

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

NORTH MIAMI COMMUNITY SCHOOLS  
MIAMI COUNTY, INDIANA

July 1, 2010 to June 30, 2012



**FILED**  
01/28/2013



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Krista R. Warder	07-01-10 to 06-30-13
Superintendent of Schools	Mary Ann Irwin Cathy Egolf	07-01-10 to 06-30-12 07-01-12 to 06-30-13
President of the School Board	William C. Deeds II	07-01-10 to 06-30-13



## INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF NORTH MIAMI COMMUNITY SCHOOLS, MIAMI COUNTY, INDIANA

We have audited the accompanying financial statement of North Miami 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 this financial statement based on our audit.

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

As discussed in Note 1, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The 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 19, 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 Payables and Receivables, 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 19, 2012



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF NORTH MIAMI COMMUNITY SCHOOLS, MIAMI COUNTY, INDIANA

We have audited the financial statement of North Miami Community Schools (School Corporation), for the period of July 1, 2010 to June 30, 2012, and have issued our report thereon dated December 19, 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1 to be a material weakness.

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.

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

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

STATE BOARD OF ACCOUNTS

December 19, 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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NORTH MIAMI 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	\$ 815,677	\$ 6,695,405	\$ 6,690,080	\$ (1,163)	\$ 819,839	\$ 6,558,185	\$ 6,213,785	\$ 11,901	\$ 1,176,140
Debt Service	273,339	451,573	458,670	-	266,242	493,722	490,946	(10,647)	258,371
Retirement/Severance Bond Debt Service	131,309	228,558	226,398	-	133,469	221,448	230,109	-	124,808
Capital Projects	472,979	816,500	1,073,654	-	215,825	773,941	917,879	3,705	75,592
School Transportation	251,187	515,915	559,394	15,350	223,058	477,097	573,188	325	127,292
School Bus Replacement	219,133	470,390	191,119	(449,800)	48,604	149,020	1,462	-	196,162
Rainy Day	340,537	-	185,657	450,000	604,880	-	-	-	604,880
Construction Bond Sale	84,000	-	-	-	84,000	-	84,000	-	-
Construction	-	98,000	98,000	-	-	-	-	-	-
School Lunch	170,138	485,662	439,816	-	215,984	511,377	429,665	-	297,696
Textbook Rental	67,860	69,938	85,238	376	52,936	105,833	126,186	1,642	34,225
Levy Excess	-	13,254	-	(13,254)	-	-	-	-	-
Child Care Program	8,482	30,014	28,209	-	10,287	18,420	21,931	-	6,776
Educational License Plates	2,888	206	-	-	3,094	94	-	-	3,188
Donations, Gifts, and Trusts	532	1,400	196	-	1,736	667	1,158	-	1,245
Non-English Speaking Programs P.L. 273-1999	75	-	-	-	75	-	-	-	75
School Technology	16,002	14,793	13,949	-	16,846	18,562	15,226	129	20,311
Vending Fund	25	135	153	-	7	162	166	-	3
Dukes Healthcare Foundation Grant	2,553	-	2,416	-	137	-	137	-	-
Dukes Healthcare Grant	-	-	-	-	-	3,000	976	-	2,024
Title I - FY 09-10	10,373	9,000	13,608	(5,765)	-	-	-	-	-
Title I - FY 10-11	-	102,954	117,568	5,765	(8,849)	25,000	13,807	(2,344)	-
Title I - FY 11-12	-	-	-	-	-	92,038	108,235	2,344	(13,853)
Drug Free Schools 09-10	3,209	-	3,209	-	-	495	495	-	-
Improving Teaching Quality, No Child Left, Title II, Part A	16,941	17,977	39,572	-	(4,654)	32,493	37,000	-	(9,161)
Title I - Grants to LEAs	16,691	18,168	34,859	-	-	-	-	-	-
Education Jobs	-	-	-	-	-	170,416	196,308	-	(25,892)
Payroll Withholdings	30,015	1,433,901	1,438,393	-	25,523	1,438,297	1,426,401	-	37,419
Totals	<u>\$ 2,933,945</u>	<u>\$ 11,473,743</u>	<u>\$ 11,700,158</u>	<u>\$ 1,509</u>	<u>\$ 2,709,039</u>	<u>\$ 11,090,267</u>	<u>\$ 10,889,060</u>	<u>\$ 7,055</u>	<u>\$ 2,917,301</u>

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

NORTH MIAMI 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.

