

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

MUNCIE COMMUNITY SCHOOLS
DELAWARE COUNTY, INDIANA

July 1, 2011 to June 30, 2013



FILED
03/27/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Mark A. Burkhart	07-01-11 to 06-30-14
Superintendent of Schools	Tim Heller	07-01-11 to 06-30-14
President of the School Board	Michael Long Beverly Kelly Anthony Costello	07-01-11 to 06-30-13 07-01-13 to 01-13-14 01-14-14 to 12-31-14



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE MUNCIE COMMUNITY SCHOOLS, DELAWARE COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Muncie Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School Corporation's preparation and fair presentation of the financial statement in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a 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 the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance 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, 2011 to June 30, 2013.

Opinion on Regulatory Basis of Accounting

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, 2011 to June 30, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 13, 2014, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

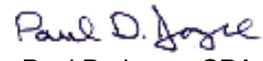
Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of 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 records 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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.

Other Information

The School Corporation's response to the Audit Results and Comments identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.


Paul D. Joyce, CPA
State Examiner

February 13, 2014



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INDEPENDENT AUDITOR'S 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 MUNCIE COMMUNITY SCHOOLS, DELAWARE COUNTY, INDIANA

We have audited, 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, the financial statement of the Muncie Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement, and have issued our report thereon dated February 13, 2014, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001 to be material weaknesses.

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

Compliance and Other Matters

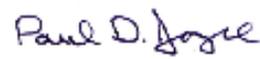
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001.

Muncie Community Schools' Response to Findings

The School Corporation's response to the findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

February 13, 2014

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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.

MUNCIE COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2012 and 2013

	Cash and Investments 07-01-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13
General	\$ 10,467,007	\$ 55,967,606	\$ 56,978,644	\$ 915,313	\$ 10,371,282	\$ 52,736,155	\$ 58,482,082	\$ 3,620,831	\$ 8,246,186
Debt Service	1,022,471	5,667,499	7,088,057	345,631	(52,456)	6,474,915	7,090,604	397,819	(270,326)
Retirement/Severance Bond Debt Service	146,786	579,005	761,908	14,957	(21,160)	633,750	760,475	84,497	(63,388)
Capital Projects	911,389	4,270,723	5,198,188	-	(16,076)	6,496,711	5,402,737	-	1,077,898
School Transportation	1,382,839	2,436,986	2,713,596	(400,000)	706,229	3,464,841	2,861,202	(394,106)	915,762
School Bus Replacement	86,372	81,461	3,135	(89,128)	75,570	38,652	4,990	(88,210)	21,022
Rainy Day	4,100,000	-	-	-	4,100,000	-	75,165	-	4,024,835
Retirement/Severance Bond	6,644,371	-	3,532,186	-	3,112,185	-	-	(3,112,185)	-
Construction	60,621	1,018,456	69,942	-	1,009,135	82,420	-	-	1,091,555
School Lunch	954,528	3,336,327	3,112,398	-	1,178,457	3,319,656	3,738,368	(126,158)	633,587
Textbook Rental	(171,552)	675,471	845,690	128,541	(213,230)	548,118	567,735	149,552	(83,295)
Self-Insurance	7,730,819	18,576,808	21,526,644	-	4,780,983	16,079,715	15,684,952	-	5,175,746
2010-2013 Dela-Blackford Special Education	-	-	-	-	-	1,436	5,771,828	(11,169)	(5,781,561)
2012-2013 Special Education Pre-School	-	-	-	-	-	221,375	178,661	69,329	112,043
2011-2012 Dela-Blackford Special Education	-	2,962	5,740,430	(64,243)	(5,801,711)	6,979,841	792,130	(386,000)	-
2011-2012 Special Education Pre-School	-	223,422	343,987	-	(120,565)	237,875	46,988	(70,322)	-
2009-2010 Dela-Blackford Special Education	40,518	-	-	(40,518)	-	-	-	-	-
2010-2011 Dela-Blackford Special Education	(5,307,715)	7,089,425	749,357	(1,032,353)	-	-	-	-	-
2010-2011 Special Education Pre-School	(407,873)	460,688	52,815	-	-	-	-	-	-
2011-2012 Vocational Coop	-	-	1,153,067	(177)	(1,153,244)	1,300,338	203,516	-	(56,422)
2012-2013 Vocational Coop-Acc Dist	-	-	-	-	-	-	1,141,711	-	(1,141,711)
2013-2014 Vocational Coop-Acc Dist #22	-	-	-	-	-	-	25	-	(25)
2009-2010 Vocational Coop-Acc-Dist	(20,653)	-	-	20,653	-	-	-	-	-
2010-2011 Vocational Coop-Acc-Dist	(888,902)	1,282,491	148,777	(244,812)	-	-	-	-	-
2010-2011 Extended Services Clear	107,624	144	5,524	(102,244)	-	-	-	-	-
2011-2012 Extended Services Clear	-	10,052	85,009	105,047	30,090	-	5,308	(24,782)	-
2010-2011 Creative Child Care	(9,868)	12,946	8,363	5,285	-	-	-	-	-
2011-2012 Creative Child Care	-	206,901	206,915	(5,285)	(5,299)	1,062	6,477	10,714	-
2012-2013 Creative Child Care	-	-	-	-	-	206,989	194,384	(10,714)	1,891
Educational Promotions	12,705	5,012	16,283	-	1,434	976	2,286	-	124
Alternative Ed. Grant	119,029	55,349	1,313	(102,668)	70,397	61,059	70,000	-	61,456

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

MUNCIE COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2012 and 2013
(Continued)

	Cash and Investments 07-01-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13
2009-2010 Ready Schools Program	3,459	-	3,458	(1)	-	-	-	-	-
2009-2010 School Intervention Career	(7,568)	-	562	8,130	-	-	-	-	-
Special Education Donation	1,784	-	745	-	1,039	-	-	-	1,039
Harry Mock Gift	145	5,449	-	-	5,594	-	2,005	-	3,589
2012 YOC Wal-Mart Grant	-	1,000	566	-	434	-	584	150	-
Ball Foundation SV Smartboard	87,650	-	87,650	-	-	-	-	-	-
2013 Ball Bros. Merkle-Teacher	-	-	-	-	-	1,000	-	-	1,000
Ball Bros CHS Student Teach AD	-	-	-	-	-	4,990	3,075	-	1,915
Ball Bros. Parents as Partners	1,897	183	965	(1,115)	-	-	-	-	-
2010-2011 Priority School	(58,828)	-	23,671	82,499	-	-	-	-	-
2011-2012 Opportunity School	(18,107)	-	776,530	(92,910)	(887,547)	949,800	154,928	-	(92,675)
2011-2012 Priority School	-	288,001	341,100	-	(53,099)	-	3,377	56,476	-
2012-2013 Opportunity School	-	-	-	-	-	-	1,078,011	(56,476)	(1,134,487)
2012-2013 Priority School	-	-	-	-	-	340,000	291,881	-	48,119
2013-2014 Opportunity School	-	-	-	-	-	-	150	-	(150)
2009-2010 Opportunity School	(73,885)	-	-	73,885	-	-	-	-	-
2010-2011 Opportunity School	(642,865)	88,371	70,055	624,549	-	-	-	-	-
Adventure Envir Learn. Ctr.	(11,497)	45,662	29,857	-	4,308	15,540	7,681	-	12,167
2012 Ball Bros.-Camp Adventure	-	100,000	-	-	100,000	-	102,557	-	(2,557)
2013 Ball Bros.-Camp Adventure	-	-	-	-	-	100,000	1,039	-	98,961
99 Acc Special	715	-	715	-	-	-	-	-	-
Community Fnd-Longfellow Fitness	-	27,000	-	-	27,000	-	-	-	27,000
SHS ROTC Services	820	916	906	-	830	1,217	770	-	1,277
Christmas Sing Fund	859	8,248	13,176	1,115	(2,954)	15,778	17,622	-	(4,798)
2011-2012 Community Ed/Recreation	-	56,974	59,313	47,263	44,924	-	111	(44,813)	-
2010-2011 Community Ed/Recreation	5,777	43,418	1,932	(47,263)	-	-	17	17	-
Bill Harrell Memorial	-	100	-	-	100	-	-	-	100
Penny Seramur Scholarship	7,560	3,535	-	-	11,095	-	500	-	10,595
Walburn Scholarship	11,166	14,366	4,000	-	21,532	14,072	8,000	-	27,604
Demaree Scholarship	66	95	200	-	(39)	102	200	-	(137)
Devoe Scholarship	-	-	-	-	-	606,549	-	-	606,549

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

MUNCIE COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2012 and 2013
(Continued)

