

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

AUDIT REPORT
OF
NORTH MIAMI COMMUNITY SCHOOLS
MIAMI COUNTY, INDIANA
July 1, 2008 to June 30, 2010



FILED
02/07/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Krista Warder	07-01-08 to 06-30-11
Superintendent of Schools	Brent Kaufman Mary Ann Irwin	07-01-08 to 06-30-09 07-01-09 to 06-30-11
President of the School Board	Stanley Hudson William C. Deeds II	07-01-08 to 06-30-09 07-01-09 to 06-30-11



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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Miami Community Schools (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

In accordance with Government Auditing Standards, we have also issued a report dated December 9, 2010, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

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

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

STATE BOARD OF ACCOUNTS

December 9, 2010



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Miami Community Schools (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated December 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in item 2010-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider item 2010-1 to be a material weakness.

Compliance and Other Matters

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

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

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

STATE BOARD OF ACCOUNTS

December 9, 2010

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

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 4,127,851	\$ -	\$ 94,859	\$ (4,032,992)
Support services	3,034,856	410,726	154,975	(2,469,155)
Noninstructional services	551,236	-	-	(551,236)
Facilities acquisition and construction	469,484	-	-	(469,484)
Debt service	3,595,537	-	-	(3,595,537)
Nonprogrammed charges	734,945	-	-	(734,945)
	<u>\$ 12,513,909</u>	<u>\$ 410,726</u>	<u>\$ 249,834</u>	<u>(11,853,349)</u>
Total governmental activities				
General receipts:				
Property taxes				4,055,033
Other local sources				604,384
State aid				5,069,379
Bonds and loans				928,135
Grants and contributions not restricted to specific programs				835,914
Sale of property				38
Investment earnings				6,217
Other				20,126
				<u>11,519,226</u>
Total general receipts				<u>11,519,226</u>
Change in net assets				(334,123)
Net assets - beginning				<u>1,897,414</u>
Net assets - ending				<u>\$ 1,563,291</u>
<u>Assets</u>				
Cash and investments				\$ 1,386,095
Restricted assets:				
Cash and investments				<u>177,196</u>
Total assets				<u>\$ 1,563,291</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 177,196
Unrestricted				<u>1,386,095</u>
Total net assets				<u>\$ 1,563,291</u>

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

NORTH MIAMI COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 4,112,411	\$ -	\$ 109,914	\$ (4,002,497)
Support services	3,320,460	364,263	205,016	(2,751,181)
Noninstructional services	555,420	-	-	(555,420)
Facilities acquisition and construction	336,045	-	-	(336,045)
Debt service	1,370,610	-	-	(1,370,610)
Nonprogrammed charges	857,727	-	-	(857,727)
Total governmental activities	<u>\$ 10,552,673</u>	<u>\$ 364,263</u>	<u>\$ 314,930</u>	<u>(9,873,480)</u>
General receipts:				
Property taxes				3,295,207
Other local sources				430,483
State aid				6,534,691
Bonds and loans				354,279
Grants and contributions not restricted to specific programs				506,791
Sale of property				85,218
Other				6,918
Total general receipts				<u>11,213,587</u>
Change in net assets				1,340,107
Net assets - beginning				<u>1,563,291</u>
Net assets - ending				<u>\$ 2,903,398</u>
<u>Assets</u>				
Cash and investments				\$ 2,498,750
Restricted assets:				
Cash and investments				<u>404,648</u>
Total assets				<u>\$ 2,903,398</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 404,648
Unrestricted				<u>2,498,750</u>
Total net assets				<u>\$ 2,903,398</u>

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

NORTH MIAMI COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	General	Rainy Day	Capital Projects	Other	Totals
Receipts:					
Local sources	\$ 2,238,121	\$ -	\$ 902,259	\$ 1,935,121	\$ 5,075,501
Intermediate sources	427	-	-	431	858
State sources	5,164,239	-	-	42,053	5,206,292
Federal sources	-	-	-	948,836	948,836
Temporary loans	185,900	-	396,775	345,460	928,135
Other	904	-	16,307	2,915	20,126
Total receipts	7,589,591	-	1,315,341	3,274,816	12,179,748
Disbursements:					
Current:					
Instruction	3,595,415	-	-	532,436	4,127,851
Support services	1,583,293	160,728	574,630	716,205	3,034,856
Noninstructional services	105,573	-	-	445,663	551,236
Facilities acquisition and construction	-	81,462	388,022	-	469,484
Debt services	1,560,181	-	565,533	1,469,823	3,595,537
Nonprogrammed charges	711,373	-	-	23,572	734,945
Total disbursements	7,555,835	242,190	1,528,185	3,187,699	12,513,909
Excess (deficiency) of receipts over disbursements	33,756	(242,190)	(212,844)	87,117	(334,161)
Other financing sources (uses):					
Sale of capital assets	38	-	-	-	38
Transfers in	-	300,000	-	15,585	315,585
Transfers out	(5,337)	-	-	(310,248)	(315,585)
Total other financing sources (uses)	(5,299)	300,000	-	(294,663)	38
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	28,457	57,810	(212,844)	(207,546)	(334,123)
Cash and investments - beginning	429,810	404,421	217,946	845,237	1,897,414
Cash and investments - ending	<u>\$ 458,267</u>	<u>\$ 462,231</u>	<u>\$ 5,102</u>	<u>\$ 637,691</u>	<u>\$ 1,563,291</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ 458,267	\$ 462,231	\$ 5,102	\$ 460,495	\$ 1,386,095
Restricted assets:					
Cash and investments	-	-	-	177,196	177,196
Cash and investments	<u>\$ 458,267</u>	<u>\$ 462,231</u>	<u>\$ 5,102</u>	<u>\$ 637,691</u>	<u>\$ 1,563,291</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ 177,196	\$ 177,196
Unrestricted	458,267	462,231	5,102	460,495	1,386,095
Total cash and investment fund balance - ending	<u>\$ 458,267</u>	<u>\$ 462,231</u>	<u>\$ 5,102</u>	<u>\$ 637,691</u>	<u>\$ 1,563,291</u>

