

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

MIDDLEBURY COMMUNITY SCHOOLS
ELKHART COUNTY, INDIANA

July 1, 2010 to June 30, 2012



FILED
12/17/2012

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-4
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	5-6
Financial Statement: Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis	8-9
Notes to Financial Statement	10-15
Supplementary Information: Combining Schedule of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis	18-29
Schedule of Leases and Debt	30
Audit Results and Comments: Bank Account Reconciliations (Applies to Middlebury Elementary).....	31
Disbursement Documentation (Applies to Orchard View Elementary).....	31
Athletic Department Credit Cards (Applies to Northridge High School).....	31-32
Supplemental Audit of Federal Awards: Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	34-35
Schedule of Expenditures of Federal Awards	38
Notes to Schedule of Expenditures of Federal Awards.....	39
Schedule of Findings and Questioned Costs	40
Exit Conference.....	41

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Shirley A. Meyer	07-01-10 to 06-30-13
Superintendent of Schools	James K. Conner Jane A. Allen	07-01-10 to 06-30-12 07-01-12 to 06-30-13
President of the School Board	Joanna King	07-01-10 to 06-30-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE MIDDLEBURY COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

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

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

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

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

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

In accordance with Government Auditing Standards, we have also issued a report dated November 27, 2012, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial

INDEPENDENT AUDITOR'S REPORT
(Continued)

reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

STATE BOARD OF ACCOUNTS

November 27, 2012



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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 MIDDLEBURY COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

We have audited the financial statement of the Middlebury Community Schools (School Corporation), for the period of July 1, 2010 to June 30, 2012, and have issued our report thereon dated November 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct 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.

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

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

Compliance and Other Matters

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

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

STATE BOARD OF ACCOUNTS

November 27, 2012

FINANCIAL STATEMENT

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

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

Fund	Cash and Investments 07-01-10	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12
General	2,755,285	24,051,022	24,024,381	-	2,781,926	24,929,606	24,323,948	-	3,387,584
Debt Service	3,648,339	7,866,097	8,744,594	-	2,769,842	7,395,777	6,560,029	20,267	3,625,857
Retirement/Severance Bond Debt Service	19,472	468,966	474,531	-	13,907	200,565	236,098	21,626	-
Capital Projects	2,863,376	3,527,339	3,288,810	(400,000)	2,701,905	3,531,927	3,480,079	(290,569)	2,463,184
School Transportation	1,008,212	2,085,119	2,427,566	62,716	728,481	2,076,402	1,998,861	959	806,981
School Bus Replacement	73,507	90,005	-	-	163,512	282,041	161,110	2,356	286,799
Rainy Day	968,895	5,638,957	440,480	400,000	6,567,372	-	2,813,995	278,374	4,031,751
Retirement/Severance Bond	547,016	2,624	50,333	-	499,307	1,797	32,492	-	468,612
Construction	143,949	-	-	-	143,949	-	23,855	-	120,094
School Lunch	320,208	1,845,475	1,772,769	-	392,914	1,911,061	1,784,992	-	518,983
Textbook Rental	198,722	262,390	397,257	-	63,855	305,924	92,311	-	277,468
Self-Insurance	3,389,006	4,312,130	4,402,642	-	3,298,494	3,627,082	3,445,550	-	3,480,026
Levy Excess	-	58,397	-	(58,397)	-	-	-	-	-
Educational License Plates	75	413	413	-	75	375	338	-	112
Alternative Education	3,103	11,123	2,700	-	11,526	6,337	1,322	-	16,541
SAFE School Haven	-	15,000	15,000	-	-	15,000	15,000	-	-
Early Intervention Grant	-	1,000	-	(1,000)	-	-	-	-	-
NMS O/D Learning Ctn-Lowes	-	-	-	-	-	5,000	-	-	5,000
Frank Miriam Miller Gift	-	1,000	200	-	800	-	335	-	465
High Ability 2009-2010	8,441	-	8,441	-	-	-	-	-	-
High Ability 2010-2011	-	42,907	34,912	-	7,995	-	7,995	-	-
High Ability 2011-2012	-	-	-	-	-	42,145	29,987	-	12,158
Reading Recovery	-	1,500	1,485	1,000	1,015	-	-	-	1,015
PLTW 2009-2010	1	6,028	6,029	-	-	-	-	-	-
PLTW 2010-2011	-	11,421	9,469	-	1,952	3,359	5,311	-	-
PLTW 2011-2012	-	-	-	-	-	13,385	13,385	-	-
School Improvement Plan	33,387	-	19,229	-	14,158	-	9,660	-	4,498
Medicaid Reimbursement	1,255	1,007	1,648	-	614	11,705	4,644	-	7,675

