis of accounting noted above is a different basis than that used in the prior period.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2010 to June 30, 2012.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2010 to June 30, 2012, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated December 13, 2012, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial

INDEPENDENT AUDITOR'S REPORT
(Continued)

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.

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other reports used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

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

STATE BOARD OF ACCOUNTS

December 13, 2012



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

TO: THE OFFICIALS OF THE MANCHESTER COMMUNITY SCHOOLS, WABASH COUNTY, INDIANA

We have audited the financial statement of the Manchester Community Schools (School Corporation), for the period of July 1, 2010 to June 30, 2012, and have issued our report thereon dated December 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the School Corporation is responsible for establishing and maintaining effective 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 opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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, School Board, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

December 13, 2012

FINANCIAL STATEMENT

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

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MANCHESTER COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2011 and 2012

	Cash and Investments 07-01-10	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12
General	\$ 482,825	\$ 10,031,905	\$ 10,004,756	\$ -	\$ 509,974	\$ 10,156,086	\$ 10,049,931	\$ -	\$ 616,129
Debt Service	1,013,909	1,880,433	1,865,021	(10,475)	1,018,846	1,339,838	1,761,184	2,022	599,522
Retirement/Severance Bond Debt Service	125,271	221,626	220,373	-	126,524	213,976	219,162	-	121,338
Capital Projects	555,232	1,610,844	1,515,774	-	650,302	1,619,179	1,719,004	8,170	558,647
School Transportation	290,089	857,512	829,176	34,548	352,973	805,325	855,441	(8,805)	294,052
School Bus Replacement	244,378	240,048	310,380	-	174,046	260,115	352,652	805	82,314
Retirement/Severance Bond	1,341	-	-	-	1,341	-	-	-	1,341
School Lunch	172,671	1,090,323	1,103,672	-	159,322	1,156,851	1,179,956	-	136,217
Textbook Rental	23,192	113,542	50,806	10,475	96,403	131,198	295,007	10,595	(56,811)
Levy Excess	-	21,761	-	(21,761)	-	39,769	-	-	39,769
Educational License Plates	9,300	244	-	-	9,544	263	2,316	-	7,491
Alternative Education	2,222	-	-	-	2,222	-	-	-	2,222
Donations/PEPSI	13	326	211	-	128	258	402	-	(16)
Strauss Family Professional Development	-	-	-	-	-	20,002	1,786	-	18,216
Auction	2,596	-	-	-	2,596	-	-	-	2,596
Miscellaneous Programs/Ford Grant	687	12,000	12,390	-	297	15,000	6,049	-	9,248
Miscellaneous Programs/Latchkey	430	-	-	-	430	-	-	-	430
Community Foundation/Tri Kappa	294	1,699	40	-	1,953	540	517	-	1,976
MES Playground Equipment	5,420	-	-	-	5,420	-	-	-	5,420
MES Supplies/MC Donation	-	-	-	-	-	444	-	-	444
MIS/Student Financial Needs	1,074	-	-	-	1,074	-	-	-	1,074
Community Foundation/Inclusion	595	-	595	-	-	-	-	-	-
Community Foundation/CAPE/Elementary	994	-	737	-	257	-	257	-	-
Community Foundation/CAPE/MHS	1,485	-	1,485	-	-	-	-	-	-
Gifted and Talented FY 09-10	3,216	-	3,216	-	-	-	-	-	-
Gifted and Talented FY 10-11	-	31,179	25,319	-	5,860	-	5,860	-	-
Gifted and Talented FY 11-12	-	-	-	-	-	29,971	29,198	-	773
Non-English Speaking FY 08-09	-	2,519	2,519	-	-	-	-	-	-
Non-English Speaking FY 09-10	3,526	-	3,526	-	-	-	-	-	-
School Technology	32,509	33,706	11,518	-	54,697	19,573	81,670	-	(7,400)
Excess PTRC Distributions	25,574	-	-	(12,787)	12,787	-	-	(12,787)	-
Title I FY 09-10	(15,099)	16,200	-	(1,101)	-	-	-	-	-
Title I FY 10-11	-	120,602	171,893	1,101	(50,190)	50,190	-	-	-
Title I FY 11-12	-	-	-	-	-	181,029	199,471	-	(18,442)
Title IV Safe and Drug Free FY 09-10	4,570	-	2,350	-	2,220	-	2,220	-	-
PTRC Holding/2010	98,145	-	98,145	-	-	-	-	-	-
Title II, Part A FY 09-10	(2,468)	36,026	34,809	-	(1,251)	3,406	2,155	-	-
Title II, Part A FY 10-11	-	36,528	39,003	-	(2,475)	21,887	19,412	-	-
Title II, Part A FY 11-12	-	-	-	-	-	34,611	41,305	-	(6,694)
Cadre 3/Technology	-	-	2,199	-	(2,199)	20,990	18,791	-	-
Title III, Limited English	-	-	-	-	-	2,432	1,786	-	646
Title I Grants to LEAs	8,868	19,756	46,562	-	(17,938)	32,503	14,565	-	-
Special Education Part B	13,358	22,500	41,761	-	(5,903)	28,114	22,211	-	-
Education Jobs	-	36,190	47,678	-	(11,488)	234,636	234,895	-	(11,747)
Clearing	-	2,549,642	2,549,657	-	(15)	3,496,582	3,455,055	-	41,512
Totals	\$ 3,106,217	\$ 18,987,111	\$ 18,995,571	\$ -	\$ 3,097,757	\$ 19,914,768	\$ 20,572,258	\$ -	\$ 2,440,267