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

NORTH MIAMI COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

	General	Rainy Day	Capital Projects	Other	Totals
Receipts:					
Local sources	\$ 76,956	\$ -	\$ 1,249,593	\$ 2,763,040	\$ 4,089,589
Intermediate sources	214	-	-	150	364
State sources	6,648,650	-	-	24,715	6,673,365
Federal sources	-	-	-	683,047	683,047
Temporary loans	-	-	270,938	83,341	354,279
Other	6,809	-	804	(695)	6,918
Total receipts	6,732,629	-	1,521,335	3,553,598	11,807,562
Disbursements:					
Current:					
Instruction	3,722,557	-	-	389,854	4,112,411
Support services	1,801,712	-	570,081	948,667	3,320,460
Noninstructional services	120,670	-	-	434,750	555,420
Facilities acquisition and construction	-	246,694	89,351	-	336,045
Debt services	-	-	394,026	976,584	1,370,610
Nonprogrammed charges	737,012	-	-	120,715	857,727
Total disbursements	6,381,951	246,694	1,053,458	2,870,570	10,552,673
Excess (deficiency) of receipts over disbursements	350,678	(246,694)	467,877	683,028	1,254,889
Other financing sources (uses):					
Sale of capital assets	893	-	-	84,325	85,218
Transfers in	5,839	125,000	-	5,403	136,242
Transfers out	-	-	-	(136,242)	(136,242)
Total other financing sources (uses)	6,732	125,000	-	(46,514)	85,218
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	357,410	(121,694)	467,877	636,514	1,340,107
Cash and investments - beginning	458,267	462,231	5,102	637,691	1,563,291
Cash and investments - ending	<u>\$ 815,677</u>	<u>\$ 340,537</u>	<u>\$ 472,979</u>	<u>\$ 1,274,205</u>	<u>\$ 2,903,398</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ 815,677	\$ 340,537	\$ 472,979	\$ 869,557	\$ 2,498,750
Restricted assets:					
Cash and investments	-	-	-	404,648	404,648
Total cash and investment assets - ending	<u>\$ 815,677</u>	<u>\$ 340,537</u>	<u>\$ 472,979</u>	<u>\$ 1,274,205</u>	<u>\$ 2,903,398</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ 404,648	\$ 404,648
Unrestricted	815,677	340,537	472,979	869,557	2,498,750
Total cash and investment fund balance - ending	<u>\$ 815,677</u>	<u>\$ 340,537</u>	<u>\$ 472,979</u>	<u>\$ 1,274,205</u>	<u>\$ 2,903,398</u>

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

NORTH MIAMI COMMUNITY SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2009

	Private-Purpose Trust Funds	Agency Funds
Additions:	\$ <u> -</u>	
Deductions:		
Administrative and general	<u> 693</u>	
Deficiency of total additions over total deductions	(693)	
Cash and investment fund balance - beginning	<u> 1,256</u>	
Cash and investment fund balance - ending	<u>\$ 563</u>	<u>\$ 27,808</u>
Net assets:		
Cash and investments	<u>\$ 563</u>	<u>\$ 27,808</u>
Total net assets - cash and investment basis held in trust	<u>\$ 563</u>	<u>\$ 27,808</u>

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

NORTH MIAMI COMMUNITY SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2010

	Private-Purpose Trust Funds	Agency Funds
Additions:	\$ <u> -</u>	
Deductions:		
Administrative and general	<u> 31</u>	
Deficiency of total additions over total deductions	(31)	
Cash and investment fund balance - beginning	<u> 563</u>	
Cash and investment fund balance - ending	<u>\$ 532</u>	<u>\$ 30,015</u>
Net assets:		
Cash and investments	<u>\$ 532</u>	<u>\$ 30,015</u>
Total net assets - cash and investment basis held in trust	<u>\$ 532</u>	<u>\$ 30,015</u>

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

NORTH MIAMI COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

Primary Government: North Miami Community Schools

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

Joint Venture

The School Corporation is a participant in a joint venture to operate Heartland Career Center which was created to provide vocational training. The Heartland Career Center's continued existence depends on continued funding from the member school corporations. Complete financial statements for the Heartland Career Center can be obtained from P.O. Box 606, Wabash, IN 46992.