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

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

Fund	Cash and Investments 07-01-10	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12
Non-English Speaking Programs P.L. 273-1999	10,135	34,464	36,366	-	8,233	28,017	29,587	-	6,663
School Technology	550	7,398	4,249	-	3,699	7,562	4,613	-	6,648
Coordinated Sch Health Prog	417	350	-	-	767	700	267	-	1,200
No Excuses University	500	-	-	-	500	-	-	-	500
Excess PTRC Distributions	33,013	-	-	-	33,013	46,764	-	(33,013)	46,764
IN High Ability Competitive Gt	-	-	-	-	-	14,812	14,812	-	-
Title I 2009-2010	26,021	27,500	31,760	(21,761)	-	-	-	-	-
Title I 2010-2011	-	206,909	291,657	21,761	(62,987)	161,308	98,321	-	-
Title I 2011-2012	-	-	-	-	-	297,405	384,267	-	(86,862)
Title IV-A Drug Free 2009-2010	(2,047)	6,000	5,274	-	(1,321)	-	(1,321)	-	-
Medicaid Reimbursement - Federal	77	-	-	-	77	-	-	-	77
Title II A Teacher Quality 2008-2009	4,000	-	4,000	-	-	-	-	-	-
Title II A Teacher Quality 2009-2010	(3,201)	112,429	125,799	-	(16,571)	16,571	-	-	-
Title II A Teacher Quality 2010-2011	-	-	6,276	-	(6,276)	144,112	137,836	-	-
Title III 2010-2011	-	34,813	41,300	-	(6,487)	6,487	-	-	-
Title III 2011-2012	-	-	-	-	-	31,818	34,028	-	(2,210)
Title I - Grants to LEAs	(1,951)	119,907	138,499	-	(20,543)	25,101	4,558	-	-
Special Education - Part B	(19,530)	290,237	286,425	-	(15,718)	15,306	(412)	-	-
McKinney - Vento Education for Homeless	4,319	-	-	(4,319)	-	-	-	-	-
Education Jobs	-	238,445	238,445	-	-	347,416	486,082	-	(138,666)
Payroll Clearing Account	166,340	19,425,883	19,408,310	-	183,913	19,213,381	19,226,427	-	170,867
Prepaid Food	37,735	221,891	217,014	-	42,612	247,272	241,346	-	48,538
McS Clearing Account	9,083	6,291	6,475	-	8,899	2,750	1,269	-	10,380
Clearing Account Employer	(4,012)	14,689	11,347	-	(670)	16,279	15,765	-	(156)
School Lunch Equipment ARRA	-	-	-	-	-	16,568	16,568	-	-
Totals	\$ 16,243,698	\$ 71,047,126	\$ 66,976,085	\$ -	\$ 20,314,739	\$ 64,999,117	\$ 65,735,310	\$ -	\$ 19,578,546

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

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts may include, but are not limited to, the following sources:

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

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

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

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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 may include, but are not limited to, the following uses:

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

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

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

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

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

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

F. Other Financing Sources and Uses

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses may include, but are not limited to, the following:

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

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

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

Note 4. Deposits and Investments

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

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

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teacher's Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

The financial statement contains funds with deficits in cash. This is a result of grant funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2012.

Note 8. Holding Corporations

The School Corporation has entered into capital leases with Middlebury Schools Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2011 and 2012 for Series A, High School Classroom Project totaled \$5,459,000 and \$3,917,000, respectively. Lease payments during the years 2011 and 2012 for Series B, Auditorium and Pool Project totaled \$1,099,500 and \$1,155,000, respectively.

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

The School Corporation has entered into a capital lease with Middlebury Elementary/Middle Schools Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2011 and 2012 totaled \$620,000 and \$620,000, respectively. The final lease payment was made on June 14, 2012.

The School Corporation has entered into a capital lease with Middlebury Elementary Schools Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2011 and 2012 totaled \$1,083,293 and \$1,104,613, respectively.

Note 9. Subsequent Events

On January 5, 2012, the School Corporation and First State Bank entered into an Escrow and Defeasance Agreement relating to the General Obligation Pension Bonds.

The School Corporation deposited \$2,513,995 into an escrow account to pay the remaining interest and principal payments on the General Obligation Pension Bonds and discharge the Pension Bonds on January 5, 2013.

The Indiana Bond Bank, the only holder of the Pension Bonds, directed the Escrow Trustee to release all of the funds held under the Escrow Agreement to the Bond Bank on November 26, 2012. The Bond Bank canceled the Pension Bonds and returned them to the School Corporation.

Note 10. Other Postemployment Benefits

All retirees and their spouses are eligible for medical benefits under the Middlebury Community Schools Group Health Plan, which is a self-insurance plan. The retiree is responsible for paying the full cost of the benefit. A full cost premium is determined annually. The actual benefits provided under the self-insurance plan may be more or less than the premium charged. The annual premium for each year of the audit period was \$4,851 for single coverage and \$15,847 for family coverage.

(This page intentionally left blank.)

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.

