

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

AUDIT REPORT

OF

MICHIGAN CITY AREA SCHOOLS

LAPORTE COUNTY, INDIANA

July 1, 2006 to June 30, 2008



FILED

03/06/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Vincent R. Taylor	07-01-06 to 08-11-06
	Vacant	08-12-06 to 09-12-06
	Theophilus Boone, Jr.	09-13-06 to 06-30-09
Superintendent of Schools	Michael Harding	07-01-06 to 06-30-09
President of the School Board	Robert C. Frame	07-01-06 to 12-31-06
	J. Jeffrey Jones	01-01-07 to 12-31-07
	Clyde H. Zeek	01-01-08 to 12-31-08
	James L. Kintzele	01-01-09 to 12-31-09



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 FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE MICHIGAN CITY AREA SCHOOLS, LAPORTE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Michigan City Area Schools (School Corporation), as of and for the years ended June 30, 2007 and 2008, 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 pre-scribed 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, 2007 and 2008, 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 February 17, 2009, 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 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 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

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

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 Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The School Corporation has not presented Management's Discussion and Analysis 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

February 17, 2009



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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 MICHIGAN CITY AREA SCHOOLS, LAPORTE COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Michigan City Area Schools (School Corporation), as of and for the years ended June 30, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated February 17, 2009. 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.

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.

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.

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

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)

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 Official Response. 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

February 17, 2009

MICHIGAN CITY AREA SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<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	\$ 37,629,800	\$ -	\$ 235,651	\$ (37,394,149)
Support services	29,896,120	1,230,458	2,085,111	(26,580,551)
Community services	1,058,739	-	-	(1,058,739)
Nonprogrammed charges	114,095	-	-	(114,095)
Debt service	<u>10,903,948</u>	<u>-</u>	<u>-</u>	<u>(10,903,948)</u>
Total Government	<u>\$ 79,602,702</u>	<u>\$ 1,230,458</u>	<u>\$ 2,320,762</u>	<u>(76,051,482)</u>
General receipts:				
Property taxes				18,465,607
Other local sources				4,280,499
State aid				23,538,586
Bonds and loans				15,448,161
Grants and contributions not restricted to specific programs				6,204,151
Sale of property, adjustments, and refunds				656,898
Investment earnings				<u>712,085</u>
Total general receipts				<u>69,305,987</u>
Change in net assets				(6,745,495)
Net assets - beginning				<u>16,537,094</u>
Net assets - ending				<u>\$ 9,791,599</u>
<u>Assets</u>				
Cash and investments				\$ 6,000,444
Restricted assets:				
Cash and investments				<u>3,791,155</u>
Total assets				<u>\$ 9,791,599</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 3,791,155
Unrestricted				<u>6,000,444</u>
Total net assets				<u>\$ 9,791,599</u>

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

MICHIGAN CITY AREA SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 35,995,894	\$ -	\$ 551,724	\$ (35,444,170)
Support services	35,726,699	1,018,582	2,288,417	(32,419,700)
Community services	1,339,767	-	-	(1,339,767)
Nonprogrammed charges	144,931	-	-	(144,931)
Debt service	22,218,493	-	-	(22,218,493)
	<u>\$ 95,425,784</u>	<u>\$ 1,018,582</u>	<u>\$ 2,840,141</u>	<u>(91,567,061)</u>
General receipts:				
Property taxes				32,851,864
Other local sources				4,608,241
State aid				21,853,016
Bonds and loans				32,027,183
Grants and contributions not restricted to specific programs				7,195,129
Sale of property, adjustments, and refunds				848,056
Investment earnings				863,602
				<u>100,247,091</u>
Total general receipts				<u>100,247,091</u>
Change in net assets				8,680,030
Net assets - beginning				<u>9,791,599</u>
Net assets - ending				<u>\$ 18,471,629</u>
<u>Assets</u>				
Cash and investments				<u>\$ 18,471,629</u>
Total assets				<u>\$ 18,471,629</u>
<u>Net Assets</u>				
Unrestricted				<u>\$ 18,471,629</u>
Total net assets				<u>\$ 18,471,629</u>

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

MICHIGAN CITY AREA 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, 2007

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Construction	Other	Totals
Receipts:								
Local sources	\$ 13,104,953	\$ 2,044,116	\$ 3,755,387	\$ 3,410,259	\$ 229,621	\$ -	\$ 2,130,109	\$ 24,674,445
Intermediate sources	-	-	-	-	-	-	3,263	3,263
State sources	23,747,718	-	-	-	-	-	420,860	24,168,578
Federal sources	5,198	-	-	-	-	-	7,995,023	8,000,221
Bonds and loans	10,054,114	-	3,407,172	-	-	1,986,875	-	15,448,161
Sale of property, adjustments and refunds	518,953	2,200	-	-	-	-	41,386	562,539
Interfund loans	-	-	-	-	-	1,081,000	-	1,081,000
Total receipts	47,430,936	2,046,316	7,162,559	3,410,259	229,621	3,067,875	10,590,641	73,938,207
Disbursements:								
Current:								
Instruction	32,938,091	-	-	-	-	-	4,691,709	37,629,800
Support services	13,082,375	3,349,577	-	4,870,974	310,722	3,067,175	5,215,297	29,896,120
Community services	450,479	-	-	-	-	-	608,260	1,058,739
Nonprogrammed charges	214	-	-	-	-	-	113,881	114,095
Debt services	3,681,929	-	6,206,862	-	-	-	1,015,157	10,903,948
Interfund loans	1,081,000	-	-	-	-	-	-	1,081,000
Total disbursements	51,234,088	3,349,577	6,206,862	4,870,974	310,722	3,067,175	11,644,304	80,683,702
Excess (deficiency) of receipts over disbursements	(3,803,152)	(1,303,261)	955,697	(1,460,715)	(81,101)	700	(1,053,663)	(6,745,495)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	227,211	227,211
Transfers out	(43,500)	-	(160,910)	-	-	-	(22,801)	(227,211)
Total other financing sources (uses)	(43,500)	-	(160,910)	-	-	-	204,410	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,846,652)	(1,303,261)	794,787	(1,460,715)	(81,101)	700	(849,253)	(6,745,495)
Cash and investments - beginning	7,516,528	(60,382)	2,996,368	2,750,329	109,841	-	3,224,410	16,537,094
Cash and investments - ending	\$ 3,669,876	\$ (1,363,643)	\$ 3,791,155	\$ 1,289,614	\$ 28,740	\$ 700	\$ 2,375,157	\$ 9,791,599
Cash and Investment Assets - Ending								
Cash and investments	\$ 3,669,876	\$ (1,363,643)	\$ -	\$ 1,289,614	\$ 28,740	\$ 700	\$ 2,375,157	\$ 6,000,444
Restricted assets:								
Cash and investments	-	-	3,791,155	-	-	-	-	3,791,155
Total cash and investment assets - ending	\$ 3,669,876	\$ (1,363,643)	\$ 3,791,155	\$ 1,289,614	\$ 28,740	\$ 700	\$ 2,375,157	\$ 9,791,599
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ 3,791,155	\$ -	\$ -	\$ -	\$ -	\$ 3,791,155
Unrestricted	3,669,876	(1,363,643)	-	1,289,614	28,740	700	2,375,157	6,000,444
Total cash and investment fund balance - ending	\$ 3,669,876	\$ (1,363,643)	\$ 3,791,155	\$ 1,289,614	\$ 28,740	\$ 700	\$ 2,375,157	\$ 9,791,599