The School Corporation is a participant in a joint venture to operate Logansport Area Joint Special Services Cooperative (LAJSSC) which was created to provide education to handicapped students. LAJSSC's continued existence depends on continued funding from the member school corporations. Complete financial statements for LAJSSC can be obtained from 1501 Meadowlawn Avenue, Logansport, IN 46947.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes governmental activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds and fiduciary funds,

NORTH MIAMI COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

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

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

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

Additionally, the School Corporation reports the following fund types:

The private-purpose trust fund reports a trust arrangement under which principal and income benefit special needs students.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

NORTH MIAMI COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Assets and Cash and Investment Balances

1. Restricted Assets

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

2. Cash and Investments

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

3. Property Taxes

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

4. Capital Assets

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

5. Long-Term Debt

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

6. Equity Classification

Government-Wide Statements

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

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

Fund Financial Statements

Governmental fund equity is classified as fund balance.

NORTH MIAMI COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Receipts and Disbursements

Program Receipts

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

F. Internal and Interfund Activities

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

Fund Financial Statements

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

Government-Wide Financial Statements

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

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

II. Stewardship, Compliance and Accountability

Budgetary Information

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

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board

NORTH MIAMI COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

to obtain taxpayer comments. Prior to November 1, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

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

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. IC 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2010, the School Corporation had deposit balances in the amount of \$2,933,945.

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

B. Interfund Transfers

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

Transfer From	Transfer To	2009	2010
General Fund	Other Governmental Funds	\$ 5,337	\$ -
Other Governmental Funds	General Fund	-	5,839
Other Governmental Funds	Rainy Day Fund	300,000	125,000
Other Governmental Funds	Other Governmental Funds	10,248	5,403
Totals		<u>\$ 315,585</u>	<u>\$ 136,242</u>

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

School used transfers to set aside excess amounts in budgeted funds in the rainy day fund.

NORTH MIAMI COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

IV. Other Information

A. Risk Management

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

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

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

Risk financing is not utilized for the other risks of loss.

B. Holding Corporation

The School Corporation has entered into a capital lease with North Miami 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. No lease payments were made during the period covered by this report. The first lease payment is due June 30, 2011.

C. Other Postemployment Benefits

Defined Contribution Healthcare Plan

Plan Description

The School Corporation provides certain retired teachers and their dependents the opportunity to remain on the School's group health, dental and vision insurance plans. The teacher may elect to retire and receive this benefit at the age when early retirement is possible under the provisions of the Indiana State Teachers' Retirement Fund until the retired teacher or eligible dependent is eligible for Medicare coverage.

Funding Policy

The School Corporation only contributes to the cost of this benefit for those teachers who retired prior to July 1, 2006. The School's required contribution for those retirees is \$5,186 for single coverage plan and \$8,713 for family coverage. For the year ended June 30, 2010, the School Corporation contributed \$25,923 to the plan. Retirees receiving benefits contributed \$64,373.

NORTH MIAMI COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the School Corporation during the period were \$20,552.

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

Teachers' Retirement Fund

Plan Description

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

NORTH MIAMI COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

Funding Policy

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The 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.

The School Corporation's contributions to the plan during the period were \$490,539.

NORTH MIAMI COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009

	Transportation Operating	Special Education Preschool	School Lunch	Textbook Rental	Child Care Program	Educational License Plate
Receipts:						
Local sources	\$ 484,246	\$ 5,378	\$ 274,396	\$ 56,726	\$ 18,740	\$ -
Intermediate sources	-	-	-	-	-	431
State sources	-	15,443	6,247	6,526	-	-
Federal sources	-	-	142,202	-	-	-
Temporary loans	230,471	-	-	-	-	-
Other	2,929	-	-	-	-	-
Total receipts	717,646	20,821	422,845	63,252	18,740	431
Disbursements:						
Current:						
Instruction	-	-	-	-	-	-
Support services	401,846	-	1,193	60,105	-	-
Noninstructional services	-	-	406,044	-	29,964	-
Debt services	366,554	-	-	-	-	-
Nonprogrammed charges	-	20,993	-	-	-	-
Total disbursements	768,400	20,993	407,237	60,105	29,964	-
Excess (deficiency) of receipts over disbursements	(50,754)	(172)	15,608	3,147	(11,224)	431
Other financing sources (uses):						
Transfers in	-	-	-	12,284	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	12,284	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(50,754)	(172)	15,608	15,431	(11,224)	431
Cash and investments - beginning	113,784	211	97,755	40,160	10,485	2,307
Cash and investments - ending	\$ 63,030	\$ 39	\$ 113,363	\$ 55,591	\$ (739)	\$ 2,738
Cash and Investment Assets - Ending						
Cash and investments	\$ 63,030	\$ 39	\$ 113,363	\$ 55,591	\$ (739)	\$ 2,738
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 63,030	\$ 39	\$ 113,363	\$ 55,591	\$ (739)	\$ 2,738
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	63,030	39	113,363	55,591	(739)	2,738
Total cash and investment fund balance - ending	\$ 63,030	\$ 39	\$ 113,363	\$ 55,591	\$ (739)	\$ 2,738