	Cash and Investments 07-01-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13
Gladys Arthur Hoan Scholarship	566	556	-	-	1,122	556	-	-	1,678
High Ability Contingency	-	-	-	-	-	-	5,251	11,264	6,013
2012-2013 High Ability Grant/GT	-	-	-	-	-	53,199	40,403	-	12,796
2011-2012 Gifted and Talented	-	52,892	34,061	(138)	18,693	-	7,429	(11,264)	-
2010-2011 Gifted and Talented	6,285	-	6,423	138	-	-	-	-	-
Elementary Instruction Continuation	8,495	-	6,462	(2,033)	-	-	-	-	-
PL 221 Professional Devl	30,270	744	11,395	-	19,619	-	10,393	-	9,226
ESL Clearing Account	19,198	1,527	4,713	-	16,012	-	1,646	(1,843)	12,523
I Pad Insurance	-	-	-	-	-	4,992	-	-	4,992
2010-2011 Non-English Speaking (NESP)	1,931	-	2,264	-	(333)	-	1,510	1,843	-
2012-2013 Non-English Speaking (NESP)	-	5,865	-	-	5,865	923	2,487	-	4,301
Technology Clearing	234,676	376,760	156,758	-	454,678	178,486	108,578	-	524,586
2009-2010 Title I, Sch. Impr.-LR/SV	27,948	-	27,948	-	-	-	-	-	-
2010-2011 Title I Basic Grant	99,431	620,290	534,923	(184,798)	-	-	-	-	-
2011-2012 Title I Basic Grant	-	2,042,408	2,587,191	170,843	(373,940)	1,179,846	797,956	(7,950)	-
2010-2011 Title I, Sch. Impr.-LR/SV	(257,059)	283,652	26,593	-	-	-	-	-	-
2010-2011 Title 1 Negl/Delinquent	(52,934)	103,058	60,535	10,411	-	-	-	-	-
2011-2012 Title 1 Negl/Delinquent	-	205,348	213,247	-	(7,899)	32,200	24,301	-	-
2012-2013 Title I Basic Grant	-	-	-	-	-	2,572,213	2,880,283	(5,950)	(314,020)
2012-2013 Title 1 Negl/Delinquent	-	-	-	-	-	233,263	286,181	-	(52,918)
Assistive Technology Grant	-	70,000	70,000	-	-	-	-	-	-
2012-2013 IDEA Preschool	-	-	-	-	-	109,963	179,221	-	(69,258)
2010-2011 IDEA Preschool	(25,368)	37,688	16,150	3,830	-	-	-	-	-
2011-2012 IDEA Preschool	-	135,637	148,225	-	(12,588)	34,268	21,373	(307)	-
2012-2013 IDEA Muncie	-	-	-	-	-	890,700	1,642,188	-	(751,488)
2010-2011 IDEA Muncie	(328,791)	535,864	285,968	78,895	-	-	-	-	-
2011-2012 IDEA Muncie	-	1,410,303	1,709,200	-	(298,897)	554,572	263,239	7,564	-
2012-2013 IDEA Pass-Through	-	-	-	-	-	2,763,983	2,213,092	-	550,891
2010-2011 IDEA Pass-Through	152,983	834,435	987,418	-	-	-	-	-	-
2011-2012 IDEA Pass-Through	-	3,146,302	2,953,967	-	192,335	901,709	1,094,044	-	-
2013 Special Ed. Improvement Grant	-	-	-	-	-	-	65,835	-	(65,835)
2012 Special Ed. Improvement Grant	-	-	-	-	-	70,000	70,006	6	-

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

MUNCIE COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2012 and 2013
(Continued)

	Cash and Investments 07-01-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13
2011-2012 Adult Basic Education	-	361,331	425,471	-	(64,140)	155,143	91,719	716	-
2012-2013 Adult Basic Education	-	-	-	-	-	428,252	510,066	-	(81,814)
2010-2011 Adult Basic Education	(71,158)	99,725	6,668	(21,899)	-	-	-	-	-
Jobworks Adult Education	10,075	37,600	3,788	-	43,887	3,200	43,429	55,175	58,833
2012-2013 Adult Education Innovations	-	-	-	-	-	(32,051)	20,030	-	(52,081)
2011-2012 Tech Prep Grant	-	56,927	57,053	126	-	-	-	-	-
2012 Tech Prep	-	-	-	-	-	9,540	9,555	15	-
2009-2010 Perkins	(177)	-	-	177	-	-	-	-	-
2010-2011 Perkins	(57,466)	131,040	70,645	(2,929)	-	-	-	-	-
2011-2012 Perkins	-	305,474	303,876	-	1,598	21,157	36,427	13,672	-
2012-2013 Perkins	-	-	-	-	-	310,312	261,613	-	48,699
BSU-PDS	14,449	-	2,911	(100)	11,438	-	2,737	-	8,701
2011-2012 Title II A-Imp. Teach Qual	-	507,215	540,944	-	(33,729)	83,649	53,749	3,829	-
2010-2011 Title II A-Imp. Teach Qual	(201,434)	364,498	163,064	-	-	-	-	-	-
2012-2013 Title II A-Imp. Teach Qual	-	-	-	-	-	538,142	568,063	(11,164)	(41,085)
2012-2013 Title III, Engl Profic	-	-	-	-	-	10,865	6,183	-	4,682
06-08 BSU Math Partnership	(1,462)	1,462	-	-	-	-	-	-	-
2010-2012 Math/Science Partner	71,595	-	51,683	-	19,912	-	17,214	(2,698)	-
Title I-Grants to LEAs (Stimulus)	273,942	298,549	394,496	(177,995)	-	-	-	-	-
Special Ed-Part B (Stimulus)	(120,274)	317,819	173,827	(23,718)	-	-	-	-	-
Special Ed Part B-Presch. (Stimulus)	(1,790)	56,986	60,431	5,235	-	-	-	-	-
Title I-Part D, Subpart B (Stimulus)	(33,744)	40,000	6,256	-	-	-	-	-	-
Education Jobs	-	1,223,518	1,385,491	-	(161,973)	441,437	168,241	(111,223)	-
Payroll Withholdings	610,875	15,346,847	15,424,116	-	533,606	13,669,615	13,319,300	-	883,921
Totals	<u>\$ 26,700,726</u>	<u>\$ 131,655,372</u>	<u>\$ 140,671,790</u>	<u>\$ 6,196</u>	<u>\$ 17,690,504</u>	<u>\$ 126,155,066</u>	<u>\$ 129,577,874</u>	<u>\$ 6,135</u>	<u>\$ 14,273,831</u>

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

MUNCIE 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 Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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.

MUNCIE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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

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

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

F. Other Financing Sources and Uses

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

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

MUNCIE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

MUNCIE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

MUNCIE COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENT
 (Continued)

B. Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of disbursing more funds than what was received and billings for joint ventures are made after year end.

Note 8. Restatements

For the year ended June 30, 2012, certain changes have been made to some of the beginning balances of the financial statements to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning balances.

Fund Name	Balance as of June 30, 2011	Prior Period Adjustment	Balance as of July 1, 2011
Payroll Withholdings	\$ -	\$ 610,875	\$ 610,875

MUNCIE COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 9. Holding Corporation

The School Corporation has entered into a capital lease with Muncie School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2011-2012 and 2012-2013 totaled \$6,963,000 and \$6,960,056, respectively.

Note 10. Subsequent Events

- A. With the transitional (since 2009) implementation of Circuit Breaker Tax Caps, the Muncie Community Schools (School Corporation) has seen a growing impact on Property Tax revenue reaching a loss of 44 percent of the total levy in 2013. As a result of new "Protected Taxes" legislation set to take effect in 2014, the district's tax cap losses in three "unprotected" funds (Capital Projects, School Transportation, School Bus Replacement) will jump to 89 percent of the Property Tax levy for these "unprotected" funds. This situation presents an obvious challenge for the School Corporation to sustain needed repairs to the physical plant and to sustain student transportation services. The School Corporation has taken the position that student transportation is vital for student safety. The School Corporation failed in its attempt to provide continuing school bus funding via a Property Tax Referendum on November 5, 2013. The School Corporation was also denied permission by the Indiana Department Education to end school bus services at the end of the 2013-2014 academic year. The School Corporation must now provide bus service until the end of the 2016-2017 school year pending some type of legislative relief. This mandate will require MCS to use scarce General Fund resources (per IC 20-40-2-4) to support operations until June, 2017.
- B. At the conclusion of the 2013-2014 school year, the School Corporation will merge Southside High School into the Central High School facility. The Southside building will become Southside Middle School with all programs currently housed at Wilson Middle School moving into the Southside facility. The Wilson facility will be "mothballed" pending determination of its future use. The entire process will undoubtedly create additional fiscal stress within the school district.

However, ultimately it is anticipated that scarce resources will be saved and redirected to other programs as a result of these changes. One particularly challenging aspect of this process will be the tracking of loose equipment (asset management) throughout this effort.

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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.

MUNCIE 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	Retirement/ Severance Bond	Construction	School Lunch
Cash and investments - beginning	\$ 10,467,007	\$ 1,022,471	\$ 146,786	\$ 911,389	\$ 1,382,839	\$ 86,372	\$ 4,100,000	\$ 6,644,371	\$ 60,621	\$ 954,528
Receipts:										
Local sources	550,098	5,667,499	579,005	4,270,723	2,436,986	81,461	-	-	1,018,456	616,787
Intermediate sources	48	-	-	-	-	-	-	-	-	-
State sources	48,821,680	-	-	-	-	-	-	-	-	13,162
Federal sources	82,114	-	-	-	-	-	-	-	-	2,706,378
Temporary loans	6,500,000	-	-	-	-	-	-	-	-	-
Other	13,666	-	-	-	-	-	-	-	-	-
Total receipts	55,967,606	5,667,499	579,005	4,270,723	2,436,986	81,461	-	-	1,018,456	3,336,327
Disbursements:										
Current:										
Instruction	37,753,418	-	-	-	-	-	-	-	-	-
Support services	12,379,890	84,641	-	3,035,289	2,713,596	3,135	-	3,532,186	-	233
Noninstructional services	340,447	-	-	-	-	-	-	-	-	3,112,165
Facilities acquisition and construction	-	-	-	2,162,899	-	-	-	-	69,942	-
Debt services	6,500,000	7,003,416	761,908	-	-	-	-	-	-	-
Nonprogrammed charges	4,889	-	-	-	-	-	-	-	-	-
Total disbursements	56,978,644	7,088,057	761,908	5,198,188	2,713,596	3,135	-	3,532,186	69,942	3,112,398
Excess (deficiency) of receipts over disbursements	(1,011,038)	(1,420,558)	(182,903)	(927,465)	(276,610)	78,326	-	(3,532,186)	948,514	223,929
Other financing sources (uses):										
Sale of capital assets	6,196	-	-	-	-	-	-	-	-	-
Transfers in	909,117	474,172	14,957	-	-	-	-	-	-	-
Transfers out	-	(128,541)	-	-	(400,000)	(89,128)	-	-	-	-
Total other financing sources (uses)	915,313	345,631	14,957	-	(400,000)	(89,128)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(95,725)	(1,074,927)	(167,946)	(927,465)	(676,610)	(10,802)	-	(3,532,186)	948,514	223,929
Cash and investments - ending	\$ 10,371,282	\$ (52,456)	\$ (21,160)	\$ (16,076)	\$ 706,229	\$ 75,570	\$ 4,100,000	\$ 3,112,185	\$ 1,009,135	\$ 1,178,457