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

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Construction
Cash and investments - beginning	\$ 2,755,285	\$ 3,648,339	\$ 19,472	\$ 2,863,376	\$ 1,008,212	\$ 73,507	\$ 968,895	\$ 547,016	\$ 143,949
Receipts:									
Local sources	592,573	7,866,097	468,966	3,527,339	2,028,964	90,005	5,638,957	2,624	-
Intermediate sources	145	-	-	-	-	-	-	-	-
State sources	22,760,049	-	-	-	-	-	-	-	-
Federal sources	698,255	-	-	-	56,155	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>24,051,022</u>	<u>7,866,097</u>	<u>468,966</u>	<u>3,527,339</u>	<u>2,085,119</u>	<u>90,005</u>	<u>5,638,957</u>	<u>2,624</u>	<u>-</u>
Disbursements:									
Current:									
Instruction	16,988,796	-	-	-	-	-	402,453	50,333	-
Support services	6,535,044	-	-	1,539,981	1,937,547	-	38,027	-	-
Noninstructional services	500,541	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	1,349,436	-	-	-	-	-
Debt services	-	8,744,594	474,531	399,393	490,019	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>24,024,381</u>	<u>8,744,594</u>	<u>474,531</u>	<u>3,288,810</u>	<u>2,427,566</u>	<u>-</u>	<u>440,480</u>	<u>50,333</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>26,641</u>	<u>(878,497)</u>	<u>(5,565)</u>	<u>238,529</u>	<u>(342,447)</u>	<u>90,005</u>	<u>5,198,477</u>	<u>(47,709)</u>	<u>-</u>
Other financing sources (uses)									
Transfers in	-	-	-	-	62,716	-	400,000	-	-
Transfers out	-	-	-	(400,000)	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(400,000)</u>	<u>62,716</u>	<u>-</u>	<u>400,000</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>26,641</u>	<u>(878,497)</u>	<u>(5,565)</u>	<u>(161,471)</u>	<u>(279,731)</u>	<u>90,005</u>	<u>5,598,477</u>	<u>(47,709)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 2,781,926</u>	<u>\$ 2,769,842</u>	<u>\$ 13,907</u>	<u>\$ 2,701,905</u>	<u>\$ 728,481</u>	<u>\$ 163,512</u>	<u>\$ 6,567,372</u>	<u>\$ 499,307</u>	<u>\$ 143,949</u>

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

	School Lunch	Textbook Rental	Self- Insurance	Levy Excess	Educational License Plates	Alternative Education	SAFE School Haven	Early Intervention Grant	NMS O/D Learning Ctn Lowes
Cash and investments - beginning	\$ 320,208	\$ 198,722	\$ 3,389,006	\$ -	\$ 75	\$ 3,103	\$ -	\$ -	\$ -
Receipts:									
Local sources	1,056,933	188,175	4,312,130	58,397	-	-	-	-	-
Intermediate sources	-	-	-	-	413	-	-	-	-
State sources	26,544	74,215	-	-	-	11,123	15,000	1,000	-
Federal sources	761,998	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	1,845,475	262,390	4,312,130	58,397	413	11,123	15,000	1,000	-
Disbursements:									
Current:									
Instruction	-	-	-	-	413	2,700	-	-	-
Support services	-	397,257	4,402,642	-	-	-	-	-	-
Noninstructional services	1,658,053	-	-	-	-	-	-	-	-
Facilities acquisition and construction	1,400	-	-	-	-	-	15,000	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	113,316	-	-	-	-	-	-	-	-
Total disbursements	1,772,769	397,257	4,402,642	-	413	2,700	15,000	-	-
Excess (deficiency) of receipts over disbursements	72,706	(134,867)	(90,512)	58,397	-	8,423	-	1,000	-
Other financing sources (uses)									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	(58,397)	-	-	-	(1,000)	-
Total other financing sources (uses)	-	-	-	(58,397)	-	-	-	(1,000)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	72,706	(134,867)	(90,512)	-	-	8,423	-	-	-
Cash and investments - ending	\$ 392,914	\$ 63,855	\$ 3,298,494	\$ -	\$ 75	\$ 11,526	\$ -	\$ -	\$ -