NORTH MIAMI COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Non-English Speaking Program	School Technology	Vending	Dukes Health Care Foundation Grant	Title I 07-08
Receipts:					
Local sources	\$ -	\$ -	\$ 91	\$ -	\$ -
Intermediate sources	-	-	-	-	-
State sources	-	13,837	-	-	-
Federal sources	-	-	-	5,070	-
Temporary loans	-	-	-	-	-
Other	-	-	-	-	-
Total receipts	-	13,837	91	5,070	-
Disbursements:					
Current:					
Instruction	-	-	-	-	12,731
Support services	-	830	-	6,849	1,943
Noninstructional services	-	-	-	-	901
Debt services	-	-	-	-	-
Nonprogrammed charges	-	-	79	-	-
Total disbursements	-	830	79	6,849	15,575
Excess (deficiency) of receipts over disbursements	-	13,007	12	(1,779)	(15,575)
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(3,301)
Total other financing sources (uses)	-	-	-	-	(3,301)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	13,007	12	(1,779)	(18,876)
Cash and investments - beginning	75	7,107	-	1,871	18,876
Cash and investments - ending	<u>\$ 75</u>	<u>\$ 20,114</u>	<u>\$ 12</u>	<u>\$ 92</u>	<u>\$ -</u>
Cash and Investment Assets - Ending					
Cash and investments	\$ 75	\$ 20,114	\$ 12	\$ 92	\$ -
Restricted assets:					
Cash and investments	-	-	-	-	-
Total cash and investment assets - ending	\$ 75	\$ 20,114	\$ 12	\$ 92	\$ -
Cash and Investment Fund Balance - Ending					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	75	20,114	12	92	-
Total cash and investment fund balance - ending	\$ 75	\$ 20,114	\$ 12	\$ 92	\$ -

NORTH MIAMI COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	School Improvement 07-08	Title I 08-09	Title I 06-07	Title V Innovative Programs 06-07	Title V Innovative Programs 07-08
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	-	111,670	-	-	697
Temporary loans	-	-	-	-	-
Other	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total receipts	-	111,670	-	-	697
Disbursements:					
Current:					
Instruction	1,850	90,907	-	1,446	697
Support services	6,035	4,676	-	-	-
Noninstructional services	38	1,414	-	-	1,000
Debt services	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total disbursements	7,923	96,997	-	1,446	1,697
Excess (deficiency) of receipts over disbursements	<hr/> <u>(7,923)</u>	<hr/> <u>14,673</u>	<hr/> <u>-</u>	<hr/> <u>(1,446)</u>	<hr/> <u>(1,000)</u>
Other financing sources (uses):					
Transfers in	-	3,301	-	-	-
Transfers out	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	3,301	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<hr/> <u>(7,923)</u>	<hr/> <u>17,974</u>	<hr/> <u>-</u>	<hr/> <u>(1,446)</u>	<hr/> <u>(1,000)</u>
Cash and investments - beginning	<hr/> <u>7,923</u>	<hr/> <u>-</u>	<hr/> <u>1,350</u>	<hr/> <u>1,446</u>	<hr/> <u>1,000</u>
Cash and investments - ending	<hr/> <u>\$ -</u>	<hr/> <u>\$ 17,974</u>	<hr/> <u>\$ 1,350</u>	<hr/> <u>\$ -</u>	<hr/> <u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ -	\$ 17,974	\$ 1,350	\$ -	\$ -
Restricted assets:					
Cash and investments	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total cash and investment assets - ending	<hr/> <u>\$ -</u>	<hr/> <u>\$ 17,974</u>	<hr/> <u>\$ 1,350</u>	<hr/> <u>\$ -</u>	<hr/> <u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<hr/>	<hr/> <u>17,974</u>	<hr/> <u>1,350</u>	<hr/>	<hr/>
Total cash and investment fund balance - ending	<hr/> <u>\$ -</u>	<hr/> <u>\$ 17,974</u>	<hr/> <u>\$ 1,350</u>	<hr/> <u>\$ -</u>	<hr/> <u>\$ -</u>