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

MICHIGAN CITY AREA 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, 2008

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Construction	Other	Totals
Receipts:								
Local sources	\$ 19,807,878	\$ 4,375,180	\$ 6,070,364	\$ 5,906,032	\$ 502,451	\$ 334,701	\$ 2,729,884	\$ 39,726,490
Intermediate sources	232	-	-	-	-	-	2,625	2,857
State sources	22,321,996	-	-	-	-	-	539,333	22,861,329
Federal sources	14,170	-	-	-	-	-	8,625,731	8,639,901
Bonds and loans	13,000,000	-	-	-	-	19,027,183	-	32,027,183
Sale of property, adjustments and refunds	607,630	156,997	-	-	-	-	83,427	848,054
Interfund loans	1,081,000	-	-	-	-	-	-	1,081,000
Total receipts	56,832,906	4,532,177	6,070,364	5,906,032	502,451	19,361,884	11,981,000	105,186,814
Disbursements:								
Current:								
Instruction	31,281,053	-	-	-	-	-	4,714,841	35,995,894
Support services	14,414,599	3,577,823	-	7,234,110	469,930	4,371,153	5,659,084	35,726,699
Community services	548,027	-	-	-	-	-	791,740	1,339,767
Nonprogrammed charges	17,763	-	-	-	-	-	127,168	144,931
Debt services	10,097,937	-	11,109,046	-	-	-	1,011,510	22,218,493
Interfund loans	-	-	-	-	-	1,081,000	-	1,081,000
Total disbursements	56,359,379	3,577,823	11,109,046	7,234,110	469,930	5,452,153	12,304,343	96,506,784
Excess (deficiency) of receipts over disbursements	473,527	954,354	(5,038,682)	(1,328,078)	32,521	13,909,731	(323,343)	8,680,030
Other financing sources (uses):								
Transfers in	868,935	-	-	-	-	-	52,122	921,057
Transfers out	-	-	-	-	-	-	(921,057)	(921,057)
Total other financing sources (uses)	868,935	-	-	-	-	-	(868,935)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,342,462	954,354	(5,038,682)	(1,328,078)	32,521	13,909,731	(1,192,278)	8,680,030
Cash and investments - beginning	3,669,876	(1,363,643)	3,791,155	1,289,614	28,740	700	2,375,157	9,791,599
Cash and investments - ending	<u>\$ 5,012,338</u>	<u>\$ (409,289)</u>	<u>\$ (1,247,527)</u>	<u>\$ (38,464)</u>	<u>\$ 61,261</u>	<u>\$ 13,910,431</u>	<u>\$ 1,182,879</u>	<u>\$ 18,471,629</u>
Cash and Investment Assets - Ending								
Cash and investments	\$ 5,012,338	\$ (409,289)	\$ (1,247,527)	\$ (38,464)	\$ 61,261	\$ 13,910,431	\$ 1,182,879	\$ 18,471,629
Total cash and investment assets - ending	<u>\$ 5,012,338</u>	<u>\$ (409,289)</u>	<u>\$ (1,247,527)</u>	<u>\$ (38,464)</u>	<u>\$ 61,261</u>	<u>\$ 13,910,431</u>	<u>\$ 1,182,879</u>	<u>\$ 18,471,629</u>
Cash and Investment Fund Balance - Ending								
Unrestricted	\$ 5,012,338	\$ (409,289)	\$ (1,247,527)	\$ (38,464)	\$ 61,261	\$ 13,910,431	\$ 1,182,879	\$ 18,471,629
Total cash and investment fund balance - ending	<u>\$ 5,012,338</u>	<u>\$ (409,289)</u>	<u>\$ (1,247,527)</u>	<u>\$ (38,464)</u>	<u>\$ 61,261</u>	<u>\$ 13,910,431</u>	<u>\$ 1,182,879</u>	<u>\$ 18,471,629</u>

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

MICHIGAN CITY AREA SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES
IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUND
For the Year Ended June 30, 2007

	<u>Pension Trust Fund</u>
	<u>(Retirement/ Severance Bond)</u>
Additions:	
Contributions:	
Other	\$ <u> -</u>
Deductions:	
Benefits	<u> 353</u>
Deficiency of total additions over total deductions	(353)
Cash and investment fund balance - beginning	<u> 353</u>
Cash and investment fund balance - ending	<u><u> -</u></u>
Net assets:	
Cash and investments	<u> -</u>
Total net assets - cash and investment basis held in trust	<u><u> -</u></u>

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

MICHIGAN CITY AREA 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: Michigan City Area Schools

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

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 between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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, proprietary funds, and fiduciary funds, 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 transportation operating fund accounts for financial resources for the transportation of school children to and from school.

MICHIGAN CITY AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

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

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

The construction fund accounts for the proceeds received by the school corporation for the sale of Mullen Elementary School. These proceeds will be used to complete renovations at Marsh Elementary School and the construction of a new Pine Elementary School.

Additionally, the School Corporation reports the following fund types:

The pension trust fund accounts for bonds and payments anticipated to be made to employees on or after the termination of employment or to pay postretirement or severance benefits held by the School Corporation in a trust capacity.

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. Receipts are recorded when received and disbursements are recorded when paid.

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 of January 1, 2008, the Department of Education has mandated a change in the chart of accounts used by the School Corporation. These changes have caused expenses to be allocated in a manner that is not consistent with reporting prior to January 1, 2008. This change does not affect the total amount of expenses, only the allocation of the expenses.

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

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds.

MICHIGAN CITY AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

D. Assets and Cash and Investment Balances

1. 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.

2. Property Taxes

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. 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% 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 become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

3. Capital Assets

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

4. Long-Term Debt

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

5. 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."

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

MICHIGAN CITY AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts

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 Balances and 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 and balances 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.

Government-Wide Financial Statements

Interfund activity and balances, if any, are 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 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

A. 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.

MICHIGAN CITY AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 to obtain taxpayer comments. In September of each year, 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.

B. Cash and Investment Balance Deficits

At June 30, 2007 and 2008, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2007	2008
Transportation Operating	\$ 1,363,643	\$ 409,289
Debt Service	-	1,247,527
Capital Projects	-	38,464
Pension Bonds	110,911	159,021

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the delay in receiving property tax distributions.

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. Indiana Code 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, 2008, the School Corporation had deposit balances in the amount of \$18,471,629.

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.

MICHIGAN CITY AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2007 and 2008, were as follows:

Transfer From	Transfer To	2007	2008
General Fund	Other Governmental Funds	\$ 43,500	\$ -
Debt Service	Other Governmental Funds	160,910	-
Other Governmental Funds	General Fund	-	868,935
	Other Governmental Funds	<u>22,801</u>	<u>52,122</u>
Totals		<u>\$ 227,211</u>	<u>\$ 921,057</u>

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

C. Tax Anticipation Warrants

The School Corporation issues tax anticipation warrants for cash flow purposes in advance of property tax collections and/or state tuition support distributions, depositing the proceeds in the appropriate fund. Short-term debt activity for the years ended June 30, 2007, and June 30, 2008, was as follows:

	General	Debt Service
Payable, July 1, 2006	\$ 3,725,429	\$ -
Warrants Issued	10,054,114	3,407,172
Warrants Repaid	<u>3,725,429</u>	<u>-</u>
Payable, June 30, 2007	10,054,114	3,407,172
Warrants Issued	13,000,000	-
Warrants Repaid	<u>10,054,114</u>	<u>3,407,172</u>
Payable, June 30, 2008	<u>\$ 13,000,000</u>	<u>\$ -</u>

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 administrators; and natural disasters.

MICHIGAN CITY AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits for Administrators

During 2002, the School Corporation joined with other governmental entities to form the Porter County School Employees Insurance Trust, a public entity risk pool currently operating as a common risk management and insurance program for eight member governmental entities. This risk pool was formed in 1995. The purpose of the risk pool is to provide a medium for the funding and administration of claims for medical expenses for employees, and dependents, (excluding post-employment benefits). The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$100,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$100,000 limit up to a maximum stop loss of \$5,000,000.

B. Holding Corporations

The School Corporation has entered into capital leases with the Michigan City School Building Corporation and the Michigan City Area-Wide School Building Corporation (the lessors). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessors have been determined to be related parties of the School Corporation. Lease payments during the year totaled \$5,933,074.

C. Subsequent Events

LaPorte County has not billed property tax owners the final property tax bill for 2007 payable in 2008. Under normal circumstances final settlement of these collections by the County would have occurred by December 31. Estimated General Fund property tax collections for 2008 were \$17,689,222. As of December 31, 2008, the School Corporation has received in its General Fund \$4,602,848 of property tax receipts.