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

MANCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

The accompanying financial statement presents the financial information for the School Corporation.

B. Basis of Accounting

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

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

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

D. Receipts

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

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

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

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

MANCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Temporary loans which include money received from a loan obtained to pay current expenses prior to the receipt of revenue from taxes levied for that purpose. These loans, sometimes designated tax anticipation warrants, must be repaid by the end of the calendar year from local property taxes levied for such fund.

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

E. Disbursements

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

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

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

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

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

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

Nonprogrammed charges which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, funds held temporarily for an authorized recipient and self-insurance payments.

F. Other Financing Sources and Uses

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

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

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

MANCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

Note 4. Deposits and Investments

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

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

MANCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

MANCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teacher's Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

SUPPLEMENTARY INFORMATION – UNAUDITED

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

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

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

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

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Retirement/ Severance Bond	School Lunch	Textbook Rental	Levy Excess
Cash and investments - beginning	\$ 482,825	\$ 1,013,909	\$ 125,271	\$ 555,232	\$ 290,089	\$ 244,378	\$ 1,341	\$ 172,671	\$ 23,192	\$ -
Receipts:										
Local sources	139,656	1,880,433	221,626	1,201,098	607,288	190,048	-	679,892	65,027	21,761
Intermediate sources	52	-	-	-	-	-	-	-	-	-
State sources	9,386,851	-	-	-	-	-	-	8,092	48,064	-
Federal sources	2	-	-	-	-	-	-	400,782	-	-
Temporary loans	500,000	-	-	400,000	250,000	50,000	-	-	-	-
Other	5,344	-	-	9,746	224	-	-	1,557	451	-
Total receipts	10,031,905	1,880,433	221,626	1,610,844	857,512	240,048	-	1,090,323	113,542	21,761
Disbursements:										
Current:										
Instruction	6,359,895	-	-	-	-	-	-	-	-	-
Support services	2,968,375	-	-	467,352	629,176	210,380	-	459	50,806	-
Noninstructional services	170,731	-	-	-	-	-	-	1,103,213	-	-
Facilities acquisition and construction	5,755	-	-	748,422	-	-	-	-	-	-
Debt services	500,000	1,865,021	220,373	300,000	200,000	100,000	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	10,004,756	1,865,021	220,373	1,515,774	829,176	310,380	-	1,103,672	50,806	-
Excess (deficiency) of receipts over disbursements	27,149	15,412	1,253	95,070	28,336	(70,332)	-	(13,349)	62,736	21,761
Other financing sources (uses):										
Transfers in	-	-	-	-	34,548	-	-	-	10,475	-
Transfers out	-	(10,475)	-	-	-	-	-	-	-	(21,761)
Total other financing sources (uses)	-	(10,475)	-	-	34,548	-	-	-	10,475	(21,761)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	27,149	4,937	1,253	95,070	62,884	(70,332)	-	(13,349)	73,211	-
Cash and investments - ending	\$ 509,974	\$ 1,018,846	\$ 126,524	\$ 650,302	\$ 352,973	\$ 174,046	\$ 1,341	\$ 159,322	\$ 96,403	\$ -