NORTH MIAMI 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 from the next semiannual distribution of 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 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:

Sale of capital assets which includes money received when land, buildings, or equipment owned by the School Corporation is sold.

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.

NORTH MIAMI COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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.

**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.

NORTH MIAMI 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.

NORTH MIAMI 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.

NORTH MIAMI 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/ Servance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction Bond Sale	Construction	School Lunch
Cash and investments - beginning	\$ 815,677	\$ 273,339	\$ 131,309	\$ 472,979	\$ 251,187	\$ 219,133	\$ 340,537	\$ 84,000	\$ -	\$ 170,138
Receipts:										
Local sources	64,052	451,573	228,558	816,391	513,460	470,390	-	-	-	293,390
Intermediate sources	641	-	-	-	-	-	-	-	-	-
State sources	6,629,617	-	-	-	-	-	-	-	-	5,844
Federal sources	-	-	-	-	-	-	-	-	-	186,417
Temporary loans	-	-	-	-	-	-	-	-	98,000	-
Other	1,095	-	-	109	2,455	-	-	-	-	11
Total receipts	6,695,405	451,573	228,558	816,500	515,915	470,390	-	-	98,000	485,662
Disbursements:										
Current:										
Instruction	4,442,699	-	-	-	-	-	-	-	-	-
Support services	2,148,871	-	-	588,842	476,053	191,119	-	-	98,000	1,188
Noninstructional services	98,510	-	-	-	-	-	-	-	-	438,628
Facilities acquisition and construction	-	-	-	213,874	-	-	185,657	-	-	-
Debt services	-	458,670	226,398	270,938	83,341	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	6,690,080	458,670	226,398	1,073,654	559,394	191,119	185,657	-	98,000	439,816
Excess (deficiency) of receipts over disbursements	5,325	(7,097)	2,160	(257,154)	(43,479)	279,271	(185,657)	-	-	45,846
Other financing sources (uses):										
Sale of capital assets	933	-	-	-	-	200	-	-	-	-
Transfers in	-	-	-	-	15,350	-	450,000	-	-	-
Transfers out	(2,096)	-	-	-	-	(450,000)	-	-	-	-
Total other financing sources (uses)	(1,163)	-	-	-	15,350	(449,800)	450,000	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,162	(7,097)	2,160	(257,154)	(28,129)	(170,529)	264,343	-	-	45,846
Cash and investments - ending	\$ 819,839	\$ 266,242	\$ 133,469	\$ 215,825	\$ 223,058	\$ 48,604	\$ 604,880	\$ 84,000	\$ -	\$ 215,984

NORTH MIAMI 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)

	Textbook Rental	Levy Excess	Child Care Program	Educational License Plates	Donations, Gifts, and Trusts	Non-English Speaking Programs P.L. 273-1999	School Technology	Vending	Dukes Healthcare Foundation Grant	Dukes Healthcare Grant
Cash and investments - beginning	\$ 67,860	\$ -	\$ 8,482	\$ 2,888	\$ 532	\$ 75	\$ 16,002	\$ 25	\$ 2,553	\$ -
Receipts:										
Local sources	56,435	13,254	30,014	-	1,400	-	-	135	-	-
Intermediate sources	-	-	-	206	-	-	-	-	-	-
State sources	13,503	-	-	-	-	-	14,793	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	69,938	13,254	30,014	206	1,400	-	14,793	135	-	-
Disbursements:										
Current:										
Instruction	-	-	-	-	196	-	-	-	-	-
Support services	85,238	-	-	-	-	-	13,949	-	2,416	-
Noninstructional services	-	-	28,209	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	153	-	-
Total disbursements	85,238	-	28,209	-	196	-	13,949	153	2,416	-
Excess (deficiency) of receipts over disbursements	(15,300)	13,254	1,805	206	1,204	-	844	(18)	(2,416)	-
Other financing sources (uses):										
Sale of capital assets	376	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	(13,254)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	376	(13,254)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(14,924)	-	1,805	206	1,204	-	844	(18)	(2,416)	-
Cash and investments - ending	\$ 52,936	\$ -	\$ 10,287	\$ 3,094	\$ 1,736	\$ 75	\$ 16,846	\$ 7	\$ 137	\$ -