Beginning in 2009, the State General Fund as part of the basic grant distribution shall pay to each School Corporation, an amount sufficient to provide all funding for the General and Special Education Pre-School Funds of local School Corporations. At the local level, no property taxes will be collected for the benefit of these funds. For property taxes due and payable after December 31, 2008, the Department of Local Government Finance shall reduce the maximum permissible property tax levy of any School Corporation by the amount of the payment to be made in 2009 by the State.

D. Termination, Severance Benefits

Effective July 1, 2003, the School Corporation made contributions into 401(a) plan accounts on behalf of eligible employees for the purpose of funding severance benefits the School Corporation was liable for as of that date. Severance pension bonds were sold to fund most of this liability. Some retirees will continue to receive severance pay until January 2011 to completely relieve the School Corporation of this liability. These contributions are being made from the school general fund. For the 2007-2008 school year the contributions amounted to \$736,461.

MICHIGAN CITY AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

The School Board contributes 2% of each certified employees (teacher) base salary each pay period into a 403(b) plan administered by Metropolitan Life. Teachers vest in this account at 20% increments over the first five years of employment. This benefit is in lieu of the previous retirement severance benefit that was based on a calculation of accumulated sick days and years of service. For the 2007-2008 school year 534 employees received this benefit and the cost the School Corporation was \$419,849.

The School Board contributes 2% of each administrators regularly scheduled salary annually into a 401(a) plan. This benefit is in lieu of the previous retirement severance benefit that was based on a calculation of accumulated sick days and years of service. For the 2007-08 school year 69 employees received this benefit and the cost the school corporation was \$90,157.

Custodians, maintenance personnel, mechanics, bus drivers, and food service personnel that have been employed by the School Corporation for fifteen years and are age fifty-five, or that have been employed for twenty years, are eligible for the following severance pay: \$250 per year of service with the School Corporation up to a maximum of \$5,000 plus \$20 to \$50 per accumulated sick leave day depending on the number of days accumulated. During the 2007-08 school year two employees retired at a cost to the School Corporation of \$8,840. The School Corporation does not pre-fund this benefit, it is paid on a pay-as-you-go basis. Additionally, the School Corporation will match employees' contributions into a 403(b) plan above \$200 up to \$300 by contributing the amount per year into a 401(a) plan for the employee. During the 2007-08 school year the School Corporation contributed \$31,781 on behalf of 109 employees for this benefit.

Union secretaries and aides that have been employed by the School Corporation for fifteen years and are age fifty-five, or that have been employed for twenty years, are eligible for the following severance pay: \$175 per year of service with the School Corporation up to a maximum of \$4,500, plus \$20 to \$25 per accumulated sick leave day depending on the number of days accumulated up to a maximum of \$4,000. During the 2007-08 school year three employees retired at a cost to the School Corporation of \$15,948. The School Corporation does not pre-fund this benefit, it is paid on a pay-as-you-go basis.

Computer technicians, lab assistants, and non union secretaries also are provided severance packages. There were no employees from these groups which were paid any severance benefits during the audit period.

E. Other Postemployment Benefits

Single-Employer Defined Benefit Healthcare Plan

Plan Description

Michigan City Area Schools Healthcare Plan is a single-employer defined benefit healthcare plan administered by the Porter County School Employees Trust and the Indiana State Teachers Association. The plan provides medical benefits to eligible retirees and their spouses. Eligibility for participation in the plan varies for the six different employee groups that can participate. Generally, employees can receive the benefit if they are age fifty-five and have from five to twenty years of service with the school corporation. The School Corporation will pay various premium amounts for retirees based on their date of employment and classification. Indiana Code 5-10-8 assigns the authority to establish and amend benefit provisions to the School Corporation. The

MICHIGAN CITY AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Michigan City Area Schools Healthcare Plan does not issue a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for the participants.

Funding Policy

The contribution requirements of plan members for the Michigan City Area Schools Healthcare Plan are established by the School Corporation's School Board. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended June 30, 2008, the School Corporation contributed \$618,027 to the plan. A total of 82 retirees were receiving this benefit as of June 30, 2008.

F. Pension Plans

1. Agent Multiple-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 and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

MICHIGAN CITY AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

Annual required contribution	\$	655,173
Interest on net pension obligation		(46,041)
Adjustment to annual required contribution		52,467
Annual pension cost		661,599
Contributions made		603,018
Increase in net pension obligation		58,581
Net pension obligation, beginning of year		(635,049)
Net pension obligation, end of year	\$	(576,468)

Contribution rates:	
School Corporation	6.50%
Plan members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

<u>Actuarial Assumptions</u>		PERF
Investment rate of return		7.25%
Projected future salary increases:		
Total		5%
Attributed to inflation		4%
Attributed to merit/seniority		1%
Cost-of-living adjustments		2%

Three Year Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06-30-05	\$ 481,087	119%	\$ (613,473)
06-30-06	534,987	104%	(635,049)
06-30-07	661,599	91%	(576,468)

MICHIGAN CITY AREA SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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 and Annual Pension Costs

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.

Plan members are required to contribute 3% of their salary (paid by the School Corporation) and the School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 7.00% and 7.25% for the years ended June 30, 2007 and 2008, respectively, of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2008, 2007, and 2006, were \$1,632,945, \$1,546,864, and \$1,502,076, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

MICHIGAN CITY AREA SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-05	\$ 8,171,623	\$ 9,177,636	\$ (1,006,013)	89%	\$ 8,363,345	(12%)
07-01-06	8,145,987	9,468,481	(1,322,494)	86%	8,682,224	(15%)
07-01-07	9,390,393	11,050,295	(1,659,902)	85%	9,250,784	(18%)

MICHIGAN CITY AREA 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, 2007

	Special Education Preschool	School Lunch	Textbook Rental	Levy Excess	Education License Plates	Safe Haven	Professional Development
Receipts:							
Local sources	\$ 30,582	\$ 954,294	\$ 349,584	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	3,263	-	-
State sources	207,302	22,820	151,084	-	-	3,353	-
Federal sources	-	2,041,617	-	-	-	-	-
Sale of property, adjustments and refunds	-	41,386	-	-	-	-	-
Total receipts	237,884	3,060,117	500,668	-	3,263	3,353	-
Disbursements:							
Current:							
Instruction	284,670	-	-	-	-	217	1,897
Support services	-	3,134,602	694,462	-	645	-	-
Community services	-	-	-	-	611	3,136	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	284,670	3,134,602	694,462	-	1,256	3,353	1,897
Excess (deficiency) of receipts over disbursements	(46,786)	(74,485)	(193,794)	-	2,007	-	(1,897)
Other financing sources (uses):							
Transfers in	-	-	204,410	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	204,410	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(46,786)	(74,485)	10,616	-	2,007	-	(1,897)
Cash and investments - beginning	116,297	452,480	244,660	868,935	2,050	-	2,338
Cash and investments - ending	<u>\$ 69,511</u>	<u>\$ 377,995</u>	<u>\$ 255,276</u>	<u>\$ 868,935</u>	<u>\$ 4,057</u>	<u>\$ -</u>	<u>\$ 441</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 69,511</u>	<u>\$ 377,995</u>	<u>\$ 255,276</u>	<u>\$ 868,935</u>	<u>\$ 4,057</u>	<u>\$ -</u>	<u>\$ 441</u>
Total cash and investment assets - ending	<u>\$ 69,511</u>	<u>\$ 377,995</u>	<u>\$ 255,276</u>	<u>\$ 868,935</u>	<u>\$ 4,057</u>	<u>\$ -</u>	<u>\$ 441</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 69,511</u>	<u>\$ 377,995</u>	<u>\$ 255,276</u>	<u>\$ 868,935</u>	<u>\$ 4,057</u>	<u>\$ -</u>	<u>\$ 441</u>
Total cash and investment fund balance - ending	<u>\$ 69,511</u>	<u>\$ 377,995</u>	<u>\$ 255,276</u>	<u>\$ 868,935</u>	<u>\$ 4,057</u>	<u>\$ -</u>	<u>\$ 441</u>

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

MICHIGAN CITY AREA 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, 2007
 (Continued)