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

	Franu Miriam Miller Gift	High Ability 2009-2010	High Ability 2010-2011	High Ability 2011-2012	Reading Recovery	PLTW 2009-2010	PLTW 2010-2011	PLTW 2011-2012	School Improvement Plan
Cash and investments - beginning	\$ -	\$ 8,441	\$ -	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ 33,387
Receipts:									
Local sources	1,000	-	-	-	1,500	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	42,907	-	-	6,028	11,421	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>1,000</u>	<u>-</u>	<u>42,907</u>	<u>-</u>	<u>1,500</u>	<u>6,028</u>	<u>11,421</u>	<u>-</u>	<u>-</u>
Disbursements:									
Current:									
Instruction	-	8,441	34,912	-	1,485	6,029	9,469	-	-
Support services	200	-	-	-	-	-	-	-	19,229
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>200</u>	<u>8,441</u>	<u>34,912</u>	<u>-</u>	<u>1,485</u>	<u>6,029</u>	<u>9,469</u>	<u>-</u>	<u>19,229</u>
Excess (deficiency) of receipts over disbursements	<u>800</u>	<u>(8,441)</u>	<u>7,995</u>	<u>-</u>	<u>15</u>	<u>(1)</u>	<u>1,952</u>	<u>-</u>	<u>(19,229)</u>
Other financing sources (uses)									
Transfers in	-	-	-	-	1,000	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>800</u>	<u>(8,441)</u>	<u>7,995</u>	<u>-</u>	<u>1,015</u>	<u>(1)</u>	<u>1,952</u>	<u>-</u>	<u>(19,229)</u>
Cash and investments - ending	<u>\$ 800</u>	<u>\$ -</u>	<u>\$ 7,995</u>	<u>\$ -</u>	<u>\$ 1,015</u>	<u>\$ -</u>	<u>\$ 1,952</u>	<u>\$ -</u>	<u>\$ 14,158</u>

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

	Medicaid Reimbursement	Non-English Speaking Programs P.L. 273-1999	School Technology	Coordinated Sch Health Prog	No Excuses University	Excess PTRC Distributions	IN High Ability Competitive Grant	Title I 2009-2010	Title I 2010-2011
Cash and investments - beginning	\$ 1,255	\$ 10,135	\$ 550	\$ 417	\$ 500	\$ 33,013	\$ -	\$ 26,021	\$ -
Receipts:									
Local sources	946	-	-	350	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	61	34,464	7,398	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	27,500	206,909
Other	-	-	-	-	-	-	-	-	-
Total receipts	1,007	34,464	7,398	350	-	-	-	27,500	206,909
Disbursements:									
Current:									
Instruction	-	35,141	-	-	-	-	-	13,350	219,491
Support services	1,648	-	4,249	-	-	-	-	16,371	68,105
Noninstructional services	-	1,225	-	-	-	-	-	2,039	4,061
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	1,648	36,366	4,249	-	-	-	-	31,760	291,657
Excess (deficiency) of receipts over disbursements	(641)	(1,902)	3,149	350	-	-	-	(4,260)	(84,748)
Other financing sources (uses)									
Transfers in	-	-	-	-	-	-	-	-	21,761
Transfers out	-	-	-	-	-	-	-	(21,761)	-
Total other financing sources (uses)	-	-	-	-	-	-	-	(21,761)	21,761
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(641)	(1,902)	3,149	350	-	-	-	(26,021)	(62,987)
Cash and investments - ending	\$ 614	\$ 8,233	\$ 3,699	\$ 767	\$ 500	\$ 33,013	\$ -	\$ -	\$ (62,987)

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

	Title I 2011-2012	Title IV-A Drug Free 2009-2010	Medicaid Reimbursement Federal	Title II-A Teacher Quality 2008-2009	Title II-A Teacher Quality 2009-2010	Title II-A Teacher Quality 2010-2011	Title III 2010-2011	Title III 2011-2012	Title I Grants to LEAs
Cash and investments - beginning	\$ -	\$ (2,047)	\$ 77	\$ 4,000	\$ (3,201)	\$ -	\$ -	\$ -	\$ (1,951)
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	6,000	-	-	112,429	-	34,813	-	119,907
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	6,000	-	-	112,429	-	34,813	-	119,907
Disbursements:									
Current:									
Instruction	-	-	-	-	125,799	6,276	41,300	-	99,234
Support services	-	5,274	-	4,000	-	-	-	-	37,291
Noninstructional services	-	-	-	-	-	-	-	-	1,974
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	5,274	-	4,000	125,799	6,276	41,300	-	138,499
Excess (deficiency) of receipts over disbursements	-	726	-	(4,000)	(13,370)	(6,276)	(6,487)	-	(18,592)
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	-	726	-	(4,000)	(13,370)	(6,276)	(6,487)	-	(18,592)
Cash and investments - ending	\$ -	\$ (1,321)	\$ 77	\$ -	\$ (16,571)	\$ (6,276)	\$ (6,487)	\$ -	\$ (20,543)