NORTH MIAMI COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Title IV Drug Free 06-07	Title V Safe and Drug Free 07-08	Title IV Safe and Drug Free 08-09	Title II Improving Teacher Quality	Fiscal Stabilization
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	-	-	2,515	96,782	577,778
Temporary loans	-	-	-	-	-
Other	-	-	-	(14)	-
Total receipts	-	-	2,515	96,768	577,778
Disbursements:					
Current:					
Instruction	453	400	-	42,988	380,964
Support services	-	-	-	1,400	146,849
Noninstructional services	-	-	-	-	6,302
Debt services	-	-	-	-	-
Nonprogrammed charges	-	2,500	-	-	-
Total disbursements	453	2,900	-	44,388	534,115
Excess (deficiency) of receipts over disbursements	(453)	(2,900)	2,515	52,380	43,663
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(453)	(2,900)	2,515	52,380	43,663
Cash and investments - beginning	453	3,502	-	14,835	-
Cash and investments - ending	\$ -	\$ 602	\$ 2,515	\$ 67,215	\$ 43,663
Cash and Investment Assets - Ending					
Cash and investments	\$ -	\$ 602	\$ 2,515	\$ 67,215	\$ 43,663
Restricted assets:					
Cash and investments	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 602	\$ 2,515	\$ 67,215	\$ 43,663
Cash and Investment Fund Balance - Ending					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	602	2,515	67,215	43,663
Total cash and investment fund balance - ending	\$ -	\$ 602	\$ 2,515	\$ 67,215	\$ 43,663

NORTH MIAMI COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Title I Stimulus	Debt Service	Retirement Severance Bond	School Bus Replacement	Totals
Receipts:					
Local sources	\$ -	\$ 565,337	\$ 225,633	\$ 304,574	\$ 1,935,121
Intermediate sources	-	-	-	-	431
State sources	-	-	-	-	42,053
Federal sources	12,122	-	-	-	948,836
Temporary loans	-	-	114,989	-	345,460
Other	-	-	-	-	2,915
Total receipts	<u>12,122</u>	<u>565,337</u>	<u>340,622</u>	<u>304,574</u>	<u>3,274,816</u>
Disbursements:					
Current:					
Instruction	-	-	-	-	532,436
Support services	-	-	-	84,479	716,205
Noninstructional services	-	-	-	-	445,663
Debt services	-	635,150	316,900	151,219	1,469,823
Nonprogrammed charges	-	-	-	-	23,572
Total disbursements	<u>-</u>	<u>635,150</u>	<u>316,900</u>	<u>235,698</u>	<u>3,187,699</u>
Excess (deficiency) of receipts over disbursements	<u>12,122</u>	<u>(69,813)</u>	<u>23,722</u>	<u>68,876</u>	<u>87,117</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	15,585
Transfers out	-	(6,947)	-	(300,000)	(310,248)
Total other financing sources (uses)	<u>-</u>	<u>(6,947)</u>	<u>-</u>	<u>(300,000)</u>	<u>(294,663)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	12,122	(76,760)	23,722	(231,124)	(207,546)
Cash and investments - beginning	-	137,927	92,307	291,863	845,237
Cash and investments - ending	<u>\$ 12,122</u>	<u>\$ 61,167</u>	<u>\$ 116,029</u>	<u>\$ 60,739</u>	<u>\$ 637,691</u>
Cash and Investment Assets - Ending					
Cash and investments	\$ 12,122	\$ -	\$ -	\$ 60,739	\$ 460,495
Restricted assets:					
Cash and investments	-	61,167	116,029	-	177,196
Total cash and investment assets - ending	<u>\$ 12,122</u>	<u>\$ 61,167</u>	<u>\$ 116,029</u>	<u>\$ 60,739</u>	<u>\$ 637,691</u>
Cash and Investment Fund Balance - Ending					
Restricted for:					
Debt service	\$ -	\$ 61,167	\$ 116,029	\$ -	\$ 177,196
Unrestricted	12,122	-	-	60,739	460,495
Total cash and investment fund balance - ending	<u>\$ 12,122</u>	<u>\$ 61,167</u>	<u>\$ 116,029</u>	<u>\$ 60,739</u>	<u>\$ 637,691</u>

NORTH MIAMI COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010

	Transportation Operating	Special Education Preschool	School Lunch	Textbook Rental	Child Care Program	Educational License Plate	Non-English Speaking Program
Receipts:							
Local sources	\$ 766,499	\$ -	\$ 273,766	\$ 49,710	\$ 31,310	\$ -	\$ -
Intermediate sources	-	-	-	-	-	150	-
State sources	-	11,000	5,628	8,087	-	-	-
Federal sources	-	-	187,256	-	-	-	-
Temporary loans	83,341	-	-	-	-	-	-
Other	-	-	655	-	-	-	-
Total receipts	849,840	11,000	467,305	57,797	31,310	150	-
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	480,681	-	1,188	45,528	-	-	-
Noninstructional services	-	-	409,342	-	22,089	-	-
Debt services	181,327	-	-	-	-	-	-
Nonprogrammed charges	-	5,200	-	-	-	-	-
Total disbursements	662,008	5,200	410,530	45,528	22,089	-	-
Excess (deficiency) of receipts over disbursements	187,832	5,800	56,775	12,269	9,221	150	-
Other financing sources (uses):							
Sale of capital assets	325	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	(5,839)	-	-	-	-	-
Total other financing sources (uses)	325	(5,839)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	188,157	(39)	56,775	12,269	9,221	150	-
Cash and investments - beginning	63,030	39	113,363	55,591	(739)	2,738	75
Cash and investments - ending	\$ 251,187	\$ -	\$ 170,138	\$ 67,860	\$ 8,482	\$ 2,888	\$ 75
Cash and Investment Assets - Ending							
Cash and investments	\$ 251,187	\$ -	\$ 170,138	\$ 67,860	\$ 8,482	\$ 2,888	\$ 75
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 251,187	\$ -	\$ 170,138	\$ 67,860	\$ 8,482	\$ 2,888	\$ 75
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	251,187	-	170,138	67,860	8,482	2,888	75
Total cash and investment fund balance - ending	\$ 251,187	\$ -	\$ 170,138	\$ 67,860	\$ 8,482	\$ 2,888	\$ 75