	Economic Education	Tobacco Cessation	Map Program	Kid's Trust	Technical Assistance	Gifted and Talented	Medicaid Reimbursement S
Receipts:							
Local sources	\$ -	\$ -	\$ 50,000	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	2,500	5,452	-	1,829	-	23,041	-
Federal sources	-	-	-	-	-	-	6,070
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	2,500	5,452	50,000	1,829	-	23,041	6,070
Disbursements:							
Current:							
Instruction	2,500	320	42,728	-	-	6,289	-
Support services	-	-	-	-	-	-	-
Community services	-	6,731	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	5,198
Debt services	-	-	-	-	-	-	-
Total disbursements	2,500	7,051	42,728	-	-	6,289	5,198
Excess (deficiency) of receipts over disbursements	-	(1,599)	7,272	1,829	-	16,752	872
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	-	(1,599)	7,272	1,829	-	16,752	872
Cash and investments - beginning	-	1,599	158,937	(1,829)	5,228	4,896	-
Cash and investments - ending	\$ -	\$ -	\$ 166,209	\$ -	\$ 5,228	\$ 21,648	\$ 872
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ -	\$ -	\$ 166,209	\$ -	\$ 5,228	\$ 21,648	\$ 872
Total cash and investment assets - ending	\$ -	\$ -	\$ 166,209	\$ -	\$ 5,228	\$ 21,648	\$ 872
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	\$ -	\$ -	\$ 166,209	\$ -	\$ 5,228	\$ 21,648	\$ 872
Total cash and investment fund balance - ending	\$ -	\$ -	\$ 166,209	\$ -	\$ 5,228	\$ 21,648	\$ 872

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

MICHIGAN CITY AREA 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, 2007
 (Continued)

	Language Assistance	Incentive Awards	ISAIP	Indiana 2000	English Pilot Project	Title I	School Improvement Title I
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	3,479	-	-	-	-	-	-
Federal sources	-	-	-	-	-	1,597,904	82,347
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	3,479	-	-	-	-	1,597,904	82,347
Disbursements:							
Current:							
Instruction	-	1,636	4,815	1,952	7,500	1,360,500	30,537
Support services	297	-	-	-	-	357,741	26,546
Community services	-	-	-	-	-	19,279	2,564
Nonprogrammed charges	-	-	-	-	-	37,889	801
Debt services	-	-	-	-	-	-	-
Total disbursements	297	1,636	4,815	1,952	7,500	1,775,409	60,448
Excess (deficiency) of receipts over disbursements	3,182	(1,636)	(4,815)	(1,952)	(7,500)	(177,505)	21,899
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	3,182	(1,636)	(4,815)	(1,952)	(7,500)	(177,505)	21,899
Cash and investments - beginning	-	2,381	4,815	1,952	7,500	424,508	10,526
Cash and investments - ending	<u>\$ 3,182</u>	<u>\$ 745</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 247,003</u>	<u>\$ 32,425</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 3,182</u>	<u>\$ 745</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 247,003</u>	<u>\$ 32,425</u>
Total cash and investment assets - ending	<u>\$ 3,182</u>	<u>\$ 745</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 247,003</u>	<u>\$ 32,425</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 3,182</u>	<u>\$ 745</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 247,003</u>	<u>\$ 32,425</u>
Total cash and investment fund balance - ending	<u>\$ 3,182</u>	<u>\$ 745</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 247,003</u>	<u>\$ 32,425</u>

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

MICHIGAN CITY AREA 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, 2007
 (Continued)

	Even Start	Title V Part A	Special Education	IDEA Special Education	Preschool Community	ABE Night School	Safe/Drug Free Grant
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	86,623	31,319	-	1,608,443	68,839	133,890	43,874
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	86,623	31,319	-	1,608,443	68,839	133,890	43,874
Disbursements:							
Current:							
Instruction	43,132	-	18,907	1,619,240	66,632	79,759	18,003
Support services	51,926	35,357	-	-	-	70,264	43,249
Community services	-	-	-	-	-	-	2,561
Nonprogrammed charges	-	1,292	-	18,410	-	-	1,592
Debt services	-	-	-	-	-	-	-
Total disbursements	95,058	36,649	18,907	1,637,650	66,632	150,023	65,405
Excess (deficiency) of receipts over disbursements	(8,435)	(5,330)	(18,907)	(29,207)	2,207	(16,133)	(21,531)
Other financing sources (uses):							
Transfers in	-	2,000	20,801	-	-	-	-
Transfers out	-	-	-	(20,801)	-	-	(2,000)
Total other financing sources (uses)	-	2,000	20,801	(20,801)	-	-	(2,000)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(8,435)	(3,330)	1,894	(50,008)	2,207	(16,133)	(23,531)
Cash and investments - beginning	12,709	11,223	-	71,908	844	33,576	41,487
Cash and investments - ending	<u>\$ 4,274</u>	<u>\$ 7,893</u>	<u>\$ 1,894</u>	<u>\$ 21,900</u>	<u>\$ 3,051</u>	<u>\$ 17,443</u>	<u>\$ 17,956</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 4,274</u>	<u>\$ 7,893</u>	<u>\$ 1,894</u>	<u>\$ 21,900</u>	<u>\$ 3,051</u>	<u>\$ 17,443</u>	<u>\$ 17,956</u>
Total cash and investment assets - ending	<u>\$ 4,274</u>	<u>\$ 7,893</u>	<u>\$ 1,894</u>	<u>\$ 21,900</u>	<u>\$ 3,051</u>	<u>\$ 17,443</u>	<u>\$ 17,956</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 4,274</u>	<u>\$ 7,893</u>	<u>\$ 1,894</u>	<u>\$ 21,900</u>	<u>\$ 3,051</u>	<u>\$ 17,443</u>	<u>\$ 17,956</u>
Total cash and investment fund balance - ending	<u>\$ 4,274</u>	<u>\$ 7,893</u>	<u>\$ 1,894</u>	<u>\$ 21,900</u>	<u>\$ 3,051</u>	<u>\$ 17,443</u>	<u>\$ 17,956</u>

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

MICHIGAN CITY AREA 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, 2007
 (Continued)

	Mentor Program	Carl Perkins Grant	Vocational Education General	Medicaid Reimbursement F	Elementary Secondary Counselors	Afternoons Rock	Twenty-First Century
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	196,717	262,782	1,000	9,406	503,081	15,150	432,507
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	196,717	262,782	1,000	9,406	503,081	15,150	432,507
Disbursements:							
Current:							
Instruction	17,579	206,198	1,000	20,455	88,510	2,473	25,078
Support services	173,564	-	-	970	414,571	-	2,170
Community services	-	-	-	-	-	24,946	397,983
Nonprogrammed charges	5,574	-	-	15,630	-	-	10,342
Debt services	-	-	-	-	-	-	-
Total disbursements	196,717	206,198	1,000	37,055	503,081	27,419	435,573
Excess (deficiency) of receipts over disbursements	-	56,584	-	(27,649)	-	(12,269)	(3,066)
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	-	56,584	-	(27,649)	-	(12,269)	(3,066)
Cash and investments - beginning	-	(66,614)	-	78,528	-	15,296	9,361
Cash and investments - ending	<u>\$ -</u>	<u>\$ (10,030)</u>	<u>\$ -</u>	<u>\$ 50,879</u>	<u>\$ -</u>	<u>\$ 3,027</u>	<u>\$ 6,295</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ -</u>	<u>\$ (10,030)</u>	<u>\$ -</u>	<u>\$ 50,879</u>	<u>\$ -</u>	<u>\$ 3,027</u>	<u>\$ 6,295</u>
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ (10,030)</u>	<u>\$ -</u>	<u>\$ 50,879</u>	<u>\$ -</u>	<u>\$ 3,027</u>	<u>\$ 6,295</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ -</u>	<u>\$ (10,030)</u>	<u>\$ -</u>	<u>\$ 50,879</u>	<u>\$ -</u>	<u>\$ 3,027</u>	<u>\$ 6,295</u>
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ (10,030)</u>	<u>\$ -</u>	<u>\$ 50,879</u>	<u>\$ -</u>	<u>\$ 3,027</u>	<u>\$ 6,295</u>