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

	Educational License Plates	Alternative Education	Donations/ PEPSI	Auction	Miscellaneous Programs/ Ford Grant	Miscellaneous Programs/ Latchkey	Community Foundation/ Tri Kappa	MES Playground Equipment	MIS/ Student Financial Needs	Community Foundation/ Inclusion
Cash and investments - beginning	\$ 9,300	\$ 2,222	\$ 13	\$ 2,596	\$ 687	\$ 430	\$ 294	\$ 5,420	\$ 1,074	\$ 595
Receipts:										
Local sources	-	-	326	-	12,000	-	1,699	-	-	-
Intermediate sources	244	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	244	-	326	-	12,000	-	1,699	-	-	-
Disbursements:										
Current:										
Instruction	-	-	-	-	-	-	-	-	-	595
Support services	-	-	211	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	12,390	-	40	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	211	-	12,390	-	40	-	-	595
Excess (deficiency) of receipts over disbursements	244	-	115	-	(390)	-	1,659	-	-	(595)
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	244	-	115	-	(390)	-	1,659	-	-	(595)
Cash and investments - ending	\$ 9,544	\$ 2,222	\$ 128	\$ 2,596	\$ 297	\$ 430	\$ 1,953	\$ 5,420	\$ 1,074	\$ -

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

	Community Foundation/ CAPE/ Elementary	Community Foundation/ CAPE/ MHS	Gifted and Talented FY 09-10	Gifted and Talented FY 10-11	Non-English Speaking FY 08-09	Non-English Speaking FY 09-10	School Technology	Excess PTRC Distributions	Title I FY 09-10	Title I FY 10-11
Cash and investments - beginning	\$ 994	\$ 1,485	\$ 3,216	\$ -	\$ -	\$ 3,526	\$ 32,509	\$ 25,574	\$ (15,099)	\$ -
Receipts:										
Local sources	-	-	-	-	2,519	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	31,179	-	-	33,706	-	-	-
Federal sources	-	-	-	-	-	-	-	-	16,200	120,602
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	31,179	2,519	-	33,706	-	16,200	120,602
Disbursements:										
Current:										
Instruction	737	-	3,216	25,319	2,519	3,526	-	-	-	157,162
Support services	-	1,485	-	-	-	-	11,518	-	-	14,501
Noninstructional services	-	-	-	-	-	-	-	-	-	230
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	737	1,485	3,216	25,319	2,519	3,526	11,518	-	-	171,893
Excess (deficiency) of receipts over disbursements	(737)	(1,485)	(3,216)	5,860	-	(3,526)	22,188	-	16,200	(51,291)
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	1,101
Transfers out	-	-	-	-	-	-	-	(12,787)	(1,101)	-
Total other financing sources (uses)	-	-	-	-	-	-	-	(12,787)	(1,101)	1,101
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(737)	(1,485)	(3,216)	5,860	-	(3,526)	22,188	(12,787)	15,099	(50,190)
Cash and investments - ending	\$ 257	\$ -	\$ -	\$ 5,860	\$ -	\$ -	\$ 54,697	\$ 12,787	\$ -	\$ (50,190)

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

	Title IV Safe and Drug Free FY 09-10	PTRC Holding/2010	Title II, Part A FY 09-10	Title II, Part A FY 10-11	Cadre 3/ Technology	Title I Grants to LEAs	Special Education Part B	Education Jobs	Clearing	Totals
Cash and investments - beginning	\$ 4,570	\$ 98,145	\$ (2,468)	\$ -	\$ -	\$ 8,868	\$ 13,358	\$ -	\$ -	\$ 3,106,217
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	5,023,373
Intermediate sources	-	-	-	-	-	-	-	-	-	296
State sources	-	-	-	-	-	-	-	-	-	9,507,892
Federal sources	-	-	36,026	36,528	-	19,756	22,500	36,190	-	688,586
Temporary loans	-	-	-	-	-	-	-	-	-	1,200,000
Other	-	-	-	-	-	-	-	-	2,549,642	2,566,964
Total receipts	-	-	36,026	36,528	-	19,756	22,500	36,190	2,549,642	18,987,111
Disbursements:										
Current:										
Instruction	-	-	34,809	39,003	2,199	46,036	41,761	20,478	-	6,737,255
Support services	2,350	-	-	-	-	526	-	27,200	-	4,384,339
Noninstructional services	-	-	-	-	-	-	-	-	-	1,286,604
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	754,177
Debt services	-	-	-	-	-	-	-	-	-	3,185,394
Nonprogrammed charges	-	98,145	-	-	-	-	-	-	2,549,657	2,647,802
Total disbursements	2,350	98,145	34,809	39,003	2,199	46,562	41,761	47,678	2,549,657	18,995,571
Excess (deficiency) of receipts over disbursements	(2,350)	(98,145)	1,217	(2,475)	(2,199)	(26,806)	(19,261)	(11,488)	(15)	(8,460)
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	46,124
Transfers out	-	-	-	-	-	-	-	-	-	(46,124)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,350)	(98,145)	1,217	(2,475)	(2,199)	(26,806)	(19,261)	(11,488)	(15)	(8,460)
Cash and investments - ending	\$ 2,220	\$ -	\$ (1,251)	\$ (2,475)	\$ (2,199)	\$ (17,938)	\$ (5,903)	\$ (11,488)	\$ (15)	\$ 3,097,757