MUNCIE 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	Self-Insurance	2011-2012 Dela-Blackford Special Education	2011-2012 Special Education Pre-School	2009-2010 Dela-Blackford Special Education	2010-2011 Dela-Blackford Special Education	2010-2011 Special Education Pre-School	2011-2012 Vocational Coop	2009-2010 Vocational Coop-Acc-Dist	2010-2011 Vocational Coop-Acc-Dist
Cash and investments - beginning	\$ (171,552)	\$ 7,730,819	\$ -	\$ -	\$ 40,518	\$ (5,307,715)	\$ (407,873)	\$ -	\$ (20,653)	\$ (888,902)
Receipts:										
Local sources	290,992	17,872,109	2,962	223,422	-	7,089,425	460,688	-	-	1,282,491
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	384,479	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	704,699	-	-	-	-	-	-	-	-
Total receipts	675,471	18,576,808	2,962	223,422	-	7,089,425	460,688	-	-	1,282,491
Disbursements:										
Current:										
Instruction	845,690	-	5,210,626	343,987	-	629,140	52,815	1,153,067	-	148,777
Support services	-	10	529,804	-	-	120,217	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	169	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	21,526,465	-	-	-	-	-	-	-	-
Total disbursements	845,690	21,526,644	5,740,430	343,987	-	749,357	52,815	1,153,067	-	148,777
Excess (deficiency) of receipts over disbursements	(170,219)	(2,949,836)	(5,737,468)	(120,565)	-	6,340,068	407,873	(1,153,067)	-	1,133,714
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	128,541	1,192,864	-	-	-	61,081	-	-	20,653	-
Transfers out	-	(1,192,864)	(64,243)	-	(40,518)	(1,093,434)	-	(177)	-	(244,812)
Total other financing sources (uses)	128,541	-	(64,243)	-	(40,518)	(1,032,353)	-	(177)	20,653	(244,812)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(41,678)	(2,949,836)	(5,801,711)	(120,565)	(40,518)	5,307,715	407,873	(1,153,244)	20,653	888,902
Cash and investments - ending	\$ (213,230)	\$ 4,780,983	\$ (5,801,711)	\$ (120,565)	\$ -	\$ -	\$ -	\$ (1,153,244)	\$ -	\$ -

MUNCIE 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)

	2010-2011 Extended Services Clear	2011-2012 Extended Services Clear	2010-2011 Creative Child Care	2011-2012 Creative Child Care	Educational Promotions	Alternative Ed. Grant	2009-2010 Ready Schools Program	2009-2010 School Intervention Career	Special Education Donation	Harry Mock Gift
Cash and investments - beginning	\$ 107,624	\$ -	\$ (9,868)	\$ -	\$ 12,705	\$ 119,029	\$ 3,459	\$ (7,568)	\$ 1,784	\$ 145
Receipts:										
Local sources	144	10,052	12,946	206,901	2,206	-	-	-	-	5,449
Intermediate sources	-	-	-	-	2,806	-	-	-	-	-
State sources	-	-	-	-	-	55,349	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	144	10,052	12,946	206,901	5,012	55,349	-	-	-	5,449
Disbursements:										
Current:										
Instruction	-	-	-	-	-	1,313	-	-	-	-
Support services	-	-	-	-	14,553	-	3,458	562	-	-
Noninstructional services	5,524	85,009	8,363	206,915	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	1,730	-	-	-	745	-
Total disbursements	5,524	85,009	8,363	206,915	16,283	1,313	3,458	562	745	-
Excess (deficiency) of receipts over disbursements	(5,380)	(74,957)	4,583	(14)	(11,271)	54,036	(3,458)	(562)	(745)	5,449
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	105,173	5,285	-	-	-	-	8,130	-	-
Transfers out	(102,244)	(126)	-	(5,285)	-	(102,668)	(1)	-	-	-
Total other financing sources (uses)	(102,244)	105,047	5,285	(5,285)	-	(102,668)	(1)	8,130	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(107,624)	30,090	9,868	(5,299)	(11,271)	(48,632)	(3,459)	7,568	(745)	5,449
Cash and investments - ending	\$ -	\$ 30,090	\$ -	\$ (5,299)	\$ 1,434	\$ 70,397	\$ -	\$ -	\$ 1,039	\$ 5,594

MUNCIE 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)

	2012 YOC Wal-Mart Grant	Ball Foundation SV Smartboard	Ball Bros. Parents as Partners	2010-2011 Priority School	2011-2012 Opportunity School	2011-2012 Priority School	2009-2010 Opportunity School	2010-2011 Opportunity School	Adventure Envir Learn. Ctr.
Cash and investments - beginning	\$ -	\$ 87,650	\$ 1,897	\$ (58,828)	\$ (18,107)	\$ -	\$ (73,885)	\$ (642,865)	\$ (11,497)
Receipts:									
Local sources	1,000	-	183	-	-	288,001	-	88,371	45,662
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	1,000	-	183	-	-	288,001	-	88,371	45,662
Disbursements:									
Current:									
Instruction	566	-	-	23,671	776,530	341,100	-	70,055	-
Support services	-	87,650	-	-	-	-	-	-	29,857
Noninstructional services	-	-	965	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	566	87,650	965	23,671	776,530	341,100	-	70,055	29,857
Excess (deficiency) of receipts over disbursements	434	(87,650)	(782)	(23,671)	(776,530)	(53,099)	-	18,316	15,805
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	82,499	-	-	73,885	685,630	-
Transfers out	-	-	(1,115)	-	(92,910)	-	-	(61,081)	-
Total other financing sources (uses)	-	-	(1,115)	82,499	(92,910)	-	73,885	624,549	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	434	(87,650)	(1,897)	58,828	(869,440)	(53,099)	73,885	642,865	15,805
Cash and investments - ending	\$ 434	\$ -	\$ -	\$ -	\$ (887,547)	\$ (53,099)	\$ -	\$ -	\$ 4,308

MUNCIE 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)

	2012 Ball Bros.-Camp Adventure	99 Acc Special	Community Fnd-Longfellow Fitness	SHS ROTC Services	Christmas Sing Fund	2011-2012 Community Ed/Recreation	2010-2011 Community Ed/Recreation	Bill Harrell Memorial	Penny Seramur Scholarship
Cash and investments - beginning	\$ -	\$ 715	\$ -	\$ 820	\$ 859	\$ -	\$ 5,777	\$ -	\$ 7,560
Receipts:									
Local sources	100,000	-	27,000	-	8,248	56,974	43,418	100	3,535
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	916	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	100,000	-	27,000	916	8,248	56,974	43,418	100	3,535
Disbursements:									
Current:									
Instruction	-	715	-	906	-	-	-	-	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	13,176	59,313	1,932	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	715	-	906	13,176	59,313	1,932	-	-
Excess (deficiency) of receipts over disbursements	100,000	(715)	27,000	10	(4,928)	(2,339)	41,486	100	3,535
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	1,115	47,850	587	-	-
Transfers out	-	-	-	-	-	(587)	(47,850)	-	-
Total other financing sources (uses)	-	-	-	-	1,115	47,263	(47,263)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	100,000	(715)	27,000	10	(3,813)	44,924	(5,777)	100	3,535
Cash and investments - ending	\$ 100,000	\$ -	\$ 27,000	\$ 830	\$ (2,954)	\$ 44,924	\$ -	\$ 100	\$ 11,095

MUNCIE 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)

	Walburn Scholarship	Demaree Scholarship	Gladys Arthur Hoan Scholarship	2011-2012 Gifted and Talented	2010-2011 Gifted and Talented	Elementary Instruction Continuation	PL 221 Professional Devl	ESL Clearing Account	2010-2011 Non-English Speaking (NESP)
Cash and investments - beginning	\$ 11,166	\$ 66	\$ 566	\$ -	\$ 6,285	\$ 8,495	\$ 30,270	\$ 19,198	\$ 1,931
Receipts:									
Local sources	14,366	95	556	-	-	-	744	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	52,892	-	-	-	1,527	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	14,366	95	556	52,892	-	-	744	1,527	-
Disbursements:									
Current:									
Instruction	-	-	-	8,706	6,294	6,462	-	4,713	457
Support services	-	-	-	25,355	129	-	11,395	-	1,174
Noninstructional services	-	-	-	-	-	-	-	-	633
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	4,000	200	-	-	-	-	-	-	-
Total disbursements	4,000	200	-	34,061	6,423	6,462	11,395	4,713	2,264
Excess (deficiency) of receipts over disbursements	10,366	(105)	556	18,831	(6,423)	(6,462)	(10,651)	(3,186)	(2,264)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	138	-	-	-	-
Transfers out	-	-	-	(138)	-	(2,033)	-	-	-
Total other financing sources (uses)	-	-	-	(138)	138	(2,033)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	10,366	(105)	556	18,693	(6,285)	(8,495)	(10,651)	(3,186)	(2,264)
Cash and investments - ending	\$ 21,532	\$ (39)	\$ 1,122	\$ 18,693	\$ -	\$ -	\$ 19,619	\$ 16,012	\$ (333)

MUNCIE 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)

	2012-2013 Non-English Speaking (NESP)	Technology Clearing	2009-2010 Title I, Sch. Impr.-LR/SV	2010-2011 Title I Basic Grant	2011-2012 Title I Basic Grant	2010-2011 Title I, Sch. Impr.-LR/SV	2010-2011 Title 1 Negl/Delinquent	2011-2012 Title 1 Negl/Delinquent	Assistive Technology Grant
Cash and investments - beginning	\$ -	\$ 234,676	\$ 27,948	\$ 99,431	\$ -	\$ (257,059)	\$ (52,934)	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	5,865	376,760	-	-	-	-	-	-	-
Federal sources	-	-	-	620,290	2,042,408	283,652	103,058	205,348	70,000
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	5,865	376,760	-	620,290	2,042,408	283,652	103,058	205,348	70,000
Disbursements:									
Current:									
Instruction	-	-	-	257,630	2,189,863	3,192	60,535	213,247	70,000
Support services	-	71,474	27,948	269,085	369,418	23,247	-	-	-
Noninstructional services	-	-	-	8,208	27,910	154	-	-	-
Facilities acquisition and construction	-	85,284	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	156,758	27,948	534,923	2,587,191	26,593	60,535	213,247	70,000
Excess (deficiency) of receipts over disbursements	5,865	220,002	(27,948)	85,367	(544,783)	257,059	42,523	(7,899)	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	2,363	187,161	-	10,411	-	-
Transfers out	-	-	-	(187,161)	(18,318)	-	-	-	-
Total other financing sources (uses)	-	-	-	(184,798)	170,843	-	10,411	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	5,865	220,002	(27,948)	(99,431)	(373,940)	257,059	52,934	(7,899)	-
Cash and investments - ending	\$ 5,865	\$ 454,678	\$ -	\$ -	\$ (373,940)	\$ -	\$ -	\$ (7,899)	\$ -