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

	Special Education Part B	McKinney Vento Education for Homeless	Education Jobs	Payroll Clearing Account	Prepaid Food	McS Clearing Account	Clearing Account Employer	School Lunch Equipment ARRA	Totals
Cash and investments - beginning	\$ (19,530)	\$ 4,319	\$ -	\$ 166,340	\$ 37,735	\$ 9,083	\$ (4,012)	\$ -	\$ 16,243,698
Receipts:									
Local sources	-	-	-	-	-	-	-	-	25,834,956
Intermediate sources	-	-	-	-	-	-	-	-	558
State sources	-	-	-	-	-	-	-	-	22,990,210
Federal sources	290,237	-	238,445	-	-	-	-	-	2,552,648
Other	-	-	-	19,425,883	221,891	6,291	14,689	-	19,668,754
Total receipts	290,237	-	238,445	19,425,883	221,891	6,291	14,689	-	71,047,126
Disbursements:									
Current:									
Instruction	286,425	-	238,445	-	-	-	-	-	18,570,492
Support services	-	-	-	-	-	-	-	-	15,006,865
Noninstructional services	-	-	-	-	-	-	-	-	2,167,893
Facilities acquisition and construction	-	-	-	-	-	-	-	-	1,365,836
Debt services	-	-	-	-	-	-	-	-	10,108,537
Nonprogrammed charges	-	-	-	19,408,310	217,014	6,475	11,347	-	19,756,462
Total disbursements	286,425	-	238,445	19,408,310	217,014	6,475	11,347	-	66,976,085
Excess (deficiency) of receipts over disbursements	3,812	-	-	17,573	4,877	(184)	3,342	-	4,071,041
Other financing sources (uses)									
Transfers in	-	-	-	-	-	-	-	-	485,477
Transfers out	-	(4,319)	-	-	-	-	-	-	(485,477)
Total other financing sources (uses)	-	(4,319)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,812	(4,319)	-	17,573	4,877	(184)	3,342	-	4,071,041
Cash and investments - ending	\$ (15,718)	\$ -	\$ -	\$ 183,913	\$ 42,612	\$ 8,899	\$ (670)	\$ -	\$ 20,314,739

MIDDLEBURY 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
Cash and investments - beginning	\$ 2,781,926	\$ 2,769,842	\$ 13,907	\$ 2,701,905	\$ 728,481	\$ 163,512	\$ 6,567,372	\$ 499,307	\$ 143,949
Receipts:									
Local sources	617,191	7,395,777	200,565	3,531,927	2,020,281	282,041	-	1,797	-
Intermediate sources	290	-	-	-	-	-	-	-	-
State sources	23,597,158	-	-	-	-	-	-	-	-
Federal sources	714,967	-	-	-	55,223	-	-	-	-
Other	-	-	-	-	898	-	-	-	-
Total receipts	<u>24,929,606</u>	<u>7,395,777</u>	<u>200,565</u>	<u>3,531,927</u>	<u>2,076,402</u>	<u>282,041</u>	<u>-</u>	<u>1,797</u>	<u>-</u>
Disbursements:									
Current:									
Instruction	17,345,834	-	-	-	-	-	300,000	32,492	-
Support services	6,555,207	-	-	1,487,798	1,998,861	161,110	2,513,995	-	-
Noninstructional services	422,907	-	-	(1)	-	-	-	-	-
Facilities acquisition and construction	-	-	-	1,529,105	-	-	-	-	23,855
Debt services	-	6,560,029	236,098	463,177	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>24,323,948</u>	<u>6,560,029</u>	<u>236,098</u>	<u>3,480,079</u>	<u>1,998,861</u>	<u>161,110</u>	<u>2,813,995</u>	<u>32,492</u>	<u>23,855</u>
Excess (deficiency) of receipts over disbursements	<u>605,658</u>	<u>835,748</u>	<u>(35,533)</u>	<u>51,848</u>	<u>77,541</u>	<u>120,931</u>	<u>(2,813,995)</u>	<u>(30,695)</u>	<u>(23,855)</u>
Other financing sources (uses)									
Transfers in	-	20,267	21,626	9,431	959	2,356	300,000	-	-
Transfers out	-	-	-	(300,000)	-	-	(21,626)	-	-
Total other financing sources (uses)	<u>-</u>	<u>20,267</u>	<u>21,626</u>	<u>(290,569)</u>	<u>959</u>	<u>2,356</u>	<u>278,374</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>605,658</u>	<u>856,015</u>	<u>(13,907)</u>	<u>(238,721)</u>	<u>78,500</u>	<u>123,287</u>	<u>(2,535,621)</u>	<u>(30,695)</u>	<u>(23,855)</u>
Cash and investments - ending	<u>\$ 3,387,584</u>	<u>\$ 3,625,857</u>	<u>\$ -</u>	<u>\$ 2,463,184</u>	<u>\$ 806,981</u>	<u>\$ 286,799</u>	<u>\$ 4,031,751</u>	<u>\$ 468,612</u>	<u>\$ 120,094</u>