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

MICHIGAN CITY AREA 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, 2007
 (Continued)

	PIRC Grant	INSIG	Title II Part A	Title II Part D	English Language	Math and Science	Pension Bonds
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 495,453
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	16,195	55,551	526,763	174,505	21,240	79,200	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	16,195	55,551	526,763	174,505	21,240	79,200	495,453
Disbursements:							
Current:							
Instruction	2,314	47,069	387,949	118,273	21,240	765	-
Support services	13,881	-	105,861	46,190	-	5,553	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	1,229	13,795	1,058	-	-	-
Debt services	-	-	-	-	-	-	1,015,157
Total disbursements	16,195	48,298	507,605	165,521	21,240	6,318	1,015,157
Excess (deficiency) of receipts over disbursements	-	7,253	19,158	8,984	-	72,882	(519,704)
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	-	7,253	19,158	8,984	-	72,882	(519,704)
Cash and investments - beginning	-	(9,394)	57,116	15,944	-	-	408,793
Cash and investments - ending	\$ -	\$ (2,141)	\$ 76,274	\$ 24,928	\$ -	\$ 72,882	\$ (110,911)
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ (2,141)	\$ 76,274	\$ 24,928	\$ -	\$ 72,882	\$ (110,911)
Total cash and investment assets - ending	\$ -	\$ (2,141)	\$ 76,274	\$ 24,928	\$ -	\$ 72,882	\$ (110,911)
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ -	\$ (2,141)	\$ 76,274	\$ 24,928	\$ -	\$ 72,882	\$ (110,911)
Total cash and investment fund balance - ending	\$ -	\$ (2,141)	\$ 76,274	\$ 24,928	\$ -	\$ 72,882	\$ (110,911)

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

MICHIGAN CITY AREA 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, 2007
 (Continued)

	Hours for Ours	Unity	United Way	Dollar General	In Youth Inst	Impact Pro Don	Discov Alliance
Receipts:							
Local sources	\$ 6,280	\$ 4,400	\$ 29,809	\$ 1,000	\$ 5,000	\$ 7,064	\$ 42,556
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	6,280	4,400	29,809	1,000	5,000	7,064	42,556
Disbursements:							
Current:							
Instruction	8	288	2,376	2,389	15	488	26,855
Support services	-	3,159	4,411	1,000	-	11,105	13,640
Community services	2,043	-	20,073	8,612	858	-	-
Nonprogrammed charges	-	51	119	-	-	-	593
Debt services	-	-	-	-	-	-	-
Total disbursements	2,051	3,498	26,979	12,001	873	11,593	41,088
Excess (deficiency) of receipts over disbursements	4,229	902	2,830	(11,001)	4,127	(4,529)	1,468
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	4,229	902	2,830	(11,001)	4,127	(4,529)	1,468
Cash and investments - beginning	6,737	788	20,986	11,001	-	8,901	-
Cash and investments - ending	<u>\$ 10,966</u>	<u>\$ 1,690</u>	<u>\$ 23,816</u>	<u>\$ -</u>	<u>\$ 4,127</u>	<u>\$ 4,372</u>	<u>\$ 1,468</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 10,966</u>	<u>\$ 1,690</u>	<u>\$ 23,816</u>	<u>\$ -</u>	<u>\$ 4,127</u>	<u>\$ 4,372</u>	<u>\$ 1,468</u>
Total cash and investment assets - ending	<u>\$ 10,966</u>	<u>\$ 1,690</u>	<u>\$ 23,816</u>	<u>\$ -</u>	<u>\$ 4,127</u>	<u>\$ 4,372</u>	<u>\$ 1,468</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 10,966</u>	<u>\$ 1,690</u>	<u>\$ 23,816</u>	<u>\$ -</u>	<u>\$ 4,127</u>	<u>\$ 4,372</u>	<u>\$ 1,468</u>
Total cash and investment fund balance - ending	<u>\$ 10,966</u>	<u>\$ 1,690</u>	<u>\$ 23,816</u>	<u>\$ -</u>	<u>\$ 4,127</u>	<u>\$ 4,372</u>	<u>\$ 1,468</u>

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

MICHIGAN CITY AREA 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, 2007
 (Continued)

	Early Childhood	Adult Education	Unity Even Start	After School	Duneland Health	Enrichment	Totals
Receipts:							
Local sources	\$ 5,000	\$ -	\$ 2,510	\$ 119,747	\$ -	\$ 26,830	\$ 2,130,109
Intermediate sources	-	-	-	-	-	-	3,263
State sources	-	-	-	-	-	-	420,860
Federal sources	-	-	-	-	-	-	7,995,023
Sale of property, adjustments and refunds	-	-	-	-	-	-	41,386
Total receipts	5,000	-	2,510	119,747	-	26,830	10,590,641
Disbursements:							
Current:							
Instruction	93,076	568	-	23,120	3,427	8,962	4,691,709
Support services	-	-	2,073	-	-	2,060	5,215,297
Community services	-	-	-	93,812	23,107	1,944	608,260
Nonprogrammed charges	-	-	-	-	-	308	113,881
Debt services	-	-	-	-	-	-	1,015,157
Total disbursements	93,076	568	2,073	116,932	26,534	13,274	11,644,304
Excess (deficiency) of receipts over disbursements	(88,076)	(568)	437	2,815	(26,534)	13,556	(1,053,663)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	227,211
Transfers out	-	-	-	-	-	-	(22,801)
Total other financing sources (uses)	-	-	-	-	-	-	204,410
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(88,076)	(568)	437	2,815	(26,534)	13,556	(849,253)
Cash and investments - beginning	96,444	9,621	418	42,169	29,514	9,781	3,224,410
Cash and investments - ending	<u>\$ 8,368</u>	<u>\$ 9,053</u>	<u>\$ 855</u>	<u>\$ 44,984</u>	<u>\$ 2,980</u>	<u>\$ 23,337</u>	<u>\$ 2,375,157</u>
Cash and Investment Assets - Ending							
Cash and investments	<u>\$ 8,368</u>	<u>\$ 9,053</u>	<u>\$ 855</u>	<u>\$ 44,984</u>	<u>\$ 2,980</u>	<u>\$ 23,337</u>	<u>\$ 2,375,157</u>
Total cash and investment assets - ending	<u>\$ 8,368</u>	<u>\$ 9,053</u>	<u>\$ 855</u>	<u>\$ 44,984</u>	<u>\$ 2,980</u>	<u>\$ 23,337</u>	<u>\$ 2,375,157</u>
Cash and Investment Fund Balance - Ending							
Unrestricted	<u>\$ 8,368</u>	<u>\$ 9,053</u>	<u>\$ 855</u>	<u>\$ 44,984</u>	<u>\$ 2,980</u>	<u>\$ 23,337</u>	<u>\$ 2,375,157</u>
Total cash and investment fund balance - ending	<u>\$ 8,368</u>	<u>\$ 9,053</u>	<u>\$ 855</u>	<u>\$ 44,984</u>	<u>\$ 2,980</u>	<u>\$ 23,337</u>	<u>\$ 2,375,157</u>