MUNCIE 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)

	2010-2011 IDEA Preschool	2011-2012 IDEA Preschool	2010-2011 IDEA Muncie	2011-2012 IDEA Muncie	2010-2011 IDEA Pass-Through	2011-2012 IDEA Pass-Through	2011-2012 Adult Basic Education	2010-2011 Adult Basic Education	Jobworks Adult Education
Cash and investments - beginning	\$ (25,368)	\$ -	\$ (328,791)	\$ -	\$ 152,983	\$ -	\$ -	\$ (71,158)	\$ 10,075
Receipts:									
Local sources	-	-	69,450	1,226,991	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	37,688	135,637	466,414	183,312	834,435	3,146,302	361,331	99,725	37,600
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>37,688</u>	<u>135,637</u>	<u>535,864</u>	<u>1,410,303</u>	<u>834,435</u>	<u>3,146,302</u>	<u>361,331</u>	<u>99,725</u>	<u>37,600</u>
Disbursements:									
Current:									
Instruction	16,150	148,225	266,520	1,647,349	987,418	2,953,967	425,295	6,668	3,788
Support services	-	-	19,448	61,851	-	-	176	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>16,150</u>	<u>148,225</u>	<u>285,968</u>	<u>1,709,200</u>	<u>987,418</u>	<u>2,953,967</u>	<u>425,471</u>	<u>6,668</u>	<u>3,788</u>
Excess (deficiency) of receipts over disbursements	<u>21,538</u>	<u>(12,588)</u>	<u>249,896</u>	<u>(298,897)</u>	<u>(152,983)</u>	<u>192,335</u>	<u>(64,140)</u>	<u>93,057</u>	<u>33,812</u>
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	3,830	-	78,895	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(21,899)	-
Total other financing sources (uses)	<u>3,830</u>	<u>-</u>	<u>78,895</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,899)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>25,368</u>	<u>(12,588)</u>	<u>328,791</u>	<u>(298,897)</u>	<u>(152,983)</u>	<u>192,335</u>	<u>(64,140)</u>	<u>71,158</u>	<u>33,812</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ (12,588)</u>	<u>\$ -</u>	<u>\$ (298,897)</u>	<u>\$ -</u>	<u>\$ 192,335</u>	<u>\$ (64,140)</u>	<u>\$ -</u>	<u>\$ 43,887</u>

MUNCIE 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)

	2011-2012 Tech Prep Grant	2009-2010 Perkins	2010-2011 Perkins	2011-2012 Perkins	BSU-PDS	2011-2012 Title II A-Imp. Teach Qual	2010-2011 Title II A-Imp. Teach Qual	06-08 BSU Math Partnership
Cash and investments - beginning	\$ -	\$ (177)	\$ (57,466)	\$ -	\$ 14,449	\$ -	\$ (201,434)	\$ (1,462)
Receipts:								
Local sources	-	-	-	-	-	-	364,498	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	56,927	-	131,040	305,474	-	507,215	-	1,462
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	56,927	-	131,040	305,474	-	507,215	364,498	1,462
Disbursements:								
Current:								
Instruction	57,053	-	70,645	303,876	-	-	162,099	-
Support services	-	-	-	-	2,911	528,487	965	-
Noninstructional services	-	-	-	-	-	12,457	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	57,053	-	70,645	303,876	2,911	540,944	163,064	-
Excess (deficiency) of receipts over disbursements	(126)	-	60,395	1,598	(2,911)	(33,729)	201,434	1,462
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	126	177	-	-	-	-	-	-
Transfers out	-	-	(2,929)	-	(100)	-	-	-
Total other financing sources (uses)	126	177	(2,929)	-	(100)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	177	57,466	1,598	(3,011)	(33,729)	201,434	1,462
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 1,598	\$ 11,438	\$ (33,729)	\$ -	\$ -

MUNCIE 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)

	2010-2012 Math/Science Partner	Title I-Grants to LEAs (Stimulus)	Special Ed-Part B (Stimulus)	Special Ed Part B-Presch. (Stimulus)	Title I-Part D, Subpart B (Stimulus)	Education Jobs	Payroll Withholdings	Totals
Cash and investments - beginning	\$ 71,595	\$ 273,942	\$ (120,274)	\$ (1,790)	\$ (33,744)	\$ -	\$ 610,875	\$ 26,700,726
Receipts:								
Local sources	-	-	-	168	-	-	-	45,020,162
Intermediate sources	-	-	-	-	-	-	-	2,854
State sources	-	-	-	-	-	-	-	49,711,714
Federal sources	-	298,549	317,819	56,818	40,000	1,223,518	-	14,355,430
Temporary loans	-	-	-	-	-	-	-	6,500,000
Other	-	-	-	-	-	-	15,346,847	16,065,212
Total receipts	-	298,549	317,819	56,986	40,000	1,223,518	15,346,847	131,655,372
Disbursements:								
Current:								
Instruction	-	283,488	151,818	60,431	3,820	1,385,491	-	59,107,576
Support services	51,683	110,029	22,009	-	2,436	-	-	24,134,301
Noninstructional services	-	979	-	-	-	-	-	3,884,150
Facilities acquisition and construction	-	-	-	-	-	-	-	2,318,125
Debt services	-	-	-	-	-	-	-	14,265,493
Nonprogrammed charges	-	-	-	-	-	-	15,424,116	36,962,145
Total disbursements	51,683	394,496	173,827	60,431	6,256	1,385,491	15,424,116	140,671,790
Excess (deficiency) of receipts over disbursements	(51,683)	(95,947)	143,992	(3,445)	33,744	(161,973)	(77,269)	(9,016,418)
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	6,196
Transfers in	-	16,318	-	5,235	-	-	-	4,116,193
Transfers out	-	(194,313)	(23,718)	-	-	-	-	(4,116,193)
Total other financing sources (uses)	-	(177,995)	(23,718)	5,235	-	-	-	6,196
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(51,683)	(273,942)	120,274	1,790	33,744	(161,973)	(77,269)	(9,010,222)
Cash and investments - ending	\$ 19,912	\$ -	\$ -	\$ -	\$ -	\$ (161,973)	\$ 533,606	\$ 17,690,504

MUNCIE COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Construction	School Lunch
Cash and investments - beginning	\$ 10,371,282	\$ (52,456)	\$ (21,160)	\$ (16,076)	\$ 706,229	\$ 75,570	\$ 4,100,000	\$ 3,112,185	\$ 1,009,135	\$ 1,178,457
Receipts:										
Local sources	306,984	6,474,915	633,750	4,196,711	2,384,841	38,652	-	-	82,420	561,283
Intermediate sources	144	-	-	-	-	-	-	-	-	-
State sources	47,921,760	-	-	-	-	-	-	-	-	11,010
Federal sources	112,540	-	-	-	-	-	-	-	-	2,747,363
Temporary loans	4,365,000	-	-	2,300,000	1,080,000	-	-	-	-	-
Other	29,727	-	-	-	-	-	-	-	-	-
Total receipts	52,736,155	6,474,915	633,750	6,496,711	3,464,841	38,652	-	-	82,420	3,319,656
Disbursements:										
Current:										
Instruction	39,457,866	-	-	-	-	-	-	-	-	-
Support services	12,205,708	82,621	-	3,184,065	2,861,202	4,990	75,165	-	-	677
Noninstructional services	307,356	-	-	-	-	-	-	-	-	3,737,691
Facilities acquisition and construction	-	-	-	2,218,672	-	-	-	-	-	-
Debt services	6,500,000	7,007,983	760,475	-	-	-	-	-	-	-
Nonprogrammed charges	11,152	-	-	-	-	-	-	-	-	-
Total disbursements	58,482,082	7,090,604	760,475	5,402,737	2,861,202	4,990	75,165	-	-	3,738,368
Excess (deficiency) of receipts over disbursements	(5,745,927)	(615,689)	(126,725)	1,093,974	603,639	33,662	(75,165)	-	82,420	(418,712)
Other financing sources (uses):										
Sale of capital assets	6,135	-	-	-	-	-	-	-	-	-
Transfers in	3,769,577	397,819	84,497	-	-	-	-	-	-	-
Transfers out	(154,881)	-	-	-	(394,106)	(88,210)	-	(3,112,185)	-	(126,158)
Total other financing sources (uses)	3,620,831	397,819	84,497	-	(394,106)	(88,210)	-	(3,112,185)	-	(126,158)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,125,096)	(217,870)	(42,228)	1,093,974	209,533	(54,548)	(75,165)	(3,112,185)	82,420	(544,870)
Cash and investments - ending	\$ 8,246,186	\$ (270,326)	\$ (63,388)	\$ 1,077,898	\$ 915,762	\$ 21,022	\$ 4,024,835	\$ -	\$ 1,091,555	\$ 633,587

MUNCIE COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Textbook Rental	Self-Insurance	2010-2013 Dela-Blackford Special Education	2012-2013 Special Education Pre-School	2011-2012 Dela-Blackford Special Education	2011-2012 Special Education Pre-School	2011-2012 Vocational Coop	2012-2013 Vocational Coop-Acc Dist	2013-2014 Vocational Coop-Acc Dist#22	2011-2012 Extended Services Clear
Cash and investments - beginning	\$ (213,230)	\$ 4,780,983	\$ -	\$ -	\$ (5,801,711)	\$ (120,565)	\$ (1,153,244)	\$ -	\$ -	\$ 30,090
Receipts:										
Local sources	170,135	15,760,796	1,436	221,375	6,979,841	237,875	1,300,338	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	377,983	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	318,919	-	-	-	-	-	-	-	-
Total receipts	548,118	16,079,715	1,436	221,375	6,979,841	237,875	1,300,338	-	-	-
Disbursements:										
Current:										
Instruction	567,735	-	5,249,770	178,661	667,671	46,988	203,516	1,141,711	25	-
Support services	-	-	522,058	-	124,459	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	5,308
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	80	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	15,684,872	-	-	-	-	-	-	-	-
Total disbursements	567,735	15,684,952	5,771,828	178,661	792,130	46,988	203,516	1,141,711	25	5,308
Excess (deficiency) of receipts over disbursements	(19,617)	394,763	(5,770,392)	42,714	6,187,711	190,887	1,096,822	(1,141,711)	(25)	(5,308)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	247,552	864,353	-	70,322	-	-	-	-	-	-
Transfers out	(98,000)	(864,353)	(11,169)	(993)	(386,000)	(70,322)	-	-	-	(24,782)
Total other financing sources (uses)	149,552	-	(11,169)	69,329	(386,000)	(70,322)	-	-	-	(24,782)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	129,935	394,763	(5,781,561)	112,043	5,801,711	120,565	1,096,822	(1,141,711)	(25)	(30,090)
Cash and investments - ending	\$ (83,295)	\$ 5,175,746	\$ (5,781,561)	\$ 112,043	\$ -	\$ -	\$ (56,422)	\$ (1,141,711)	\$ (25)	\$ -