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

	School Lunch	Textbook Rental	Self- Insurance	Levy Excess	Educational License Plates	Alternative Education	SAFE School Haven	Early Intervention Grant	NMS O/D Learning Ctn Lowes
Cash and investments - beginning	\$ 320,208	\$ 198,722	\$ 3,389,006	\$ -	\$ 75	\$ 3,103	\$ -	\$ -	\$ -
Receipts:									
Local sources	1,056,933	188,175	4,312,130	58,397	-	-	-	-	-
Intermediate sources	-	-	-	-	413	-	-	-	-
State sources	26,544	74,215	-	-	-	11,123	15,000	1,000	-
Federal sources	761,998	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>1,845,475</u>	<u>262,390</u>	<u>4,312,130</u>	<u>58,397</u>	<u>413</u>	<u>11,123</u>	<u>15,000</u>	<u>1,000</u>	<u>-</u>
Disbursements:									
Current:									
Instruction	-	-	-	-	413	2,700	-	-	-
Support services	-	397,257	4,402,642	-	-	-	-	-	-
Noninstructional services	1,658,053	-	-	-	-	-	-	-	-
Facilities acquisition and construction	1,400	-	-	-	-	-	15,000	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	113,316	-	-	-	-	-	-	-	-
Total disbursements	<u>1,772,769</u>	<u>397,257</u>	<u>4,402,642</u>	<u>-</u>	<u>413</u>	<u>2,700</u>	<u>15,000</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>72,706</u>	<u>(134,867)</u>	<u>(90,512)</u>	<u>58,397</u>	<u>-</u>	<u>8,423</u>	<u>-</u>	<u>1,000</u>	<u>-</u>
Other financing sources (uses)									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	(58,397)	-	-	-	(1,000)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(58,397)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,000)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>72,706</u>	<u>(134,867)</u>	<u>(90,512)</u>	<u>-</u>	<u>-</u>	<u>8,423</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 392,914</u>	<u>\$ 63,855</u>	<u>\$ 3,298,494</u>	<u>\$ -</u>	<u>\$ 75</u>	<u>\$ 11,526</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MIDDLEBURY 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)

	Franu Miriam Miller Gift	High Ability 2009-2010	High Ability 2010-2011	High Ability 2011-2012	Reading Recovery	PLTW 2009-2010	PLTW 2010-2011	PLTW 2011-2012	School Improvement Plan
Cash and investments - beginning	\$ 800	\$ -	\$ 7,995	\$ -	\$ 1,015	\$ -	\$ 1,952	\$ -	\$ 14,158
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	42,145	-	-	3,359	13,385	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,145</u>	<u>-</u>	<u>-</u>	<u>3,359</u>	<u>13,385</u>	<u>-</u>
Disbursements:									
Current:									
Instruction	-	-	7,995	29,987	-	-	5,311	13,385	-
Support services	335	-	-	-	-	-	-	-	9,660
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>335</u>	<u>-</u>	<u>7,995</u>	<u>29,987</u>	<u>-</u>	<u>-</u>	<u>5,311</u>	<u>13,385</u>	<u>9,660</u>
Excess (deficiency) of receipts over disbursements	<u>(335)</u>	<u>-</u>	<u>(7,995)</u>	<u>12,158</u>	<u>-</u>	<u>-</u>	<u>(1,952)</u>	<u>-</u>	<u>(9,660)</u>
Other financing sources (uses)									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<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>(335)</u>	<u>-</u>	<u>(7,995)</u>	<u>12,158</u>	<u>-</u>	<u>-</u>	<u>(1,952)</u>	<u>-</u>	<u>(9,660)</u>
Cash and investments - ending	<u>\$ 465</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,158</u>	<u>\$ 1,015</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,498</u>

MIDDLEBURY 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)

	Medicaid Reimbursement	Non-English Speaking Programs P.L. 273-1999	School Technology	Coordinated Sch Health Prog	No Excuses University	Excess PTRC Distributions	IN High Ability Competitive Grant	Title I 2009-2010	Title I 2010-2011
Cash and investments - beginning	\$ 614	\$ 8,233	\$ 3,699	\$ 767	\$ 500	\$ 33,013	\$ -	\$ -	\$ (62,987)
Receipts:									
Local sources	11,705	-	-	700	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	28,017	7,562	-	-	46,764	14,812	-	-
Federal sources	-	-	-	-	-	-	-	-	161,308
Other	-	-	-	-	-	-	-	-	-
Total receipts	11,705	28,017	7,562	700	-	46,764	14,812	-	161,308
Disbursements:									
Current:									
Instruction	996	28,366	-	-	-	-	14,812	-	52,428
Support services	3,648	-	4,613	267	-	-	-	-	44,845
Noninstructional services	-	1,221	-	-	-	-	-	-	1,048
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	4,644	29,587	4,613	267	-	-	14,812	-	98,321
Excess (deficiency) of receipts over disbursements	7,061	(1,570)	2,949	433	-	46,764	-	-	62,987
Other financing sources (uses)									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(33,013)	-	-	-
Total other financing sources (uses)	-	-	-	-	-	(33,013)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	7,061	(1,570)	2,949	433	-	13,751	-	-	62,987
Cash and investments - ending	\$ 7,675	\$ 6,663	\$ 6,648	\$ 1,200	\$ 500	\$ 46,764	\$ -	\$ -	\$ -