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

MICHIGAN CITY AREA 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, 2008

	Special Education Preschool	School Lunch	Textbook Rental	Levy Excess	Education License Plates	Safe Haven	Early Intervention
Receipts:							
Local sources	\$ 50,191	\$ 931,037	\$ 563,268	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	2,625	-	-
State sources	244,729	23,034	-	-	-	227	61,461
Federal sources	-	2,231,641	-	-	-	-	-
Sale of property, adjustments and refunds	-	41,202	42,225	-	-	-	-
Total receipts	294,920	3,226,914	605,493	-	2,625	227	61,461
Disbursements:							
Current:							
Instruction	289,122	-	-	-	376	-	55,724
Support services	72	3,291,843	662,271	-	1,398	-	-
Community services	-	-	-	-	1,316	227	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	289,194	3,291,843	662,271	-	3,090	227	55,724
Excess (deficiency) of receipts over disbursements	5,726	(64,929)	(56,778)	-	(465)	-	5,737
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	(868,935)	-	-	-
Total other financing sources (uses)	-	-	-	(868,935)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	5,726	(64,929)	(56,778)	(868,935)	(465)	-	5,737
Cash and investments - beginning	69,511	377,995	255,276	868,935	4,057	-	-
Cash and investments - ending	<u>\$ 75,237</u>	<u>\$ 313,066</u>	<u>\$ 198,498</u>	<u>\$ -</u>	<u>\$ 3,592</u>	<u>\$ -</u>	<u>\$ 5,737</u>
Cash and Investment Assets - Ending			198,498				
Cash and investments	\$ 75,237	\$ 313,066	\$ 198,498	\$ -	\$ 3,592	\$ -	\$ 5,737
Total cash and investment assets - ending	\$ 75,237	\$ 313,066	\$ 198,498	\$ -	\$ 3,592	\$ -	\$ 5,737
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 75,237	\$ 313,066	\$ 198,498	\$ -	\$ 3,592	\$ -	\$ 5,737
Total cash and investment fund balance - ending	\$ 75,237	\$ 313,066	\$ 198,498	\$ -	\$ 3,592	\$ -	\$ 5,737

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

MICHIGAN CITY AREA 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, 2008
 (Continued)

	Professional Development	Tobacco Cessation	Map Program	Technical Assistance	Gifted and Talented	Medicaid Reimbursement S	Language Assistance
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	9,923	-	-	56,792	-	25,952
Federal sources	-	-	-	-	-	13,178	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	-	9,923	-	-	56,792	13,178	25,952
Disbursements:							
Current:							
Instruction	441	211	4,796	69	35,690	-	23,411
Support services	-	-	126,001	900	-	-	3,182
Community services	-	7,976	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	14,050	-
Debt services	-	-	-	-	-	-	-
Total disbursements	441	8,187	130,797	969	35,690	14,050	26,593
Excess (deficiency) of receipts over disbursements	(441)	1,736	(130,797)	(969)	21,102	(872)	(641)
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	(441)	1,736	(130,797)	(969)	21,102	(872)	(641)
Cash and investments - beginning	441	-	166,209	5,228	21,648	872	3,182
Cash and investments - ending	\$ -	\$ 1,736	\$ 35,412	\$ 4,259	\$ 42,750	\$ -	\$ 2,541
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ -	\$ 1,736	\$ 35,412	\$ 4,259	\$ 42,750	\$ -	\$ 2,541
Total cash and investment assets - ending	\$ -	\$ 1,736	\$ 35,412	\$ 4,259	\$ 42,750	\$ -	\$ 2,541
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	\$ -	\$ 1,736	\$ 35,412	\$ 4,259	\$ 42,750	\$ -	\$ 2,541
Total cash and investment fund balance - ending	\$ -	\$ 1,736	\$ 35,412	\$ 4,259	\$ 42,750	\$ -	\$ 2,541

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

MICHIGAN CITY AREA 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, 2008
 (Continued)

	Incentive Awards	Inaccess Grant	Title I	School Improvement Title I	Even Start	Title V Part A	Special Education
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	117,215	-	-	-	-	-
Federal sources	-	-	2,253,754	108,478	86,623	9,000	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	-	117,215	2,253,754	108,478	86,623	9,000	-
Disbursements:							
Current:							
Instruction	745	117,215	1,506,151	43,104	37,092	-	46,632
Support services	-	-	713,724	29,025	53,669	15,104	-
Community services	-	-	64,326	5,499	-	-	-
Nonprogrammed charges	-	-	40,661	-	-	700	525
Debt services	-	-	-	-	-	-	-
Total disbursements	745	117,215	2,324,862	77,628	90,761	15,804	47,157
Excess (deficiency) of receipts over disbursements	(745)	-	(71,108)	30,850	(4,138)	(6,804)	(47,157)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	2,000	50,122
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	2,000	50,122
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(745)	-	(71,108)	30,850	(4,138)	(4,804)	2,965
Cash and investments - beginning	745	-	247,003	32,425	4,274	7,893	1,894
Cash and investments - ending	\$ -	\$ -	\$ 175,895	\$ 63,275	\$ 136	\$ 3,089	\$ 4,859
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ -	\$ -	\$ 175,895	\$ 63,275	\$ 136	\$ 3,089	\$ 4,859
Total cash and investment assets - ending	\$ -	\$ -	\$ 175,895	\$ 63,275	\$ 136	\$ 3,089	\$ 4,859
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	\$ -	\$ -	\$ 175,895	\$ 63,275	\$ 136	\$ 3,089	\$ 4,859
Total cash and investment fund balance - ending	\$ -	\$ -	\$ 175,895	\$ 63,275	\$ 136	\$ 3,089	\$ 4,859

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

MICHIGAN CITY AREA 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, 2008
 (Continued)

	IDEA Special Education	Preschool Community	ABE Night School	Safe/Drug Free Grant	Mentor Program	Carl Perkins Grant
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	1,736,471	73,195	132,979	60,275	41,405	237,061
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	<u>1,736,471</u>	<u>73,195</u>	<u>132,979</u>	<u>60,275</u>	<u>41,405</u>	<u>237,061</u>
Disbursements:						
Current:						
Instruction	1,673,763	70,254	67,366	10,503	5,249	241,043
Support services	-	-	75,077	40,252	30,886	101
Community services	-	-	-	132	-	-
Nonprogrammed charges	41,133	1,631	-	1,180	5,270	-
Debt services	-	-	-	-	-	-
Total disbursements	<u>1,714,896</u>	<u>71,885</u>	<u>142,443</u>	<u>52,067</u>	<u>41,405</u>	<u>241,144</u>
Excess (deficiency) of receipts over disbursements	<u>21,575</u>	<u>1,310</u>	<u>(9,464)</u>	<u>8,208</u>	<u>-</u>	<u>(4,083)</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	<u>(50,122)</u>	<u>-</u>	<u>-</u>	<u>(2,000)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(50,122)</u>	<u>-</u>	<u>-</u>	<u>(2,000)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(28,547)	1,310	(9,464)	6,208	-	(4,083)
Cash and investments - beginning	<u>21,900</u>	<u>3,051</u>	<u>17,443</u>	<u>17,956</u>	<u>-</u>	<u>(10,030)</u>
Cash and investments - ending	<u><u>\$ (6,647)</u></u>	<u><u>\$ 4,361</u></u>	<u><u>\$ 7,979</u></u>	<u><u>\$ 24,164</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (14,113)</u></u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u><u>\$ (6,647)</u></u>	<u><u>\$ 4,361</u></u>	<u><u>\$ 7,979</u></u>	<u><u>\$ 24,164</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (14,113)</u></u>
Total cash and investment assets - ending	<u><u>\$ (6,647)</u></u>	<u><u>\$ 4,361</u></u>	<u><u>\$ 7,979</u></u>	<u><u>\$ 24,164</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (14,113)</u></u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u><u>\$ (6,647)</u></u>	<u><u>\$ 4,361</u></u>	<u><u>\$ 7,979</u></u>	<u><u>\$ 24,164</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (14,113)</u></u>
Total cash and investment fund balance - ending	<u><u>\$ (6,647)</u></u>	<u><u>\$ 4,361</u></u>	<u><u>\$ 7,979</u></u>	<u><u>\$ 24,164</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (14,113)</u></u>

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

MICHIGAN CITY AREA 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, 2008
 (Continued)