MANCHESTER COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Retirement/ Severance Bond	School Lunch	Textbook Rental	Levy Excess
Cash and investments - beginning	\$ 509,974	\$ 1,018,846	\$ 126,524	\$ 650,302	\$ 352,973	\$ 174,046	\$ 1,341	\$ 159,322	\$ 96,403	\$ -
Receipts:										
Local sources	130,124	1,339,838	213,976	1,017,863	598,950	160,115	-	703,548	72,312	39,769
Intermediate sources	28	-	-	-	-	-	-	-	-	-
State sources	9,418,227	-	-	-	-	-	-	8,121	58,170	-
Federal sources	-	-	-	-	-	-	-	444,614	-	-
Temporary loans	600,000	-	-	600,000	200,000	100,000	-	-	-	-
Other	7,707	-	-	1,316	6,375	-	-	568	716	-
Total receipts	10,156,086	1,339,838	213,976	1,619,179	805,325	260,115	-	1,156,851	131,198	39,769
Disbursements:										
Current:										
Instruction	6,353,336	-	-	-	-	-	-	-	-	-
Support services	3,006,555	-	-	521,453	605,441	302,652	-	1,061	295,007	-
Noninstructional services	184,280	-	-	-	-	-	-	1,178,895	-	-
Facilities acquisition and construction	5,760	-	-	797,551	-	-	-	-	-	-
Debt services	500,000	1,761,184	219,162	400,000	250,000	50,000	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	10,049,931	1,761,184	219,162	1,719,004	855,441	352,652	-	1,179,956	295,007	-
Excess (deficiency) of receipts over disbursements	106,155	(421,346)	(5,186)	(99,825)	(50,116)	(92,537)	-	(23,105)	(163,809)	39,769
Other financing sources (uses):										
Transfers in	-	12,617	-	8,170	12,787	805	-	-	10,595	-
Transfers out	-	(10,595)	-	-	(21,592)	-	-	-	-	-
Total other financing sources (uses)	-	2,022	-	8,170	(8,805)	805	-	-	10,595	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	106,155	(419,324)	(5,186)	(91,655)	(58,921)	(91,732)	-	(23,105)	(153,214)	39,769
Cash and investments - ending	\$ 616,129	\$ 599,522	\$ 121,338	\$ 558,647	\$ 294,052	\$ 82,314	\$ 1,341	\$ 136,217	\$ (56,811)	\$ 39,769

MANCHESTER COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Educational License Plates	Alternative Education	Donations/ PEPSI	Strauss Family Professional Development	Auction	Miscellaneous Programs/ Ford Grant	Miscellaneous Programs/ Latchkey	Community Foundation/ Tri Kappa	MES Playground Equipment	MES Supplies/ MC Donation
Cash and investments - beginning	\$ 9,544	\$ 2,222	\$ 128	\$ -	\$ 2,596	\$ 297	\$ 430	\$ 1,953	\$ 5,420	\$ -
Receipts:										
Local sources	-	-	258	20,002	-	15,000	-	540	-	444
Intermediate sources	263	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	263	-	258	20,002	-	15,000	-	540	-	444
Disbursements:										
Current:										
Instruction	-	-	-	-	-	-	-	-	-	-
Support services	2,316	-	402	1,786	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	6,049	-	517	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	2,316	-	402	1,786	-	6,049	-	517	-	-
Excess (deficiency) of receipts over disbursements	(2,053)	-	(144)	18,216	-	8,951	-	23	-	444
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	(2,053)	-	(144)	18,216	-	8,951	-	23	-	444
Cash and investments - ending	\$ 7,491	\$ 2,222	\$ (16)	\$ 18,216	\$ 2,596	\$ 9,248	\$ 430	\$ 1,976	\$ 5,420	\$ 444