NORTH MIAMI COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010
 (Continued)

	School Technology	Vending	Dukes Health Care Foundation Grant	Duke Grant Health Care Foundation	Title I 08-09	Title I 09-10	Title I 06-07
Receipts:							
Local sources	\$ -	\$ 145	\$ -	\$ 2,931	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	3,000	-	-	106,869	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	(1,350)
Total receipts	-	145	3,000	2,931	-	106,869	(1,350)
Disbursements:							
Current:							
Instruction	-	-	-	-	10,138	92,395	-
Support services	4,112	-	539	2,931	1,638	6,980	-
Noninstructional services	-	-	-	-	795	2,524	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	132	-	-	-	-	-
Total disbursements	4,112	132	539	2,931	12,571	101,899	-
Excess (deficiency) of receipts over disbursements	(4,112)	13	2,461	-	(12,571)	4,970	(1,350)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	5,403	-
Transfers out	-	-	-	-	(5,403)	-	-
Total other financing sources (uses)	-	-	-	-	(5,403)	5,403	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,112)	13	2,461	-	(17,974)	10,373	(1,350)
Cash and investments - beginning	20,114	12	92	-	17,974	-	1,350
Cash and investments - ending	\$ 16,002	\$ 25	\$ 2,553	\$ -	\$ -	\$ 10,373	\$ -
Cash and Investment Assets - Ending							
Cash and investments	\$ 16,002	\$ 25	\$ 2,553	\$ -	\$ -	\$ 10,373	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 16,002	\$ 25	\$ 2,553	\$ -	\$ -	\$ 10,373	\$ -
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	16,002	25	2,553	-	-	10,373	-
Total cash and investment fund balance - ending	\$ 16,002	\$ 25	\$ 2,553	\$ -	\$ -	\$ 10,373	\$ -

NORTH MIAMI COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010
 (Continued)

	Title V Innovative Programs 07-08	Drug Free Schools 09-10	Title V Safe and Drug Free 07-08	Title IV Safe and Drug Free 08-09	Title II Improving Teacher Quality	Fiscal Stabilization	Title I Stimulus
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	662	3,209	-	-	-	216,186	42,392
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	<u>662</u>	<u>3,209</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>216,186</u>	<u>42,392</u>
Disbursements:							
Current:							
Instruction	662	-	602	15	50,274	148,894	37,823
Support services	-	-	-	-	-	72,494	-
Noninstructional services	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	2,500	-	38,461	-
Total disbursements	<u>662</u>	<u>-</u>	<u>602</u>	<u>2,515</u>	<u>50,274</u>	<u>259,849</u>	<u>37,823</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>3,209</u>	<u>(602)</u>	<u>(2,515)</u>	<u>(50,274)</u>	<u>(43,663)</u>	<u>4,569</u>
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>3,209</u>	<u>(602)</u>	<u>(2,515)</u>	<u>(50,274)</u>	<u>(43,663)</u>	<u>4,569</u>
Cash and investments - beginning	<u>-</u>	<u>-</u>	<u>602</u>	<u>2,515</u>	<u>67,215</u>	<u>43,663</u>	<u>12,122</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 3,209</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,941</u>	<u>\$ -</u>	<u>\$ 16,691</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ -	\$ 3,209	\$ -	\$ -	\$ 16,941	\$ -	\$ 16,691
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 3,209</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,941</u>	<u>\$ -</u>	<u>\$ 16,691</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	3,209	-	-	16,941	-	16,691
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 3,209</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,941</u>	<u>\$ -</u>	<u>\$ 16,691</u>

NORTH MIAMI COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010
 (Continued)