NORTH MIAMI 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 I FY 09-10	Title I FY 10-11	Title I FY 11-12	Drug Free Schools 09-10	Improving Teaching Quality No Child Left Title II, Part A	Title I Grants to LEAs	Education Jobs	Payroll Withholdings	Totals
Cash and investments - beginning	\$ 10,373	\$ -	\$ -	\$ 3,209	\$ 16,941	\$ 16,691	\$ -	\$ 30,015	\$ 2,933,945
Receipts:									
Local sources	-	-	-	-	-	-	-	-	2,939,052
Intermediate sources	-	-	-	-	-	-	-	-	847
State sources	-	-	-	-	-	-	-	-	6,663,757
Federal sources	9,000	102,954	-	-	17,977	18,168	-	-	334,516
Temporary loans	-	-	-	-	-	-	-	-	98,000
Other	-	-	-	-	-	-	-	1,433,901	1,437,571
Total receipts	9,000	102,954	-	-	17,977	18,168	-	1,433,901	11,473,743
Disbursements:									
Current:									
Instruction	12,299	112,349	-	3,209	39,572	33,260	-	-	4,643,584
Support services	573	1,387	-	-	-	1,599	-	-	3,609,235
Noninstructional services	736	3,832	-	-	-	-	-	-	569,915
Facilities acquisition and construction	-	-	-	-	-	-	-	-	399,531
Debt services	-	-	-	-	-	-	-	-	1,039,347
Nonprogrammed charges	-	-	-	-	-	-	-	1,438,393	1,438,546
Total disbursements	13,608	117,568	-	3,209	39,572	34,859	-	1,438,393	11,700,158
Excess (deficiency) of receipts over disbursements	(4,608)	(14,614)	-	(3,209)	(21,595)	(16,691)	-	(4,492)	(226,415)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	1,509
Transfers in	-	5,765	-	-	-	-	-	-	471,115
Transfers out	(5,765)	-	-	-	-	-	-	-	(471,115)
Total other financing sources (uses)	(5,765)	5,765	-	-	-	-	-	-	1,509
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(10,373)	(8,849)	-	(3,209)	(21,595)	(16,691)	-	(4,492)	(224,906)
Cash and investments - ending	\$ -	\$ (8,849)	\$ -	\$ -	\$ (4,654)	\$ -	\$ -	\$ 25,523	\$ 2,709,039

NORTH MIAMI 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	Rainy Day	Construction Bond Sale	Construction	School Lunch
Cash and investments - beginning	\$ 819,839	\$ 266,242	\$ 133,469	\$ 215,825	\$ 223,058	\$ 48,604	\$ 604,880	\$ 84,000	\$ -	\$ 215,984
Receipts:										
Local sources	54,285	493,722	221,448	772,589	476,955	149,020	-	-	-	286,541
Intermediate sources	427	-	-	-	-	-	-	-	-	-
State sources	6,500,345	-	-	-	-	-	-	-	-	5,971
Federal sources	-	-	-	-	-	-	-	-	-	218,865
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	3,128	-	-	1,352	142	-	-	-	-	-
Total receipts	6,558,185	493,722	221,448	773,941	477,097	149,020	-	-	-	511,377
Disbursements:										
Current:										
Instruction	4,053,146	-	-	-	-	-	-	-	-	-
Support services	2,050,287	-	-	648,134	573,188	1,462	-	-	-	1,188
Noninstructional services	99,705	-	-	-	-	-	-	-	-	428,477
Facilities acquisition and construction	-	-	-	269,745	-	-	-	84,000	-	-
Debt services	10,647	490,946	230,109	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	6,213,785	490,946	230,109	917,879	573,188	1,462	-	84,000	-	429,665
Excess (deficiency) of receipts over disbursements	344,400	2,776	(8,661)	(143,938)	(96,091)	147,558	-	(84,000)	-	81,712
Other financing sources (uses):										
Sale of capital assets	1,254	-	-	3,705	325	-	-	-	-	-
Transfers in	10,647	-	-	-	-	-	-	-	-	-
Transfers out	-	(10,647)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	11,901	(10,647)	-	3,705	325	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	356,301	(7,871)	(8,661)	(140,233)	(95,766)	147,558	-	(84,000)	-	81,712
Cash and investments - ending	\$ 1,176,140	\$ 258,371	\$ 124,808	\$ 75,592	\$ 127,292	\$ 196,162	\$ 604,880	\$ -	\$ -	\$ 297,696

NORTH MIAMI 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)