MUNCIE COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	2011-2012 Creative Child Care	2012-2013 Creative Child Care	Educational Promotions	Alternative Ed. Grant	Special Education Donation	Harry Mock Gift	2012 YOC Wal-Mart Grant	2013 Ball Bros. Merkle-Teacher	Ball Bros CHS Student Teach AD	2011-2012 Opportunity School
Cash and investments - beginning	\$ (5,299)	\$ -	\$ 1,434	\$ 70,397	\$ 1,039	\$ 5,594	\$ 434	\$ -	\$ -	\$ (887,547)
Receipts:										
Local sources	1,062	206,989	488	-	-	-	-	1,000	4,990	949,800
Intermediate sources	-	-	488	-	-	-	-	-	-	-
State sources	-	-	-	61,059	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	1,062	206,989	976	61,059	-	-	-	1,000	4,990	949,800
Disbursements:										
Current:										
Instruction	-	-	-	70,000	-	2,005	584	-	-	154,928
Support services	-	-	2,286	-	-	-	-	-	-	-
Noninstructional services	6,477	194,384	-	-	-	-	-	-	3,075	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	6,477	194,384	2,286	70,000	-	2,005	584	-	3,075	154,928
Excess (deficiency) of receipts over disbursements	(5,415)	12,605	(1,310)	(8,941)	-	(2,005)	(584)	1,000	1,915	794,872
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	10,714	-	-	-	-	-	150	-	-	-
Transfers out	-	(10,714)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	10,714	(10,714)	-	-	-	-	150	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	5,299	1,891	(1,310)	(8,941)	-	(2,005)	(434)	1,000	1,915	794,872
Cash and investments - ending	\$ -	\$ 1,891	\$ 124	\$ 61,456	\$ 1,039	\$ 3,589	\$ -	\$ 1,000	\$ 1,915	\$ (92,675)

MUNCIE COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	2011-2012 Priority School	2012-2013 Opportunity School	2012-2013 Priority School	2013-2014 Opportunity School	Adventure Envir Learn. Ctr.	2012 Ball Bros.-Camp Adventure	2013 Ball Bros.-Camp Adventure	Community Fnd-Longfellow Fitness	SHS ROTC Services
Cash and investments - beginning	\$ (53,099)	\$ -	\$ -	\$ -	\$ 4,308	\$ 100,000	\$ -	\$ 27,000	\$ 830
Receipts:									
Local sources	-	-	340,000	-	15,540	-	100,000	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	1,217
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	340,000	-	15,540	-	100,000	-	1,217
Disbursements:									
Current:									
Instruction	3,377	1,078,011	291,881	150	-	-	-	-	770
Support services	-	-	-	-	7,681	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	102,557	1,039	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	3,377	1,078,011	291,881	150	7,681	102,557	1,039	-	770
Excess (deficiency) of receipts over disbursements	(3,377)	(1,078,011)	48,119	(150)	7,859	(102,557)	98,961	-	447
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	56,476	-	-	-	-	-	-	-	-
Transfers out	-	(56,476)	-	-	-	-	-	-	-
Total other financing sources (uses)	56,476	(56,476)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	53,099	(1,134,487)	48,119	(150)	7,859	(102,557)	98,961	-	447
Cash and investments - ending	\$ -	\$ (1,134,487)	\$ 48,119	\$ (150)	\$ 12,167	\$ (2,557)	\$ 98,961	\$ 27,000	\$ 1,277

MUNCIE COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Christmas Sing Fund	2011-2012 Community Ed/Recreation	2010-2011 Community Ed/Recreation	Bill Harrell Memorial	Penny Seramur Scholarship	Walburn Scholarship	Demaree Scholarship	Devoe Scholarship	Gladys Arthur Hoan Scholarship
Cash and investments - beginning	\$ (2,954)	\$ 44,924	\$ -	\$ 100	\$ 11,095	\$ 21,532	\$ (39)	\$ -	\$ 1,122
Receipts:									
Local sources	15,778	-	-	-	-	14,072	102	606,549	556
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	15,778	-	-	-	-	14,072	102	606,549	556
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	-	-
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	17,622	111	17	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	500	8,000	200	-	-
Total disbursements	17,622	111	17	-	500	8,000	200	-	-
Excess (deficiency) of receipts over disbursements	(1,844)	(111)	(17)	-	(500)	6,072	(98)	606,549	556
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	1	17	-	-	-	-	-	-
Transfers out	-	(44,814)	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(44,813)	17	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,844)	(44,924)	-	-	(500)	6,072	(98)	606,549	556
Cash and investments - ending	\$ (4,798)	\$ -	\$ -	\$ 100	\$ 10,595	\$ 27,604	\$ (137)	\$ 606,549	\$ 1,678

MUNCIE COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	High Ability Contingency	2012-2013 High Ability Grant/GT	2011-2012 Gifted and Talented	PL 221 Professional Devl	ESL Clearing Account	I Pad Insurance	2010-2011 Non-English Speaking (NESP)	2012-2013 Non-English Speaking (NESP)	Technology Clearing
Cash and investments - beginning	\$ -	\$ -	\$ 18,693	\$ 19,619	\$ 16,012	\$ -	\$ (333)	\$ 5,865	\$ 454,678
Receipts:									
Local sources	-	-	-	-	-	-	-	-	3,797
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	53,199	-	-	-	-	-	923	174,689
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	4,992	-	-	-
Total receipts	-	53,199	-	-	-	4,992	-	923	178,486
Disbursements:									
Current:									
Instruction	5,251	10,102	928	-	1,646	-	1,088	114	-
Support services	-	30,301	6,501	10,393	-	-	422	2,373	67,322
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	41,256
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	5,251	40,403	7,429	10,393	1,646	-	1,510	2,487	108,578
Excess (deficiency) of receipts over disbursements	(5,251)	12,796	(7,429)	(10,393)	(1,646)	4,992	(1,510)	(1,564)	69,908
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	11,264	-	-	-	-	-	1,843	-	-
Transfers out	-	-	(11,264)	-	(1,843)	-	-	-	-
Total other financing sources (uses)	11,264	-	(11,264)	-	(1,843)	-	1,843	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	6,013	12,796	(18,693)	(10,393)	(3,489)	4,992	333	(1,564)	69,908
Cash and investments - ending	\$ 6,013	\$ 12,796	\$ -	\$ 9,226	\$ 12,523	\$ 4,992	\$ -	\$ 4,301	\$ 524,586

MUNCIE COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	2011-2012		2012-2013		2011-2012		2012-2013		
	Title I Basic Grant	2011-2012 Title 1 Negl/Delinquent	Title I Basic Grant	2012-2013 Title 1 Negl/Delinquent	2012-2013 IDEA Preschool	2011-2012 IDEA Preschool	2012-2013 IDEA Muncie	2011-2012 IDEA Muncie	2012-2013 IDEA Pass-Through
Cash and investments - beginning	\$ (373,940)	\$ (7,899)	\$ -	\$ -	\$ -	\$ (12,588)	\$ -	\$ (298,897)	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	890,700	441,818	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	1,179,846	32,200	2,572,213	233,263	109,963	34,268	-	-	2,763,983
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	112,754	-
Total receipts	<u>1,179,846</u>	<u>32,200</u>	<u>2,572,213</u>	<u>233,263</u>	<u>109,963</u>	<u>34,268</u>	<u>890,700</u>	<u>554,572</u>	<u>2,763,983</u>
Disbursements:									
Current:									
Instruction	710,611	24,301	1,962,049	286,181	170,174	21,373	1,537,306	250,569	2,213,092
Support services	84,953	-	904,808	-	9,047	-	104,882	12,670	-
Noninstructional services	2,392	-	13,426	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>797,956</u>	<u>24,301</u>	<u>2,880,283</u>	<u>286,181</u>	<u>179,221</u>	<u>21,373</u>	<u>1,642,188</u>	<u>263,239</u>	<u>2,213,092</u>
Excess (deficiency) of receipts over disbursements	<u>381,890</u>	<u>7,899</u>	<u>(308,070)</u>	<u>(52,918)</u>	<u>(69,258)</u>	<u>12,895</u>	<u>(751,488)</u>	<u>291,333</u>	<u>550,891</u>
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	843	-	11,164	-
Transfers out	(7,950)	-	(5,950)	-	-	(1,150)	-	(3,600)	-
Total other financing sources (uses)	<u>(7,950)</u>	<u>-</u>	<u>(5,950)</u>	<u>-</u>	<u>-</u>	<u>(307)</u>	<u>-</u>	<u>7,564</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>373,940</u>	<u>7,899</u>	<u>(314,020)</u>	<u>(52,918)</u>	<u>(69,258)</u>	<u>12,588</u>	<u>(751,488)</u>	<u>298,897</u>	<u>550,891</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (314,020)</u>	<u>\$ (52,918)</u>	<u>\$ (69,258)</u>	<u>\$ -</u>	<u>\$ (751,488)</u>	<u>\$ -</u>	<u>\$ 550,891</u>