	Special Ed Part B Stimulus	Special Ed Part B Stimulus Preschool	Debt Service	Retirement Severance Bond	School Bus Replacement	Construction Bond Sale	Totals
Receipts:							
Local sources	\$ -	\$ -	\$ 665,349	\$ 357,360	\$ 615,970	\$ -	\$ 2,763,040
Intermediate sources	-	-	-	-	-	-	150
State sources	-	-	-	-	-	-	24,715
Federal sources	119,064	4,409	-	-	-	-	683,047
Temporary loans	-	-	-	-	-	-	83,341
Other	-	-	-	-	-	-	(695)
Total receipts	119,064	4,409	665,349	357,360	615,970	-	3,553,598
Disbursements:							
Current:							
Instruction	49,051	-	-	-	-	-	389,854
Support services	-	-	-	-	332,576	-	948,667
Noninstructional services	-	-	-	-	-	-	434,750
Debt services	-	-	453,177	342,080	-	-	976,584
Nonprogrammed charges	70,013	4,409	-	-	-	-	120,715
Total disbursements	119,064	4,409	453,177	342,080	332,576	-	2,870,570
Excess (deficiency) of receipts over disbursements	-	-	212,172	15,280	283,394	-	683,028
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	84,000	84,325
Transfers in	-	-	-	-	-	-	5,403
Transfers out	-	-	-	-	(125,000)	-	(136,242)
Total other financing sources (uses)	-	-	-	-	(125,000)	84,000	(46,514)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	212,172	15,280	158,394	84,000	636,514
Cash and investments - beginning	-	-	61,167	116,029	60,739	-	637,691
Cash and investments - ending	\$ -	\$ -	\$ 273,339	\$ 131,309	\$ 219,133	\$ 84,000	\$ 1,274,205
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 219,133	\$ 84,000	\$ 869,557
Restricted assets:							
Cash and investments	-	-	273,339	131,309	-	-	404,648
Total cash and investment assets - ending	\$ -	\$ -	\$ 273,339	\$ 131,309	\$ 219,133	\$ 84,000	\$ 1,274,205
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ 273,339	\$ 131,309	\$ -	\$ -	\$ 404,648
Unrestricted	-	-	-	-	219,133	84,000	869,557
Total cash and investment fund balance - ending	\$ -	\$ -	\$ 273,339	\$ 131,309	\$ 219,133	\$ 84,000	\$ 1,274,205

NORTH MIAMI COMMUNITY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended June 30, 2010

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.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 316,539
Buildings	14,904,121
Improvements other than buildings	548,630
Machinery and equipment	<u>4,344,945</u>
 Total governmental activities, capital assets not being depreciated	 <u><u>\$ 20,114,235</u></u>

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

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital Leases:		
North Miami High School	\$ 1,000,000	\$ 45,000
Notes and loans payable:		
Common School Loans:		
Energy upgrade # A-0458	868,000	90,160
Construction # A-0472	62,498	33,436
Construction # A-0514	2,339,500	205,720
Construction # A-0522	25,000	25,500
Construction # A-0530	174,000	33,200
Technology # A-1108	43,850	22,308
Bonds payable:		
General obligation bonds:		
2002 Pension Bonds	590,000	101,229
2006 Pension Bonds	1,315,000	125,169
Tax Anticipation Warrants:		
Transportation Operating Fund	83,341	83,341
Capital Projects Fund	270,938	270,938
	<u>270,938</u>	<u>270,938</u>
Total governmental activities debt	<u>\$ 6,772,127</u>	<u>\$ 1,036,001</u>

NORTH MIAMI COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

DISBURSEMENT DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation such as receipts and invoices.

Due to the lack of supporting information, the validity and accountability for some monies disbursed could not be established.

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

SEGREGATION OF DUTIES - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Control activities were not selected and developed at various levels of the School Corporation to reduce risks to achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to all areas of the financial statements. The failure to establish these controls could enable material misstatements or irregularities to occur and not be detected.

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

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 WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the North Miami Community Schools (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2009 and 2010. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

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

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in items 2010-2 and 2010-3 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

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

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

STATE BOARD OF ACCOUNTS

December 9, 2010

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

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-09	Total Federal Awards Expended 06-30-10
U.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	FY 2008-2010	\$ 18,694	\$ 25,791
National School Lunch Program	10.555	FY 2008-2010	145,619	194,652
Special Milk Program for Children	10.556	FY 2008-2010	<u>1,677</u>	<u>-</u>
Total for cluster			<u>165,990</u>	<u>220,443</u>
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010			
		08-5620	23,498	-
		09-5620	96,997	12,570
		07-5620	-	1,350
		10-5620	<u>-</u>	<u>101,899</u>
Total for program			120,495	115,819
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	11-5620	<u>-</u>	<u>37,823</u>
Total for cluster			<u>120,495</u>	<u>153,642</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186			
		5620-06	453	-
		5620-07	2,900	-
		08-5620	-	602
		09-5620	<u>-</u>	<u>2,515</u>
Total for program			<u>3,353</u>	<u>3,117</u>
State Grants for Innovative Programs	84.298			
		06-5620	1,446	-
		07-5620	<u>1,697</u>	<u>662</u>
Total for program			<u>3,143</u>	<u>662</u>
Improving Teacher Quality State Grants	84.367			
		06-5620	14,835	-
		07-5620	29,553	18,251
		08-5620	<u>-</u>	<u>32,023</u>
Total for program			<u>44,388</u>	<u>50,274</u>
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education				
State Grants, Recovery Act	84.394	5620	<u>534,115</u>	<u>259,849</u>
Total for federal grantor agency			<u>705,494</u>	<u>467,544</u>
Pass-Through Logansport Area Joint Special Services Cooperative				
Special Education Cluster				
ARRA - Special Education - Grants to States, Recovery Act	84.391	H391A090084	<u>-</u>	<u>123,473</u>
Total federal awards expended			<u>\$ 871,484</u>	<u>\$ 811,460</u>