	Textbook Rental	Levy Excess	Child Care Program	Educational License Plates	Donations, Gifts, and Trusts	Non-English Speaking Programs P.L. 273-1999	School Technology	Vending	Dukes Healthcare Foundation Grant	Dukes Healthcare Grant
Cash and investments - beginning	\$ 52,936	\$ -	\$ 10,287	\$ 3,094	\$ 1,736	\$ 75	\$ 16,846	\$ 7	\$ 137	\$ -
Receipts:										
Local sources	74,960	-	18,420	-	667	-	-	162	-	-
Intermediate sources	-	-	-	94	-	-	-	-	-	-
State sources	30,873	-	-	-	-	-	18,562	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	3,000
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	105,833	-	18,420	94	667	-	18,562	162	-	3,000
Disbursements:										
Current:										
Instruction	-	-	-	-	1,158	-	-	-	-	-
Support services	126,186	-	-	-	-	-	15,226	-	137	976
Noninstructional services	-	-	21,931	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	166	-	-
Total disbursements	126,186	-	21,931	-	1,158	-	15,226	166	137	976
Excess (deficiency) of receipts over disbursements	(20,353)	-	(3,511)	94	(491)	-	3,336	(4)	(137)	2,024
Other financing sources (uses):										
Sale of capital assets	1,642	-	-	-	-	-	129	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	1,642	-	-	-	-	-	129	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(18,711)	-	(3,511)	94	(491)	-	3,465	(4)	(137)	2,024
Cash and investments - ending	\$ 34,225	\$ -	\$ 6,776	\$ 3,188	\$ 1,245	\$ 75	\$ 20,311	\$ 3	\$ -	\$ 2,024

NORTH MIAMI 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 I FY 09-10	Title I FY 10-11	Title I FY 11-12	Drug Free Schools 09-10	Improving Teaching Quality No Child Left Title II, Part A	Title I Grants to LEAs	Education Jobs	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ (8,849)	\$ -	\$ -	\$ (4,654)	\$ -	\$ -	\$ 25,523	\$ 2,709,039
Receipts:									
Local sources	-	-	-	-	-	-	-	-	2,548,769
Intermediate sources	-	-	-	-	-	-	-	-	521
State sources	-	-	-	-	-	-	-	-	6,555,751
Federal sources	-	25,000	92,014	495	32,493	-	170,416	-	542,283
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	24	-	-	-	-	1,438,297	1,442,943
Total receipts	-	25,000	92,038	495	32,493	-	170,416	1,438,297	11,090,267
Disbursements:									
Current:									
Instruction	-	10,062	105,395	495	37,000	-	135,083	-	4,342,339
Support services	-	3,284	955	-	-	-	61,225	-	3,482,248
Noninstructional services	-	461	1,885	-	-	-	-	-	552,459
Facilities acquisition and construction	-	-	-	-	-	-	-	-	353,745
Debt services	-	-	-	-	-	-	-	-	731,702
Nonprogrammed charges	-	-	-	-	-	-	-	1,426,401	1,426,567
Total disbursements	-	13,807	108,235	495	37,000	-	196,308	1,426,401	10,889,060
Excess (deficiency) of receipts over disbursements	-	11,193	(16,197)	-	(4,507)	-	(25,892)	11,896	201,207
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	7,055
Transfers in	-	-	2,344	-	-	-	-	-	12,991
Transfers out	-	(2,344)	-	-	-	-	-	-	(12,991)
Total other financing sources (uses)	-	(2,344)	2,344	-	-	-	-	-	7,055
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	8,849	(13,853)	-	(4,507)	-	(25,892)	11,896	208,262
Cash and investments - ending	\$ -	\$ -	\$ (13,853)	\$ -	\$ (9,161)	\$ -	\$ (25,892)	\$ 37,419	\$ 2,917,301

NORTH MIAMI COMMUNITY SCHOOLS  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2012

<u>Primary Government</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 134,810</u>	<u>\$ 48,903</u>

NORTH MIAMI COMMUNITY SCHOOLS  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LEASES AND DEBT  
 June 30, 2012