MUNCIE COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	2011-2012 IDEA Pass-Through	2013 Special Ed. Improvement Grant	2012 Special Ed. Improvement Grant	2011-2012 Adult Basic Education	2012-2013 Adult Basic Education	Jobworks Adult Education	2012-2013 Adult Education Innovations	2012 Tech Prep	2011-2012 Perkins
Cash and investments - beginning	\$ 192,335	\$ -	\$ -	\$ (64,140)	\$ -	\$ 43,887	\$ -	\$ -	\$ 1,598
Receipts:									
Local sources	-	-	-	-	-	1,200	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	901,709	-	70,000	155,143	428,252	2,000	(32,051)	9,540	21,157
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	901,709	-	70,000	155,143	428,252	3,200	(32,051)	9,540	21,157
Disbursements:									
Current:									
Instruction	1,094,044	65,835	70,006	91,719	510,066	43,429	20,030	9,555	36,427
Support services	-	-	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	1,094,044	65,835	70,006	91,719	510,066	43,429	20,030	9,555	36,427
Excess (deficiency) of receipts over disbursements	(192,335)	(65,835)	(6)	63,424	(81,814)	(40,229)	(52,081)	(15)	(15,270)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	6	716	-	69,596	-	15	13,672
Transfers out	-	-	-	-	-	(14,421)	-	-	-
Total other financing sources (uses)	-	-	6	716	-	55,175	-	15	13,672
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(192,335)	(65,835)	-	64,140	(81,814)	14,946	(52,081)	-	(1,598)
Cash and investments - ending	\$ -	\$ (65,835)	\$ -	\$ -	\$ (81,814)	\$ 58,833	\$ (52,081)	\$ -	\$ -

MUNCIE COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	2012-2013 Perkins	BSU-PDS	2011-2012 Title II A-Imp. Teach Qual	2012-2013 Title II A-Imp. Teach Qual	2012-2013 Title III, Engl Profic	2010-2012 Math/Science Partner	Education Jobs	Payroll Withholdings	Totals
Cash and investments - beginning	\$ -	\$ 11,438	\$ (33,729)	\$ -	\$ -	\$ 19,912	\$ (161,973)	\$ 533,606	\$ 17,690,504
Receipts:									
Local sources	-	-	-	-	-	-	-	-	42,945,793
Intermediate sources	-	-	-	-	-	-	-	-	632
State sources	-	-	-	-	10,865	-	-	-	48,611,488
Federal sources	310,312	-	83,649	538,142	-	-	441,437	-	12,716,146
Temporary loans	-	-	-	-	-	-	-	-	7,745,000
Other	-	-	-	-	-	-	-	13,669,615	14,136,007
Total receipts	310,312	-	83,649	538,142	10,865	-	441,437	13,669,615	126,155,066
Disbursements:									
Current:									
Instruction	261,613	-	-	-	268	-	168,241	-	58,681,667
Support services	-	2,737	51,197	560,851	5,915	17,214	-	-	20,942,498
Noninstructional services	-	-	2,552	7,212	-	-	-	-	4,297,623
Facilities acquisition and construction	-	-	-	-	-	-	-	-	2,363,524
Debt services	-	-	-	-	-	-	-	-	14,268,538
Nonprogrammed charges	-	-	-	-	-	-	-	13,319,300	29,024,024
Total disbursements	261,613	2,737	53,749	568,063	6,183	17,214	168,241	13,319,300	129,577,874
Excess (deficiency) of receipts over disbursements	48,699	(2,737)	29,900	(29,921)	4,682	(17,214)	273,196	350,315	(3,422,808)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	6,135
Transfers in	-	-	5,329	-	-	-	11,164	-	5,627,090
Transfers out	-	-	(1,500)	(11,164)	-	(2,698)	(122,387)	-	(5,627,090)
Total other financing sources (uses)	-	-	3,829	(11,164)	-	(2,698)	(111,223)	-	6,135
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	48,699	(2,737)	33,729	(41,085)	4,682	(19,912)	161,973	350,315	(3,416,673)
Cash and investments - ending	\$ 48,699	\$ 8,701	\$ -	\$ (41,085)	\$ 4,682	\$ -	\$ -	\$ 883,921	\$ 14,273,831

MUNCIE COMMUNITY SCHOOLS
 SCHEDULE OF LEASES AND DEBT
 June 30, 2013

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
Capital leases:			
Muncie School Building Corporation	Series 2005, School Facilities	\$ 3,475,000	\$ 1,806,219
Muncie School Building Corporation	Series 2006, School Facilities	<u>49,950,000</u>	<u>1,667,828</u>
Total capital leases		<u>53,425,000</u>	<u>3,474,047</u>
General obligation bonds	Pension bonds	<u>1,090,000</u>	<u>382,654</u>
Totals		<u>\$ 54,515,000</u>	<u>\$ 3,856,701</u>

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MUNCIE COMMUNITY SCHOOLS
SCHEDULE OF CAPITAL ASSETS
June 30, 2013

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

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 474,850
Buildings	118,533,344
Improvements other than buildings	3,058,717
Machinery, equipment, and vehicles	<u>4,972,988</u>
Total capital assets	<u>\$ 127,039,899</u>

MUNCIE COMMUNITY SCHOOLS
OTHER REPORT

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

Muncie Central High School

MUNCIE COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

ORDINANCES AND RESOLUTIONS

Muncie Community Schools has a resolution concerning the payment of claims prior to School Board approval. The Resolution, dated January 9, 2007, states in part: ". . . it is recognized that some financial obligations of the Muncie Community Schools become due at times between regularly scheduled meetings of the Board of School Trustees . . . the Board of School Trustees of the Muncie Community Schools authorizes such payments in advance of actual School Board claims docket approval at a public meeting."

A sample of claims indicated checks were written prior to the approval of the School Board and Fiscal Officer in 57 percent of the claims reviewed. These claims were for travel reimbursements, employee reimbursements, supplies, services provided, etc., and did not meet the definition of claims to be paid in advance as described in the Resolution, dated January 9, 2007. These checks were paid up to 25 days prior to the approval of the School Board and Fiscal Officer.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OVERDRAWN CASH BALANCES

The financial statements presented in this report included the following funds with overdrawn cash balances at June 30, 2013:

<u>Fund</u>	<u>Amount</u>
Debt Service	\$ 270,326
Retirement/Severance Bond Debt Service	63,388
Textbook Rental	83,295
2012-2013 Dela-Blackford Special Education	5,781,561
2011-2012 Vocational Coop	56,422
2012-2013 Vocational Coop-Acc Dist	1,141,711
2011-2012 Opportunity School	92,675
2012-2013 Opportunity School	1,134,487
2012 Ball Bros. - Camp Adventure	2,557
Christmas Sing	4,798

The cash 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)

COMPENSATION AND BENEFITS

During the current audit period, stipends were paid to certified personnel and not included in the payroll system. A similar comment appeared in prior Report B40153.

MUNCIE COMMUNITY SCHOOLS
 AUDIT RESULTS AND COMMENTS
 (Continued)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

ACADEMIC HONORS AND TECHNICAL DIPLOMAS

Honors Diplomas certified for the 2010-2011 school year to the Indiana Department of Education totaled 101. The actual Honors Diplomas per the School Corporation records totaled 95. Honors Diplomas certified for the 2011-2012 school year to the Indiana Department of Education totaled 77. The actual Honors Diplomas per the School Corporation records totaled 72. Honors Diplomas were over reported by 6 and 5 for the school years 2010-2011 and 2011-2012, respectively.

Technical Diplomas certified for the 2011-2012 school year to the Indiana Department of Education totaled 2. The actual Technical Diplomas per the School Corporation records totaled 5. Technical Diplomas were under reported by 3 for the 2011-2012 school year.

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

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

RECORD OF HOURS WORKED

Several employees were paid salaries from more than one fund because they were performing functions for various programs. A settlement of salaries paid from the various funds was determined at year end and reimbursements were made from one fund to another. Supporting documentation for these reimbursements such as time cards showing hours worked for each position, actual salaries paid, etc., was not presented for audit. The following undocumented salary reimbursements were made during fiscal year 2011-2012:

<u>Receiving Fund</u>	<u>Disbursing Fund</u>	<u>Amount</u>
2010-2011 Special Education Pre-School	2011-2012 Dela-Blackford Special Education	\$ 197,578
2010-2011 Title I Negl/Delinquent	2011-2012 Opportunity School	10,411
2010-2011 Priority School	2011-2012 Opportunity School	82,499

Indiana Code 5-11-9-4 requires that records be maintained showing which hours are worked each day for employees employed by more than one political subdivision or in more than one position by the same public agency. This requirement can be met by indicating the number of hours worked on each Employee's Service Record, General Form No. 99A and/or General Form No. 99B.

MUNCIE COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employees' Service Record
General Form 99B, Employees' Earnings Record
General Form 99C, Employees' Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 13)

PUBLIC RECORDS RETENTION (Applies to Muncie Central High School)

The ticket stubs and all sport pass and season ticket logs for previous years, and other supporting documentation were not retained and available for audit.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

ACCOUNTABLE ITEMS - FUND RAISING - LACK OF CONTROLS (Applies to Muncie Central High School)

During the current audit period, Muncie Central High School held fundraisers for the athletics, softball, track, band, publications, and student council. The costs of the fundraisers exceeded the revenues generated resulting in losses of \$637, \$881, \$406, \$253, \$300, and \$84, respectively. A similar comment appeared in prior Report B40153.

Controls over sales of accountable items were not sufficient to allow further analysis or conclusions related to these transactions.

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)

RECEIPT ISSUANCE (Applies to Muncie Central High School)

We conducted a test designed to verify that receipts issued were properly recorded to the extra-curricular account's records at the time the transactions occurred. Our test of this procedure found that while credit card collections were posted to the records, no receipts had been issued. Our test also found that 52 percent of the receipts tested were not written when the money was received.

MUNCIE COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

FEES (Applies to Muncie Central High School)

Fees collected for textbook rental did not agree to the schedule approved by the School Board. Muncie Central High School students were overcharged at the beginning of the 2011-2012 school year due to the fact that annual fees were treated as semester fees. When refunds were issued, for two of the three students tested, the amount refunded did not agree to what should have been refunded per the fee schedule approved by the School Board. For the 2012-2013 school year the fee schedules for individual students were not retained for audit and only the student schedule was retained. We could not verify charges for classes on the schedule to the amounts approved by the School Board.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE MUNCIE COMMUNITY SCHOOLS, DELAWARE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Muncie 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, 2011 to June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

Basis for Qualified Opinion on Title I, Part A Cluster

As described in items 2013-002, 2013-003, and 2013-004 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Allowable Costs, Eligibility, and Procurement, Suspension and Disbursement that are applicable to its Title I, Part A Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Qualified Opinion on Title I, Part A Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Title I, Part A Cluster for the period of July 1, 2011 to June 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2011 to June 30, 2013.