MANCHESTER COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	MIS/ Student Financial Needs	Community Foundation/ CAPE/ Elementary	Gifted and Talented FY 10-11	Gifted and Talented FY 11-12	School Technology	Excess PTRC Distributions	Title I FY 10-11	Title I FY 11-12	Title IV Safe and Drug Free FY 09-10	Title II, Part A FY 09-10
Cash and investments - beginning	\$ 1,074	\$ 257	\$ 5,860	\$ -	\$ 54,697	\$ 12,787	\$ (50,190)	\$ -	\$ 2,220	\$ (1,251)
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	29,971	19,573	-	-	-	-	-
Federal sources	-	-	-	-	-	-	50,190	181,029	-	3,406
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	29,971	19,573	-	50,190	181,029	-	3,406
Disbursements:										
Current:										
Instruction	-	257	5,860	29,198	-	-	-	185,989	-	2,155
Support services	-	-	-	-	81,670	-	-	13,206	2,220	-
Noninstructional services	-	-	-	-	-	-	-	276	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	257	5,860	29,198	81,670	-	-	199,471	2,220	2,155
Excess (deficiency) of receipts over disbursements	-	(257)	(5,860)	773	(62,097)	-	50,190	(18,442)	(2,220)	1,251
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(12,787)	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	(12,787)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(257)	(5,860)	773	(62,097)	(12,787)	50,190	(18,442)	(2,220)	1,251
Cash and investments - ending	\$ 1,074	\$ -	\$ -	\$ 773	\$ (7,400)	\$ -	\$ -	\$ (18,442)	\$ -	\$ -

MANCHESTER COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Title II, Part A FY 10-11	Title II, Part A FY 11-12	Cadre 3/ Technology	Title III, Limited English	Title I Grants to LEAs	Special Education Part B	Education Jobs	Clearing	Totals
Cash and investments - beginning	\$ (2,475)	\$ -	\$ (2,199)	\$ -	\$ (17,938)	\$ (5,903)	\$ (11,488)	\$ (15)	\$ 3,097,757
Receipts:									
Local sources	-	-	-	-	-	-	-	-	4,312,739
Intermediate sources	-	-	-	-	-	-	-	-	291
State sources	-	-	20,990	2,432	-	-	-	-	9,557,484
Federal sources	21,887	34,611	-	-	32,503	28,114	234,636	-	1,030,990
Temporary loans	-	-	-	-	-	-	-	-	1,500,000
Other	-	-	-	-	-	-	-	3,496,582	3,513,264
Total receipts	21,887	34,611	20,990	2,432	32,503	28,114	234,636	3,496,582	19,914,768
Disbursements:									
Current:									
Instruction	19,412	41,305	1,109	1,786	14,565	22,211	151,229	-	6,828,412
Support services	-	-	-	-	-	-	83,666	-	4,917,435
Noninstructional services	-	-	-	-	-	-	-	-	1,370,017
Facilities acquisition and construction	-	-	17,682	-	-	-	-	-	820,993
Debt services	-	-	-	-	-	-	-	-	3,180,346
Nonprogrammed charges	-	-	-	-	-	-	-	3,455,055	3,455,055
Total disbursements	19,412	41,305	18,791	1,786	14,565	22,211	234,895	3,455,055	20,572,258
Excess (deficiency) of receipts over disbursements	2,475	(6,694)	2,199	646	17,938	5,903	(259)	41,527	(657,490)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	44,974
Transfers out	-	-	-	-	-	-	-	-	(44,974)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,475	(6,694)	2,199	646	17,938	5,903	(259)	41,527	(657,490)
Cash and investments - ending	\$ -	\$ (6,694)	\$ -	\$ 646	\$ -	\$ -	\$ (11,747)	\$ 41,512	\$ 2,440,267

MANCHESTER COMMUNITY SCHOOLS
SCHEDULE OF LEASES AND DEBT
JUNE 30, 2012

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Manchester High School Building Corporation	High School Building Corporation	\$ 509,338	07-01-98	Refinanced July 2012