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
North Miami High School - 2010	\$ 985,000	\$ 72,000
North Miami High School - 2012	2,000,000	-
Notes and loans payable:		
Common School Loans:		
Energy upgrade # A-0458	756,000	85,680
Construction # A-0514	2,079,500	268,830
Construction # A-0530	120,000	33,020
Technology # A-1440	65,333	33,238
Bonds payable:		
General obligation bonds:		
2002 Pension Bonds	445,000	103,600
2006 Pension Bonds	<u>1,220,000</u>	<u>124,532</u>
Total governmental activities debt	<u>\$ 7,670,833</u>	<u>\$ 720,900</u>

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NORTH MIAMI COMMUNITY SCHOOLS  
 SUPPLEMENTARY INFORMATION  
 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.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 244,128
Buildings	15,404,066
Improvements other than buildings	727,047
Machinery, equipment and vehicles	<u>8,034,526</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 24,409,767</u>

NORTH MIAMI COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS

***PERSONAL EXPENSES - CREDIT CARD***

Former Superintendent, Mary Ann Irwin, used her school corporation credit card for various personal expenses. Over a 22 month period from September 2010 through June of 2012, this credit card incurred gross charges of \$33,264.44. Of these charges, \$11,855.95 were determined to be the personal responsibility of the former Superintendent. As of November 16, 2012, the total charges in question have been reimbursed to the School Corporation. Various payments totaling \$9,951.65 were received by the School Corporation prior to November 16, 2012. The last two payments, totaling \$1,904.30, were received by the School Corporation on November 16, 2012.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

***UNDOCUMENTED CREDIT CARD CLAIMS***

Several credit card claims did not contain adequate supporting documentation such as receipts and invoices. We reviewed credit card claims with total charges of \$32,259.92 and of this amount, \$6,809.01 failed to contain the necessary documentation to support the payment made. Due to the lack of supporting information, the validity and accountability of these monies disbursed could not be established. A similar comment on lack of supporting documentation was contained in the prior Report B38382.

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

NORTH MIAMI COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

***SEGREGATION OF DUTIES – INTERNAL CONTROLS OVER  
FINANCIAL TRANSACTIONS AND REPORTING***

Control activities should be selected and developed at various levels of the School Corporation to reduce risks to the achievement of financial reporting objectives. The School has not separated incompatible activities related to all areas of the financial statements including receipts, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to go undetected.

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)

***SUBSIDIARY LEDGER - PREPAID LUNCH***

The control ledger maintained on the School Corporation books for prepaid school lunch reconciled to the bank; however, it did not reconcile to the detail of individual students maintained by the lunch system (WinSNAP). As of May 31, 2012, the School Corporation had \$13,239.90 on its records and the detail of individual students totaled \$7,813.43.

Subsidiary ledger balances must reconcile to the control ledger fund balance. Every transaction should be posted to the control ledger and to the appropriate subsidiary ledger. Fund balances should reconcile between the control ledger and the subsidiary ledger. (Accounting and Uniform Compliance Guidelines Manual for Schools, Chapter 8)

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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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 NORTH MIAMI COMMUNITY SCHOOLS, MIAMI COUNTY, INDIANA

Compliance

We have audited North Miami 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 each of its major federal programs for the period of July 1, 2010 to June 30, 2012. 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 could have a direct and material effect on each of its major federal programs 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as item 2012-2. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report is intended solely for the information and use of the School Corporation's management, the 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 19, 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.

NORTH MIAMI 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 2010-2012	\$ 23,387	\$ 35,757
National School Lunch Program	10.555	FY 2010-2012	<u>188,964</u>	<u>217,132</u>
Total for cluster			<u>212,351</u>	<u>252,889</u>
<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			
		10-5620	13,608	-
		11-5620	117,568	13,807
		12-5620	<u>-</u>	<u>94,382</u>
Total for program			<u>131,176</u>	<u>108,189</u>
ARRA Title 1 Grants to Local Educational Agencies, Recovery Act	84.389	11-5635	<u>34,859</u>	<u>-</u>
Total for cluster			<u>166,035</u>	<u>108,189</u>
Safe and Drug Free Schools and Communities - State Grants	84.186	10-5635	<u>3,209</u>	<u>495</u>
Improving Teacher Quality State Grants	84.367			
		09-5620	16,941	-
		10-5620	<u>22,631</u>	<u>27,839</u>
Total for program			<u>39,572</u>	<u>27,839</u>
Education Jobs Fund	84.410	FY 2011-2012	<u>-</u>	<u>170,416</u>
Total for federal grantor agency			<u>208,816</u>	<u>306,939</u>
Total federal awards expended			<u>\$ 421,167</u>	<u>\$ 559,828</u>

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

NORTH MIAMI 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 North Miami 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 schools 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	2011	2012
National School Lunch Program	10.555	\$ 25,934	\$ 34,024

NORTH MIAMI COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I – Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unqualified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiency identified?	yes
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.410	Child Nutrition Cluster Education Jobs Fund

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

Auditee qualified as low-risk auditee? no

**Section II – Financial Statement Findings**

**FINDING 2012-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

Control activities should be selected and developed at various levels of the School Corporation to reduce risks to achievement of financial reporting objectives. The School has not separated incompatible activities related to all areas of the financial statements including receipts, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to go undetected.