Other Matters

The School Corporation's response to the noncompliance findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2013-002, 2013-003, 2013-004, 2013-005, 2013-006, and 2013-007 to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

February 13, 2014

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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MUNCIE COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2012 and 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 06-30-13
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	FY 11-12	\$ 673,922	\$ -
			FY 12-13	-	649,096
				<u>673,922</u>	<u>649,096</u>
National School Lunch Program	Indiana Department of Education	10.555	FY 11-12	2,240,946	-
			FY 12-13	-	2,323,002
				<u>2,240,946</u>	<u>2,323,002</u>
Summer Food Service Program for Children	Indiana Department of Education	10.559	FY 11-12	2,436	-
Total - Child Nutrition Cluster				<u>2,917,304</u>	<u>2,972,098</u>
Total - U.S. DEPARTMENT OF AGRICULTURE				<u>2,917,304</u>	<u>2,972,098</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	10-1970	719,719	-
			11-1970	2,042,407	1,179,845
			13-1970	-	2,572,213
			09-1970 Improvement	-	-
			FY2011-1970 Improvement	26,592	-
			10-1970	50,124	-
			11-1970	205,348	32,200
			12-1970	-	233,262
				<u>3,044,190</u>	<u>4,017,520</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	Indiana Department of Education	84.389	Title I ARRA	572,489	-
			Title 1 Part D ARRA	6,256	-
				<u>578,745</u>	<u>-</u>
Total - Title I, Part A Cluster				<u>3,622,934</u>	<u>4,017,520</u>

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

MUNCIE COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2012 and 2013
(Continued)

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 06-30-13
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>					
Special Education Cluster					
Special Education - Grants to States	Indiana Department of Education	84.027			
			14211-10-PN01 Muncie	658,626	-
			14212-10-PN01 Muncie	3,146,302	901,709
			14213-10-PN01 Muncie	-	2,763,983
			EDS #A58-2-12DL-0125	70,000	-
			EDS #A58-3-13DL-0051	-	-
			EDS #A58-3-13DL-1410	-	70,000
				<u>3,874,928</u>	<u>3,735,692</u>
Special Education - Preschool Grants	Indiana Department of Education	84.173			
			FY 2010 611	12,319	-
			45712-010-PN01 / FY 2012 619	135,636	34,268
			45713-010-PN01	-	109,962
				<u>147,955</u>	<u>144,230</u>
ARRA - Special Education - Grants to States, Recovery Act	Indiana Department of Education	84.391			
			33310-010-SN01	<u>438,093</u>	-
ARRA - Special Education - Preschool Grants, Recovery Act	Indiana Department of Education	84.392			
			44410-001-SN01	<u>55,028</u>	-
Total - Special Education Cluster				<u>4,516,004</u>	<u>3,879,922</u>
Adult Education - Basic Grants to States	New Castle Community Schools	84.002			
			FY 2011-8024	28,566	-
			FY 2012-8024	191,505	82,226
			61-3-AEIN-2-25	-	20,020
Total - Adult Education				<u>220,071</u>	<u>102,246</u>
Career and Technical Education - Basic Grants to States	Indiana Department of Education	84.048			
			11-4700-1970	73,575	-
			12-4700-1970	305,474	21,157
			11-6200-1970	56,927	-
			13-4700-1970	-	9,540
			13-4700-1970	-	310,312
Total - Career and Technical Education - Basic Grants to States				<u>435,976</u>	<u>341,009</u>

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

MUNCIE COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2012 and 2013
(Continued)

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 06-30-13
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>					
English Language Acquisition Grants					
English Language Acquisition State Grants	Indiana Department of Education	84.365	01113-012-PN01	-	5,000
Mathematics and Science Partnerships	Indiana Department of Education	84.366	A58-09SL-024	51,683	17,214
Total - Mathematics and Science Partnerships				51,683	17,214
Improving Teacher Quality State Grants	Indiana Department of Education	84.367	11-1970 12-1970	507,215 -	83,649 538,142
Total - Improving Teacher Quality State Grants				507,215	621,791
Education Jobs Fund	Indiana Department of Education	84.410	S410A100015	1,223,518	441,437
Total Education Jobs Fund				1,223,518	441,437
Total - U.S. Department of Education				10,577,401	9,426,139
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>					
Early Retiree Reinsurance Program	Direct Grant	93.546	Bargaining Non-Bargaining	196,572 43,136	- -
Total Early Retiree Reinsurance Program				239,708	-
Total - U.S. Department of Health and Human Services				239,708	-
Total federal awards expended				<u>\$ 13,734,414</u>	<u>\$ 12,398,237</u>

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

MUNCIE 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 Muncie 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 corporation's shall be conducted biennially. Such audits shall include both years within the biennial period.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the School Corporation provided federal awards to subrecipients as follows for the years ended June 30, 2012 and 2013:

Program Title	Federal CFDA Number	2012	2013
Special Education – Grants to States	84.027	<u>\$ 2,067,138</u>	<u>\$ 1,974,617</u>

Note 3. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2012 and 2013. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2012	2013
National School Lunch Program	10.555	<u>\$ 210,927</u>	<u>\$ 224,734</u>

MUNCIE 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; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified for all programs except Title I, Part A Cluster which was qualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	Child Nutrition Cluster
	Title I, Part A Cluster
84.367	Improving Teacher Quality State Grants
84.410	Education Jobs Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$783,980

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the School Corporation's audited financial statement and Schedule of Expenditures of Federal Awards (SEFA) and then determining how those identified risks should be managed. The School Corporation has not identified risks to the preparation of a reliable financial statement and SEFA and as a result has failed to design effective controls over the preparation of the financial statement and SEFA to prevent or detect material misstatements.

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

The School Corporation has not established effective controls to allow for the proper reporting of the School Corporation's receipts, disbursements and federal expenditures. The financial statement and the SEFA were not reviewed or verified by someone other than the employee completing the financial statement and SEFA. The financial statement and SEFA presented for audit included the following errors and omissions:

1. The Self-Insurance Fund for the year ending June 30, 2012, did not include the transactions of the Fringe Benefit Clearing Fund and did not properly reflect the financial activity of the School Corporation. Reported receipts were understated by \$1,501,814 and reported disbursements were understated by \$3,863,416.
2. The reported SEFA ending June 30, 2012 and June 30, 2013, did not properly reflect federal expenditures of the School Corporation. Federal expenditures were understated by a net amount of \$2,679,376 and \$1,713,386, respectively. The errors were due to federal grants being omitted from the schedule, subrecipients' payments not included in federal expenditures, and reporting expenditures that were not from a federal grant.

The School Corporation approved and made the necessary adjustments to correct these errors.

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.

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

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.

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

- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Section III – Federal Award Findings and Questioned Costs

FINDING 2013-002 TITLE I - PART A CLUSTER - ALLOWABLE COSTS

Federal Agency: U.S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies, ARRA - Title I
Grants to Local Educational Agencies, Recovery Act
CFDA Number: 84.010, 84.389
Federal Award Number and Year: 10-1970, 11-1970, Title I ARRA
Pass-Through Entity: Indiana Department of Education

The School Corporation had established internal controls to meet the allowable costs/cost principles objectives, but those controls were not effective. The documentation for transfers of funds to the General Fund was not attached to the claims prior to payment.

The School Corporation transferred \$109,914 to the School Corporation's General Fund to reimburse it for substitute teaching costs incurred for professional development training from the 2010-2011 and 2011-2012 grants. There was no documentation provided to support these payments. These disbursements were considered question costs.

Documentation to support these disbursements as a Title I expenditure was not retained by the School Corporation and presented for audit.

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 operate 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.

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

34 CFR 80.22 states:

"(a) *Limitation on use of funds.* Grant funds may be used only for:

- (1) The allowable costs of the grantees, sub-grantees and cost-type contractors, including allowable costs in the form of payments to fixed-price contractors; and
- (2) Reasonable fees or profit to cost-type contractors but not any fee or profit (or other increment above allowable costs) to the grantee or sub-grantee.

34 CFR 80.42 states in part:

"(b) *Length of retention period.* (1) Except as otherwise provided, records must be retained for three years from the starting date specified in paragraph (c) of this section.

(c) *Starting date of retention period—(1) General.* When grant support is continued or renewed at annual or other intervals, the retention period for the records of each funding period starts on the day the grantee or subgrantee submits to the awarding agency its single or last expenditure report for that period. However, if grant support is continued or renewed quarterly, the retention period for each year's records starts on the day the grantee submits its expenditure report for the last quarter of the Federal fiscal year. In all other cases, the retention period starts on the day the grantee submits its final expenditure report. If an expenditure report has been waived, the retention period starts on the day the report would have been due."

OMB Circular A-133, Subpart C, section .300 states in part:

"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."

Failure to retain supporting documentation for transfers to School Corporation funds could allow for expenses being paid from Title I funds that were not allowable Title I expenses.

We recommended that the School Corporation follow controls established for allowable costs/cost principles and retain supporting documentation for all disbursements of Title I funds.

FINDING 2013-003 - TITLE I, PART A CLUSTER - ELIGIBILITY

Federal Agency: U.S. Department of Education

Federal Program: Title I Grants to Local Educational Agencies, ARRA - Title I Grants to Local Educational Agencies, Recovery Act

CFDA Number: 84.010, 84.389

Federal Award Number and Year: 11-1970, 13-1970

Pass-Through Entity: Indiana Department of Education

The School Corporation had established internal controls to meet the eligibility objectives, but these controls were not followed. The Title I Director did not review per pupil expenditures by school to determine that actual spending was in compliance with requirements established in the application.

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

In 2011-2012, two schools with poverty levels below 75 percent had per pupil Title I expenditures in excess of two schools with poverty levels above 75 percent. In 2012-2013, of the ten schools eligible for Title I funding, the five schools with the lowest poverty rates (all below 75 percent) had higher per pupil expenditures than the five schools with the highest poverty rates (all above 75 percent).

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 operate 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.

The Indiana Department of Education Title I Fiscal Handbook, page 7 states in part:

"Title I requires that a district rank all of its school attendance areas (or schools, using enrollment figures) in order of poverty from highest poverty to lowest. Free and reduced lunch data, as reported to IDOE on the DOE-RT report, is used annually to repopulate the online application. Different ranking rules apply to schools that exceed the 75 percent poverty level than to those that do not. . . ." The district must first focus on eligible school attendance areas (or schools) in which the concentration of children for low-income families exceeds 75 percent."