	Workforce Development	Medicaid Reimbursement F	Elementary Secondary Counselors	Afternoon Rocks	Twenty First Century	INSIG
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	33,800	20,446	256,727	29,550	656,475	32,050
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	33,800	20,446	256,727	29,550	656,475	32,050
Disbursements:						
Current:						
Instruction	28,172	6,826	23,435	520	23,587	34,335
Support services	2,408	2,111	292,491	-	3,110	-
Community services	-	-	-	20,159	576,456	-
Nonprogrammed charges	-	185	4,922	-	-	893
Debt services	-	-	-	-	-	-
Total disbursements	30,580	9,122	320,848	20,679	603,153	35,228
Excess (deficiency) of receipts over disbursements	3,220	11,324	(64,121)	8,871	53,322	(3,178)
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	3,220	11,324	(64,121)	8,871	53,322	(3,178)
Cash and investments - beginning	-	50,879	-	3,027	6,295	(2,141)
Cash and investments - ending	\$ 3,220	\$ 62,203	\$ (64,121)	\$ 11,898	\$ 59,617	\$ (5,319)
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 3,220	\$ 62,203	\$ (64,121)	\$ 11,898	\$ 59,617	\$ (5,319)
Total cash and investment assets - ending	\$ 3,220	\$ 62,203	\$ (64,121)	\$ 11,898	\$ 59,617	\$ (5,319)
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ 3,220	\$ 62,203	\$ (64,121)	\$ 11,898	\$ 59,617	\$ (5,319)
Total cash and investment fund balance - ending	\$ 3,220	\$ 62,203	\$ (64,121)	\$ 11,898	\$ 59,617	\$ (5,319)

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

MICHIGAN CITY AREA 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, 2008
 (Continued)

	Title II Part A	Title II Part D	English Language	Math and Science	Pension Bonds	Hours for Ours
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 963,400	\$ 13,729
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	465,117	56,010	29,726	61,770	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	465,117	56,010	29,726	61,770	963,400	13,729
Disbursements:						
Current:						
Instruction	321,270	1,572	13,787	3,210	-	-
Support services	95,245	80,621	-	94,037	-	135
Community services	-	-	-	-	-	8,290
Nonprogrammed charges	11,068	761	-	2,603	-	-
Debt services	-	-	-	-	1,011,510	-
Total disbursements	427,583	82,954	13,787	99,850	1,011,510	8,425
Excess (deficiency) of receipts over disbursements	37,534	(26,944)	15,939	(38,080)	(48,110)	5,304
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	37,534	(26,944)	15,939	(38,080)	(48,110)	5,304
Cash and investments - beginning	76,274	24,928	-	72,882	(110,911)	10,966
Cash and investments - ending	\$ 113,808	\$ (2,016)	\$ 15,939	\$ 34,802	\$ (159,021)	\$ 16,270
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 113,808	\$ (2,016)	\$ 15,939	\$ 34,802	\$ (159,021)	\$ 16,270
Total cash and investment assets - ending	\$ 113,808	\$ (2,016)	\$ 15,939	\$ 34,802	\$ (159,021)	\$ 16,270
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ 113,808	\$ (2,016)	\$ 15,939	\$ 34,802	\$ (159,021)	\$ 16,270
Total cash and investment fund balance - ending	\$ 113,808	\$ (2,016)	\$ 15,939	\$ 34,802	\$ (159,021)	\$ 16,270

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

MICHIGAN CITY AREA 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, 2008
 (Continued)

	Unity	United Way	In Youth Inst	Impact Pro Don	Discov Alliance	Early Childhood
Receipts:						
Local sources	\$ 2,235	\$ 33,564	\$ -	\$ 10,626	\$ 29,988	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	2,235	33,564	-	10,626	29,988	-
Disbursements:						
Current:						
Instruction	-	2,640	293	3,326	16,035	1,608
Support services	3,480	-	3,834	3,096	13,542	-
Community services	-	28,501	-	-	-	-
Nonprogrammed charges	-	476	-	-	795	-
Debt services	-	-	-	-	-	-
Total disbursements	3,480	31,617	4,127	6,422	30,372	1,608
Excess (deficiency) of receipts over disbursements	(1,245)	1,947	(4,127)	4,204	(384)	(1,608)
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	(1,245)	1,947	(4,127)	4,204	(384)	(1,608)
Cash and investments - beginning	1,690	23,816	4,127	4,372	1,468	8,368
Cash and investments - ending	\$ 445	\$ 25,763	\$ -	\$ 8,576	\$ 1,084	\$ 6,760
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 445	\$ 25,763	\$ -	\$ 8,576	\$ 1,084	\$ 6,760
Total cash and investment assets - ending	\$ 445	\$ 25,763	\$ -	\$ 8,576	\$ 1,084	\$ 6,760
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ 445	\$ 25,763	\$ -	\$ 8,576	\$ 1,084	\$ 6,760
Total cash and investment fund balance - ending	\$ 445	\$ 25,763	\$ -	\$ 8,576	\$ 1,084	\$ 6,760

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

MICHIGAN CITY AREA 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, 2008
 (Continued)

	Adult Education	Unity Even Start	After School	Duneland Health	Enrichment	Totals
Receipts:						
Local sources	\$ -	\$ 1,825	\$ 73,351	\$ -	\$ 56,670	\$ 2,729,884
Intermediate sources	-	-	-	-	-	2,625
State sources	-	-	-	-	-	539,333
Federal sources	-	-	-	-	-	8,625,731
Sale of property, adjustments and refunds	-	-	-	-	-	83,427
Total receipts	-	1,825	73,351	-	56,670	11,981,000
Disbursements:						
Current:						
Instruction	747	-	1,737	423	2,361	4,714,841
Support services	-	-	-	-	21,469	5,659,084
Community services	-	796	53,034	2,557	22,471	791,740
Nonprogrammed charges	-	59	-	-	256	127,168
Debt services	-	-	-	-	-	1,011,510
Total disbursements	747	855	54,771	2,980	46,557	12,304,343
Excess (deficiency) of receipts over disbursements	(747)	970	18,580	(2,980)	10,113	(323,343)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	52,122
Transfers out	-	-	-	-	-	(921,057)
Total other financing sources (uses)	-	-	-	-	-	(868,935)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(747)	970	18,580	(2,980)	10,113	(1,192,278)
Cash and investments - beginning	9,053	855	44,984	2,980	23,337	2,375,157
Cash and investments - ending	<u>\$ 8,306</u>	<u>\$ 1,825</u>	<u>\$ 63,564</u>	<u>\$ -</u>	<u>\$ 33,450</u>	<u>\$ 1,182,879</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ 8,306</u>	<u>\$ 1,825</u>	<u>\$ 63,564</u>	<u>\$ -</u>	<u>\$ 33,450</u>	<u>\$ 1,182,879</u>
Total cash and investment assets - ending	<u>\$ 8,306</u>	<u>\$ 1,825</u>	<u>\$ 63,564</u>	<u>\$ -</u>	<u>\$ 33,450</u>	<u>\$ 1,182,879</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ 8,306</u>	<u>\$ 1,825</u>	<u>\$ 63,564</u>	<u>\$ -</u>	<u>\$ 33,450</u>	<u>\$ 1,182,879</u>
Total cash and investment fund balance - ending	<u>\$ 8,306</u>	<u>\$ 1,825</u>	<u>\$ 63,564</u>	<u>\$ -</u>	<u>\$ 33,450</u>	<u>\$ 1,182,879</u>

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

MICHIGAN CITY AREA SCHOOLS
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

June 30, 2008

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 2,832,835
Buildings	99,724,322
Improvements other than buildings	2,177,634
Machinery and equipment	7,763,289
Vehicles	<u>5,527,740</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 115,192,985</u>

MICHIGAN CITY AREA SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2008

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
School building improvements	\$ 93,802,388	\$ 9,484,530
General obligation bonds:		
Retirement/Severance obligations	10,535,000	1,015,533
School building improvements	<u>1,670,000</u>	<u>457,049</u>
Total governmental activities debt	<u>\$ 106,007,388</u>	<u>\$ 10,957,112</u>

MICHIGAN CITY AREA SCHOOLS
AUDIT RESULTS AND COMMENTS

TEXTBOOK RENTAL INTERNAL CONTROLS (Applies to Michigan City High School)

The controls over the receipting of textbook rental fees were insufficient. Receipts are not always written at the time of collection. A parent for example, may drop off a textbook rental payment in the office of the high school. A textbook rental receipt will be written at a later time and will be given to the student. The receipt may be written up to two weeks after the payment was collected.

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 managements 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 Extra-Curricular Accounts, Chapter 7)

TEXTBOOK RENTAL DEPOSITS (Applies to Edgewood, Joy, Mullen, Niemann, Springfield, Elementary Schools)

Textbook rental receipts were not always deposited within a reasonable time. Textbook rental receipts were held for periods in excess of the following amounts of days before being deposited: Edgewood 12 days, Joy 8 days, Mullen 109 days, Niemann 43 days. At Springfield Elementary School four out of ten receipts examined were not deposited timely.