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

	Title I 2011-2012	Title IV-A Drug Free 2009-2010	Medicaid Reimbursement Federal	Title II-A Teacher Quality 2008-2009	Title II-A Teacher Quality 2009-2010	Title II-A Teacher Quality 2010-2011	Title III 2010-2011	Title III 2011-2012	Title I Grants to LEAs
Cash and investments - beginning	\$ -	\$ (1,321)	\$ 77	\$ -	\$ (16,571)	\$ (6,276)	\$ (6,487)	\$ -	\$ (20,543)
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	297,405	-	-	-	16,571	144,112	6,487	31,818	25,101
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>297,405</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,571</u>	<u>144,112</u>	<u>6,487</u>	<u>31,818</u>	<u>25,101</u>
Disbursements:									
Current:									
Instruction	311,164	-	-	-	-	137,836	-	34,028	4,218
Support services	71,612	(1,321)	-	-	-	-	-	-	-
Noninstructional services	1,491	-	-	-	-	-	-	-	340
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>384,267</u>	<u>(1,321)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>137,836</u>	<u>-</u>	<u>34,028</u>	<u>4,558</u>
Excess (deficiency) of receipts over disbursements	<u>(86,862)</u>	<u>1,321</u>	<u>-</u>	<u>-</u>	<u>16,571</u>	<u>6,276</u>	<u>6,487</u>	<u>(2,210)</u>	<u>20,543</u>
Other financing sources (uses)									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<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>(86,862)</u>	<u>1,321</u>	<u>-</u>	<u>-</u>	<u>16,571</u>	<u>6,276</u>	<u>6,487</u>	<u>(2,210)</u>	<u>20,543</u>
Cash and investments - ending	<u>\$ (86,862)</u>	<u>\$ -</u>	<u>\$ 77</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,210)</u>	<u>\$ -</u>

MIDDLEBURY 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)

	Special Education Part B	McKinney Vento Education for Homeless	Education Jobs	Payroll Clearing Account	Prepaid Food	McS Clearing Account	Clearing Account Employer	School Lunch Equipment ARRA	Totals
Cash and investments - beginning	\$ (15,718)	\$ -	\$ -	\$ 183,913	\$ 42,612	\$ 8,899	\$ (670)	\$ -	\$ 20,314,739
Receipts:									
Local sources	-	-	-	-	-	-	-	-	18,996,210
Intermediate sources	-	-	-	-	-	-	-	-	665
State sources	-	-	-	-	-	-	-	-	23,910,972
Federal sources	15,306	-	347,416	-	-	-	-	-	2,594,122
Other	-	-	-	19,213,381	247,272	2,750	16,279	16,568	19,497,148
Total receipts	15,306	-	347,416	19,213,381	247,272	2,750	16,279	16,568	64,999,117
Disbursements:									
Current:									
Instruction	(1,322)	-	483,222	-	-	-	-	-	18,802,412
Support services	910	-	264	-	-	-	-	-	16,389,665
Noninstructional services	-	-	2,596	-	-	-	-	-	2,098,095
Facilities acquisition and construction	-	-	-	-	-	-	-	-	1,567,960
Debt services	-	-	-	-	-	-	-	-	7,259,304
Nonprogrammed charges	-	-	-	19,226,427	241,346	1,269	15,765	16,568	19,617,874
Total disbursements	(412)	-	486,082	19,226,427	241,346	1,269	15,765	16,568	65,735,310
Excess (deficiency) of receipts over disbursements	15,718	-	(138,666)	(13,046)	5,926	1,481	514	-	(736,193)
Other financing sources (uses)									
Transfers in	-	-	-	-	-	-	-	-	354,639
Transfers out	-	-	-	-	-	-	-	-	(354,639)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	15,718	-	(138,666)	(13,046)	5,926	1,481	514	-	(736,193)
Cash and investments - ending	\$ -	\$ -	\$ (138,666)	\$ 170,867	\$ 48,538	\$ 10,380	\$ (156)	\$ -	\$ 19,578,546

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

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Capital leases:				
Middlebury Elementary Schools Building Corp.	New Elementary/Addition to Existing Elem.	\$ 1,060,762	06-30-01	06-30-18
Middlebury Schools Building Corp. Series A	Northridge High School Classrooms	4,962,000	06-30-08	06-30-18
Middlebury Schools Building Corp. Series B	Northridge High School Pool & Auditorium	1,210,000	06-30-08	12-31-29
Technology leases:				
2007	Northridge High School	199,027	08-22-08	02-22-13
2011	Elementaries K-3	131,186	07-01-11	07-01-14
2012	Northridge Middle School	<u>141,826</u>	06-01-12	12-01-15
Total of annual lease payments		<u>\$ 7,704,801</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
Notes and loans payable:			
Common School Loan A0349	Addition Intermediate School (Former Middle)	\$ 150,000	\$ 81,563
General obligation bonds:			
General Obligation Pension Bonds	Funded MCS Certified Severance	<u>2,215,000</u>	<u>2,513,995</u> *
Totals		<u>\$ 2,365,000</u>	<u>\$ 2,595,558</u>

*Note: General Obligation Pension Bonds redeemed November 26, 2012. \$2,513,995 in escrow to recall bonds.