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose	
Governmental activities:		
Loans payable	Common School Fund Loan A0415	\$ 3,698,100
	Energy Savings Loan	305,549
Bonds payable		
General obligation bonds	2004 Pension Bonds	1,410,000
Totals		\$ 5,413,649
		\$ 818,484

MANCHESTER COMMUNITY SCHOOLS
 SCHEDULE OF CAPITAL ASSETS
 JUNE 30, 2012

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

	Ending Balance
Governmental activities:	
Land	\$ 29,879
Buildings	20,139,993
Improvements other than buildings	1,498,948
Machinery, equipment and vehicles	5,523,914
Total capital assets	\$ 27,192,734

MANCHESTER COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

OVERDRAWN FUND BALANCE

The fund balance of the Textbook Rental Fund was overdrawn \$56,811 at June 30, 2012.

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

CERTIFIED REPORT (FORM 100R) NOT TIMELY FILED

The School Corporation did not file a Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100R or its equivalent) with the State Board of Accounts on a timely basis. The report due in January 2011 was filed June 27, 2011. A similar comment appeared in prior Report B38580.

Indiana Code 5-11-13-1 states in part:

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

CONDITION OF RECORDS (Applies to Manchester High School)

A Total Monies on Deposit money market account was erroneously considered to be unrecorded funds of the High School by the prior Extra-Curricular Treasurer. Funds from the money market account were disbursed and not posted to any of the Extra-Curricular funds. As a result of these transactions not being posted, the record balance at May 31, 2012, exceeded the bank balance by \$21,079. As of October 31, 2012, the record balance exceeded the bank balance by \$20,885. A similar comment appeared in prior Report B38580.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE MANCHESTER COMMUNITY SCHOOLS, WABASH COUNTY, INDIANA

Compliance

We have audited Manchester Community Schools' (School Corporation) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the period of July 1, 2010 to June 30, 2012. The School Corporation's major federal program is 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 its major federal program 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 could have a direct and material effect on its major federal program for the period of July 1, 2010 to June 30, 2012.

Internal Control Over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

STATE BOARD OF ACCOUNTS

December 13, 2012

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

MANCHESTER COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2011 and 2012

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 06-30-11	Total Federal Awards Expended 06-30-12
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	FY 2011 FY 2012	\$ 66,327 -	\$ - 78,490
Total for program			66,327	78,490
National School Lunch Program	10.555	FY 2011 FY 2012	360,932 -	- 394,992
Total for program			360,932	394,992
Summer Food Service Program for Children	10.559	FY 2011 FY 2012	20,530 -	- 23,193
Total for program			20,530	23,193
Total for cluster			447,789	496,675
Total for federal grantor agency			447,789	496,675
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010	11-8045 12-8045	171,892 -	- 181,029
Total for program			171,892	181,029
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	11-8045	46,562	14,566
Total for cluster			218,454	195,595
Pass-Through Wabash City Schools				
Educational Technology State Grants Cluster				
Educational Technology State Grants	84.318	FY 2011	2,199	18,791
Total for cluster			2,199	18,791
Pass-Through Metropolitan School District of Wabash County				
Special Education Cluster (IDEA)				
ARRA - Special Education Grants to States, Recovery Act	84.391	33310-058-SN01	41,761	22,210
Total for cluster			41,761	22,210
Pass-Through Indiana Department of Education				
Safe and Drug-Free Schools and Communities - State Grants				
	84.186	09-8045	2,350	2,220
Pass-Through Region 8 Education Service Center				
English Language Acquisition State Grants				
	84.365	FY 2012	-	2,431
Pass-Through Indiana Department of Education				
Improving Teacher Quality State Grants				
	84.367	09-8045 10-8045 11-8045	34,809 39,003 -	2,155 19,412 34,611
Total for program			73,812	56,178
Education Jobs Fund	84.410	11-8045	47,678	223,146
Total for federal grantor agency			386,254	520,571
Total federal awards expended			\$ 834,043	\$ 1,017,246

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

MANCHESTER COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

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

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

Note 2. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2011 and 2012. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	For the Year Ended June 30, 2011	For the Year Ended June 30, 2012
Child Nutrition Cluster:			
Food Commodities:			
National School Lunch Program	10.555	\$ 47,019	\$ 52,061

MANCHESTER COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on December 13, 2012, with Dr. William C. Reichhart, Superintendent of Schools; Kendra J. Miller, Treasurer; Steve Shumaker, Business Manager; and Stephen D. Flack, Vice President of the School Board. The officials concurred with our audit findings.