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)

NORTH MIAMI COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Section III – Federal Award Findings and Questioned Costs**

**FINDING 2012-2 - INTERNAL CONTROL**

Federal Agency: U.S. Department of Education  
Federal Program: Education Jobs Fund  
CFDA Number: 84.410  
Federal Award Year: FY 2011-2012  
Pass-Through Entity: Indiana Department of Education

Management of the North Miami School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements; Activities Allowed and Unallowed, Allowable Costs, Cash Management, Period of Availability, and Reporting. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

An internal control system, including segregation of duties, should be designed and operated effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement, of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 (b) states:

"The auditee shall: (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Non-compliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program.



**North Miami Community Schools**

P.O. Box 218  
394 E. County Rd. 900 North  
Denver, IN 46926  
Telephone: 765.985.3891 Fax: 765.985.3904



October 16, 2012

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

Finding Number 2010-2      Internal Control (CFDA#10.555)  
Finding Number 2010-3      Internal Control (CFDA#84.394)

Original SBA Audit Report Number:      B38382  
Auditee Contact Person:      Krista Warder  
Title of Contact Person:      Treasurer  
Phone Number:      765-985-3891

Status of Findings: The Treasurer has reviewed their office procedures and has attempted to assign duties to include as much segregation as possible. The employees cross perform certain duties when an employee is on vacation. The school corporation is very small and management has determined that the cost associated with employing additional staff necessary to properly segregate the duties would outweigh the benefits of a stronger internal control structure.

Krista Warder  
Treasurer

Cathy Egolf, Superintendent  
Krista Warder, Treasurer  
Serena Francis, Deputy Treasurer

**Central Office**  
Rich Robins, Transportation  
Peggy Owens, Secretary  
Stephanie Owens, Food Service Director

Nathan Moreland, Technology Director  
Ryan Betzner, Maintenance Director



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**CORRECTIVE ACTION PLAN**

November 5, 2012

**Financial Statement Findings 2012-1, Internal Controls over Financial Transactions and Reporting**

The North Miami Community Schools has reviewed the Financial Statement Findings related to the audit for the years July 1, 2010 through June 30, 2012, and we offer the following corrective actions.

Lack of Segregation of Duties – The Treasurer will review their office procedures and attempt to assign duties such that there will be as much segregation of incompatible activities as is practical. In addition, the employees will cross perform certain duties particularly when an employee is on vacation. However, the school corporation is very small and management has determined that the cost associated with employing the additional staff necessary to properly segregate the duties would outweigh the benefits of a stronger internal control structure.

Management acknowledges and assumes the risks inherent with the current design of the business office.

Sincerely,

*Krista Warder*

Krista Warder  
Treasurer



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### CORRECTIVE ACTION PLAN

November 5, 2012

Federal Findings 2012-2, Internal Control  
Federal Agency: U.S. Department of Education  
Federal Program: Education Jobs Fund  
Pass-Through Entity: Indiana Department of Education  
Federal Award Year: FY 2011-2012  
CFDA Number: 84.410

The North Miami Community Schools has reviewed the Financial Statement Findings related to the audit for the years July 1, 2010 through June 30, 2012, and we offer the following corrective actions.

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Management acknowledges and assumes the risks inherent with the current design of the business office.

Sincerely,

Krista Warder  
Treasurer

NORTH MIAMI COMMUNITY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on December 19, 2012, with Cathy Egolf, Superintendent of Schools, and Krista R. Warder, Treasurer. The officials concurred with our audit findings.

NORTH MIAMI COMMUNITY SCHOOLS  
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Mary Ann Irwin, former Superintendent of Schools: Personal Expenses - Credit Card, page 26	<u>\$ 11,855.95</u>	<u>\$ 11,855.95</u>	<u>\$ -</u>