MIDDLEBURY COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS (APPLIES TO MIDDLEBURY ELEMENTARY)

With the exception of the year-end bank reconciliations, monthly depository reconciliations of the fund balances to the bank account balances were not presented for audit.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

DISBURSEMENT DOCUMENTATION (APPLIES TO ORCHARD VIEW ELEMENTARY)

Several payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. The payments viewed that did not have supporting documentation were primarily for field trips; however, there were other purchases that did not have supporting documentation, including one claim for cash in the amount of \$233 for cash fundraiser prizes. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

A similar comment appeared in prior Reports B38421 and B34344.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

ATHLETIC DEPARTMENT CREDIT CARDS (APPLIES TO NORTHRIDGE HIGH SCHOOL)

The Athletic Department of Northridge High School used credit cards in some instances to purchase items that did not fall within the guidelines stated in the credit card policy that was approved by the Middlebury Community Schools' Board of Trustees.

The Northridge High School Athletic Fund Credit Card Authorization, adopted on November 6, 2007, states the following:

"The Middlebury Community Schools Board of School Trustee authorizes the Northridge High School Athletic Fund to use a credit card for athletic sport programs."

"The credit card will be used primarily for over-night lodging and meal expenses related to athletic teams participating in State and Regional events, coaches' clinics, conferences and athletic meals ie coaches meetings, NLC, sectional draw."

"The Northridge High School Athletic Director is designated by the Board of Middlebury Community Schools to establish procedures for the custody of the credit card and to ensure that claims paid via credit card comply with State Board of Accounts guidelines."

"Northridge High School Athletic Fund is not authorized to pay a late payment or interest fees. It may pay annual fees."

Sales tax was paid on many of the purchases other than meals and lodging. Sales tax should not be paid by the school on items that are exempt.

MIDDLEBURY COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

Supporting documentation was inadequate for some of the purchases made on the credit card. Due to the lack of supporting information, the validity and accountability for some monies disbursed could not be established.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE MIDDLEBURY COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

Compliance

We have audited Middlebury Community Schools' (School Corporation) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the period of July 1, 2010 to June 30, 2012. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2010 to June 30, 2012.

Internal Control Over Compliance

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

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

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

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

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

STATE BOARD OF ACCOUNTS

November 27, 2012

(This page intentionally left blank.)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-11	Total Federal Awards Expended 06-30-12
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 102,411	\$ 104,260
National School Lunch Program	10.555		659,587	667,145
Total for cluster			761,998	771,405
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	A58-1-11SF-014	-	16,568
Total for federal grantor agency			761,998	787,973
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010	FY 09-10	31,760	-
		FY 10-11	228,670	161,308
		FY 11-12	-	297,405
Total for program			260,430	458,713
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010-11	117,955	25,101
Total for cluster			378,385	483,814
Pass-Through Goshen Community Schools				
Special Education Cluster				
Special Education - Grants to States	84.027	14211-016-PN01	654,034	167,986
		14212-016-PN01	-	621,428
Total for program			654,034	789,414
ARRA - Special Education - Grants to States, Recovery Act	84.391	33310-016-SN01	270,708	15,306
Total for cluster			924,742	804,720
Pass-Through Elkhart Community Schools				
Career and Technical Education - Basic Grants to States				
	84.048	2010-11	2,000	-
		2011-12	-	2,000
Total for program			2,000	2,000
Pass-Through Indiana Department of Education				
Safe and Drug-Free Schools and Communities - State Grants				
	84.186	FY 09-10	3,953	-
English Language Acquisition Grants				
	84.365	01111-017-PN01	34,813	6,487
		01112-017-PN01	-	31,818
Total for program			34,813	38,305
Improving Teacher Quality State Grants				
	84.367	FY 08-09	4,000	-
		FY 09-10	109,228	16,571
		FY 10-11	-	144,122
Total for program			113,228	160,693
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	2009-10	4,319	-
Education Jobs Fund	84.410	2011-12	238,445	347,416
Total for federal grantor agency			1,699,885	1,836,948
Total federal awards expended			<u>\$ 2,461,883</u>	<u>\$ 2,624,921</u>

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

MIDDLEBURY COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

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

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

Note 2. Noncash Assistance

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

Program Title	Federal CFDA Number	2011	2012
School Breakfast Program	10.553	\$ 14,099	\$ 16,741
National School Lunch Program	10.555	88,003	106,723

MIDDLEBURY COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no

Identification of Major Programs:

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

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

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

MIDDLEBURY COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on November 27, 2012, with Shirley A. Meyer, Treasurer; Jane A. Allen, Superintendent of Schools; and Joanna King, President of the School Board. The officials concurred with our audit findings.