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

NORTH MIAMI COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

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

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

II. Noncash Assistance

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

Program Title	Federal CFDA Number	2009	2010
National School Lunch Program	10.555	\$ 23,935	\$ 32,547

NORTH MIAMI COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	yes

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
	Child Nutrition Cluster
	State Fiscal Stabilization Fund Cluster

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2010-1, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Control activities were not selected and developed at various levels of the School Corporation to reduce risks to achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to all areas of the financial statements. The failure to establish these controls could enable material misstatements or irregularities to undetected.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other

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

things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Section III – Federal Award Findings and Questioned Costs

FINDING 2010-2. INTERNAL CONTROL

Federal Agency: U.S. Department of Agriculture
Pass-through: Indiana Department of Education
Federal Program: Child Nutrition Cluster - National School Lunch Program
CFDA Number: 10.555

Federal funds received as a part of the Child Nutrition Cluster are used to subsidize the cost of the School Corporation's school lunch program. Records relating to claims for reimbursement based on meals served, and financial accounting records for the lunch program are maintained in the School Corporation Business Office. Currently, due to the limited personnel in the School Corporation Business Office the School Corporation has not separated incompatible activities related to all areas of the financial statements. The failure to establish these controls could enable material misstatements to go undetected.

Circular A133, 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."

We recommended the School Corporation develop internal control procedures that properly segregate accounting activities in the School Corporation Business Office.

FINDING 2010-3. INTERNAL CONTROL

Federal Agency: U.S. Department of Education
Pass-through: Indiana Department of Education
Federal Program: State Fiscal Stabilization Fund - Education State Grants Recovery Act
CFDA Number: 84.394

The financial records for federal funds received as a part of the State Fiscal Stabilization Fund - Education State Grants Recovery Act program are maintained in the School Corporation's Business Office. Currently, due to the limited personnel in the School's Business Office the School has not separated incompatible activities related to all areas of the financial statements. The failure to establish these controls could enable material misstatements to go undetected.

Circular A133, Subpart C, section .300(b) states that the auditee shall: "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."

We recommended the School Corporation develop internal control procedures that properly segregate accounting activities in the Business Office.

NORTH MIAMI COMMUNITY SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



North Miami Community Schools

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Mary Ann Irwin, Superintendent

Central Office

Krista Warder, Treasurer
Serena Francis, Deputy
Rich Robins, Transportation
Diana Caldwell, Secretary
Stephanie Owens, Food Service
Nathan Moreland, Technology

CORRECTIVE ACTION PLAN

December 9, 2010

Federal Findings 2010-1, Internal Controls Over Financial Transactions and Reporting

The North Miami Community Schools has reviewed the Financial Statement Findings related to the audit for the years July 1, 2008 through June 30, 2009 and July 1, 2009 through June 30, 2010, and we offer the following corrective actions.

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

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

Sincerely,

Krista Warder
Treasurer



North Miami Community Schools

P.O. Box 218 • 394 E County Road 900 North • Denver, Indiana 46926
Telephone: 765-985-3891 • Fax: 765-985-3904

Mary Ann Irwin, Superintendent

Central Office

Krista Warder, Treasurer
Serena Francis, Deputy
Rich Robins, Transportation
Diana Caldwell, Secretary
Stephanie Owens, Food Service
Nathan Moreland, Technology

CORRECTIVE ACTION PLAN

December 9, 2010

Federal Findings 2010-2, Internal Control
Federal Agency: U.S. Department of Agriculture
Pass-through: Indiana Department of Education
Federal Program: Child Nutrition Cluster – National School Lunch Program
CFDA Number: 10.555

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CORRECTIVE ACTION PLAN

December 9, 2010

Federal Findings 2010-3, Internal Control

Federal Agency: U.S. Department of Education

Pass-through: Indiana Department of Education

Federal Program: State Fiscal Stabilization Fund – Education State grants Recovery Act

CFDA Number: 84.394

The North Miami Community Schools has reviewed the Financial Statement Findings related to the audit for the years July 1, 2008 through June 30, 2009 and July 1, 2009 through June 30, 2010, and we offer the following corrective actions.

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Sincerely,

Krista Warder
Treasurer

NORTH MIAMI COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on December 9, 2010, with Krista Warder, Treasurer; Mary Ann Irwin, Superintendent of Schools; and William C. Deeds II, President of the School Board. The officials concurred with our audit findings.