OMB Circular A-133, Subpart C, section .300 states in part:

"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."

Failure to properly expend funds may cause future funding to be reduced by the pass-through agency.

We recommended that the School Corporation follow controls established for eligibility and expend funds in conjunction with the rankings established by the Indiana Department of Education.

FINDING 2013-004 - TITLE I, PART A CLUSTER - SUSPENDED AND DEBARRED

Federal Agency: U.S. Department of Education

Federal Program: Title I Grants to Local Educational Agencies, Title I Grants
to Local Educational Agencies, Recovery Act

CFDA Number: 84.010, 84.389

Federal Award Number and Year: 10-1970, 11-1970, 13-1970, Title I - ARRA

Pass-Through Entity: Indiana Department of Education

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

The School Corporation was unaware of the requirement to search for debarred vendors and, therefore, did not have a system in place for determining whether or not a vendor had been excluded from doing business with the federal government.

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 operate 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.

34 CFR 80.35 states:

"Grantees and sub-grantees must not make any award or permit any award (sub-grant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, "Debarment and Suspension."

OMB Circular A-133, Subpart C, section .300 states in part:

"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 lack of controls allows for the potential of a suspended or disbarred vendor doing business with the School Corporation and being paid from federal funds, which could result in the loss of federal funds to the School Corporation.

We recommended that School Corporation Officials design and implement controls to prevent the potential of a disbarred or suspended vendor from being paid from federal funds.

***FINDING 2013-005 - IMPROVING TEACHER QUALITY STATE GRANTS -
INTERNAL CONTROLS OVER CASH MANAGEMENT AND REPORTING***

Federal Agency: U.S. Department of Education
Federal Program: Improving Teacher Quality State Grants
CFDA Number: 84.367
Federal Award Number and Year: 11-1970, 12-1970
Pass-Through Entity: Indiana Department of Education

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

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and Cash Management and Reporting compliance requirements that have a direct and material effect to the program. Reimbursement requests were prepared and submitted by one individual without evidence of a separate review.

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 operate 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 states in part:

"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. Noncompliance 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 the compliance requirements noted above that have a direct and material effect to the program.

FINDING 2013-006 - EDUCATION JOBS FUND - INTERNAL CONTROLS OVER CASH MANAGEMENT AND REPORTING

Federal Agency: U.S. Department of Education
Federal Program: Education Jobs Fund
CFDA Number: 84.410
Federal Award Number: S410A100015
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and Cash Management and Reporting compliance requirements that have a direct and material effect to the program. Reimbursement requests are prepared and submitted by one individual without evidence of a separate review.

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

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 operate 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 states in part:

"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. Noncompliance 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 the compliance requirements noted above that have a direct and material effect to the program.

FINDING 2013-007 - CHILD NUTRITION CLUSTER - INTERNAL CONTROLS OVER ALLOWABLE ACTIVITIES, ALLOWABLE COSTS/COST PRINCIPLE, PROCUREMENT, SUSPENSION, AND DEBARMENT, REPORTING

Federal Agency: U.S. Department of Agriculture
Federal Program: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Number: 10.553, 10.555, 10.559
Federal Award Number and Year: FY 11-12 and FY 12-13
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements; Allowable Activities, Allowable Costs, Procurement, Suspension and Debarment and Reporting. There is no established formal management oversight of claims or reports.

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.

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

An internal control system, including segregation of duties, should be designed and operate 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 states in part:

"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. Noncompliance 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 the compliance requirements noted above that have a direct and material effect to the program.

Muncie Community Schools

2501 N. OAKWOOD AVENUE • MUNCIE, IN 47304-2399

Prepare Now - Anticipate the Future

November 25, 2013

Indiana State Board of Accounts (SBOA)
302 W. Washington Street – Room E418
Indianapolis, IN 46204-2765

To Whom It May Concern:

Re: 2009-2011 Federal Audit Findings
Filed 3/7/12 – Report #B40153

In response to the federal findings contained in the previous audit (covering the period of 7/1/09-6/30/11) of the fiscal records of the Muncie Community Schools (MCS), please note the following position of MCS:

Finding 2011-1 – Title 1 Part A Cluster – Cash Management

This issue involving excess cash on hand is no longer possible. The Indiana Department of Education (IDOE) now operates all grant programs on a reimbursement only basis. This means these grants will reflect continuous negative cash balances until the final reimbursement is received.

Finding 2011-2 – Title 1 Part A Cluster – Period of Availability

This issue has been addressed through designation of new federal project administrators. It should also be noted that, contrary to the position of SBOE field examiners, the federal “Tyding’s Amendment” provides for a “liquidation period” on federal projects, which extends close-out transactions to December 30 after the academic year for which the funds were awarded. It should also be noted that some current federal awards to MCS now allow a two (2) year period of expenditure activity.

Finding 2011-3 – Title 1 Part A Cluster – Reporting

MCS believes that local federal funds administrators are keeping hard-copy files of all state fiscal reports. Federal project administrators are aware that all “interim” final reports must be followed by an “absolute” final report if there are any changes in the “interim” data.

Finding 2011-4 – Title IIA Improving Teacher Quality Grants – Cash Management

Please reference the MCS response to Finding 2011-1 above.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Mark A. Burkhart". The signature is written in a cursive style with a large, prominent initial "M".

Mark A. Burkhart
Chief Financial Officer

sonyFederalAuditFindings09-11

Muncie Community Schools

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Prepare Now - Anticipate the Future

February 13, 2014

Indiana State Board of Accounts
302 W. Washington Street – Rm. E418
Indianapolis, IN 46204-2765

To Whom It May Concern:

Re: 2011-2013 Audit Findings

In response to the federal findings in your agency's report for the Muncie Community Schools (MCS) for the period of July 1, 2011, through June 30, 2013, please note the following:

2013-001 Internal Controls Over Financial Transactions and Reporting

In response to the Field Examiners' initial observations, MCS staff adjusted data entries to correct any errors and omissions in reports.

Prior to this most recent audit, MCS was using a data reporting process that had not been questioned in several previous audits. Therefore, it was appropriately assumed that these processes were adequate. This current audit has now resulted in changes that should avoid this type of "Internal Control" citation in future audits.

2013-002 Title I, Part A Cluster – Allowable Activities, Allowable Costs

Detailed documentation to justify substitute teacher costs charged to Title I will be maintained with paid claims records. This issue is traced to transactions of past Title I Project Directors. The current director is documenting substitute costs attributable to Title I.

2013-003 – Title I, Part A Cluster, Eligibility

The original grant application was approved by the Indiana Department of Education with the correct per pupil expenditures submitted by the Title I Project Director at that time. Steps have now been taken by the current director to follow established guidelines for expenditure of funds in compliance with eligibility rankings established by the Indiana Department of Education.

2013-004 – Title I Part A Cluster, Suspended and Debarred

Since the current audit commenced, the Title I Project Director has taken action to search for debarred/suspended vendors and that documentation is now available and on file.

2013-005 – Improving Teacher Quality State Grants – Internal Controls Over Cash Management and Reporting

In response to this citation, internal controls are being implemented to create effective segregation of duties to provide reasonable assurance of compliance with this requirement. Excessive staff turnover during this audit period and the school district's need to reduce staff contributed to this situation.

2013-006 – ARRA – Education Jobs – Internal Controls Over Cash Management and Reporting

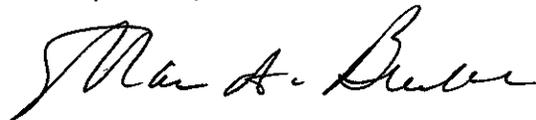
In response to this citation, internal controls are being implemented to create effective segregation of duties to provide reasonable assurance of compliance with this requirement. Excessive staff turnover during this audit period and the school district's need to reduce staff contributed to this situation.

2013-007 – Child Nutrition Cluster – Internal Controls Over Allowable

Child Nutrition Cluster – Internal Controls Over Allowable Activities, Allowable Costs/Cost Principle, Procurement, Suspension and Debarment, Reporting

The Food Services Director will now execute (review and sign) all Food Service claims and all NSLP sponsor claims.

Respectfully Submitted,



Mark A. Burkhart
Chief Financial Officer

MUNCIE COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on February 13, 2014, with Mark A. Burkhart, Treasurer; Tim Heller, Superintendent of Schools; Anthony Costello, President of the School Board and Chip Mehaffey, Muncie Central High School Athletic Director. The Official Response has been made a part of this report and may be found on page 73.

Muncie Community Schools

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Prepare Now - Anticipate the Future

February 13, 2014

Indiana State Board of Accounts
302 W. Washington Street – Rm. E418
Indianapolis, IN 46204-2765

To Whom It May Concern:

On February 13, 2014, field examiners (Stephanie Heath and Theresa Alexander) from your agency conducted an exit conference with representatives of the Muncie Community Schools to review the results of their audit of school records of July 1, 2011, through June 30, 2013. The purpose of this correspondence is to provide an official, written response to selected issues raised during the exit conference. Other than as noted below, the Muncie Community Schools is in general agreement with all of the audit findings and all noted issues have been addressed as of this date.

- A. Timing of Claims Payments – Field Examiners did recognize a January 9, 2007, School Board resolution establishing authority for the payment of claims prior to School Board affirmation of any particular claim. While the concept of prior approval (before payment) by the School Board is understood, payroll alone (the corporation's biggest expenditure) must be paid in advance of Board affirmation.
- B. Overdrawn Cash Balances – The timing of state revenue distributions and the impact of tax caps on local revenue distributions has contributed significantly to occasional negative cash balances in some funds. However, prior to close-out, all funds eventually receive full funding based on distributions from the funding source.
- C. Stipends – The Muncie Community Schools Board of School Trustees adopted a home rule resolution on August 8, 2006, permitting the issuance of stipends. Stipend payments are made to individuals providing services beyond the normal scope of their duties. Internal Revenue Service Miscellaneous Income guidelines are observed in reporting these payments for income tax purposes.

In conclusion, the Muncie Community Schools would like to commend your field representatives for the efficient, thorough and professional manner in which they conducted their audit of school records.



Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Mark A. Burkhart".

Mark A. Burkhart
Chief Financial Officer