IC 20-41-1-9 states in part: ". . . receipts shall be deposited without unreasonable delay."

RECEIPTS (Applies to Edgewood and Joy Elementary Schools)

Receipts were not designated by the amount of cash and check that was collected, therefore, verification of the composition of deposits was not possible.

IC 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

MICHIGAN CITY AREA SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

EXTRA-CURRICULAR DISBURSEMENTS (Applies to Edgewood Elementary School)

The Claim for Payment form (SA-7) was signed only by the Extra-Curricular Treasurer during the 2007-2008 school year.

Signatures are required by the person authorized to purchase and the person acknowledging the receipt of the good or services. Additionally, the extra-curricular treasurer is to sign the required certification on the form SA-7. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

TEXTBOOK RENTAL RECEIPT CONTROLS AND PROCEDURES
(Applies to Marsh Elementary School)

Textbook rental receipts were written for amounts which could not be verified to bank deposits. Some receipts were not deposited for up to 48 days. Other receipts appear to have been retained to make change and then subsequently recorded in another fund.

IC 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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

TO: THE OFFICIALS OF THE MICHIGAN CITY AREA SCHOOLS, LAPORTE COUNTY, INDIANA

Compliance

We have audited the compliance of the Michigan City Area 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, 2007 and 2008. 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, 2007 and 2008.

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)

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.

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.

Our consideration of the internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

The School Corporation's response to the findings identified in our audit is described in the accompanying Official Response section of this report. 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

February 17, 2009

MICHIGAN CITY AREA SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2007 and 2008

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 06-30-07	Total Federal Awards Expended 06-30-08
U.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 489,046	\$ 571,506
National School Lunch Program	10.555		1,420,213	1,677,668
Child and Adult Care Food Program	10.558		51,272	57,801
Summer Food Service Program for Children	10.559		<u>77,549</u>	<u>90,227</u>
Total for federal grantor agency			<u>2,038,080</u>	<u>2,397,202</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Pass-Through Center of Workforce Development				
WIA Adult Program	17.258	FY 07/08	<u>-</u>	<u>30,580</u>
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education				
Special Education Cluster				
Special Education - Grants to States				
PL 101-476 IDEA CSPD	84.027	14208-040-PN01	-	1,637,907
PL 101-476 IDEA CSPD		14207-040-PN01	1,557,252	65,788
PL 101-476 IDEA CSPD		14206-040-PN01	68,835	-
IDEA Special Education		14207-040-SN01	18,907	-
IDEA Special Education		14208-040-SN01	<u>-</u>	<u>47,522</u>
Total for program			<u>1,644,994</u>	<u>1,751,217</u>
Special Education - Preschool Grants				
	84.173	45707-040-PN01	66,632	-
		45708-040-PN01	<u>-</u>	<u>71,885</u>
Total for program			<u>66,632</u>	<u>71,885</u>
Total for cluster			<u>1,711,626</u>	<u>1,823,102</u>
Direct Grant:				
Safe and Drug-Free Schools and Communities National Programs				
Mentoring Program Grants	84.184	Q184B040928-06	196,717	39,594
LaPorte County Mentor Consortium		Q184B040928-07	<u>-</u>	<u>1,811</u>
Total for program			<u>196,717</u>	<u>41,405</u>
Direct Grant:				
Fund for the Improvement of Education				
Elementary and Secondary School Counseling Demonstration Program	84.215	Q215E040507-05	177,280	-
		Q215E040507-06	325,801	108,254
		Q184B040928-07	<u>-</u>	<u>212,594</u>
Total for program			<u>503,081</u>	<u>320,848</u>
Pass-Through Indiana Department of Education				
Adult Education - State Grant program				
Adult Basic Education	84.002	FY07-8022	150,024	-
Adult Basic Education		FY08-8022	<u>-</u>	<u>142,444</u>
Total for program			<u>150,024</u>	<u>142,444</u>

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

MICHIGAN CITY AREA SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2007 and 2008
(Continued)

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 06-30-07	Total Federal Awards Expended 06-30-08
U.S. DEPARTMENT OF EDUCATION (continued)				
Pass-Through Indiana Department of Education (continued)				
Title I Grants to Local Educational Agencies	84.010	06-4925	151,178	155,239
		07-4925	1,774,091	382,137
		08-425	-	1,942,853
		SYS06-07	60,448	-
Title I School Improvement Grant		SYS07-08	-	77,628
Total for program			<u>1,985,717</u>	<u>2,557,857</u>
Vocational Education - Basic Grants to States	84.048	07-4700-4925	206,198	-
		08-4700-4925	-	241,144
Total for program			<u>206,198</u>	<u>241,144</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 06/07	67,405	-
		07-200	-	14,951
		7-085	-	39,115
Total for program			<u>67,405</u>	<u>54,066</u>
Even Start - State Educational Agencies	84.213	S213C050015	95,058	-
		FY 07-08	-	90,762
Total for program			<u>95,058</u>	<u>90,762</u>
Twenty-First Century Community Learning Centers	84.287	S287C020014 06/07	-	86,614
		S287C020014 07/08	-	512,709
		S287C020014 05/06	100,960	3,831
		S287C020014 06/07	340,857	-
Total for program			<u>441,817</u>	<u>603,154</u>
State Grants for Innovative Programs	84.298	06-07	36,649	-
		07-08	-	15,803
Total for program			<u>36,649</u>	<u>15,803</u>
Pass-Through LaPorte County Child Abuse Prevention Council, Inc. Parental Assistance Centers	84.310	S310A010116	16,195	-
Pass-Through Indiana Department of Education Education Technology State Grants	84.318	SY06-07	165,521	-
		SY07-08	-	82,954
Total for program			<u>165,521</u>	<u>82,954</u>
Pass-Through Indiana University Special Education - State Personnel Development	84.323	01704-001-PY01	-	28,500
		01704-002-PY02	48,298	6,728
Total for program			<u>48,298</u>	<u>35,228</u>
Pass-Through Indiana Department of Education English Language Acquisition Grants	84.365	SY 06/07	21,240	-
		SY 07/08	-	13,787
Total for program			<u>21,240</u>	<u>13,787</u>

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

MICHIGAN CITY AREA SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2007 and 2008
(Continued)

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 06-30-07	Total Federal Awards Expended 06-30-08
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through Indiana Department of Education (continued)				
Math and Science Partnership State Grants	84.366	FY 06/07 FY 07/08	6,318 -	- 99,851
Total for program			<u>6,318</u>	<u>99,851</u>
Improving Teacher Quality State Grants	84.367	06-223 07-223 07-223	507,605 - -	- 286,954 140,629
Total for program			<u>507,605</u>	<u>427,583</u>
Total for federal grantor agency			<u>6,159,469</u>	<u>6,549,988</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Pass-Through Indiana Office of Medicaid Policy and Planning				
Medicaid Cluster				
Medical Assistance Program	93.778		37,054	9,121
Pass-Through Swanson Center, Michigan City, IN				
Block Grants for Prevention and Treatment of Substance Abuse	93.959		27,419	20,680
Afternoons Rock				
Total for federal grantor agency			<u>64,473</u>	<u>29,801</u>
Total federal awards expended			<u>\$ 8,262,022</u>	<u>\$ 9,007,571</u>

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

MICHIGAN CITY AREA 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 Michigan City Area Schools (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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 Unittypes shall be conducted biennially. Such audits shall include both years within the biennial period.

II. Subrecipients

Of the federal expenditures presented in the schedule, the School Corporation provided federal awards to subrecipients as follows for the years ended June 30, 2007 and 2008:

Program Title	Federal CFDA Number	2007	2008
Vocational Education-Basic Grants to States	84.048	<u>\$ 53,325</u>	<u>\$ 53,325</u>

III. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2007 and 2008. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2007	2008
Child Nutrition Cluster	10.555	<u>\$ 81,771</u>	<u>\$ 162,907</u>

MICHIGAN CITY AREA 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?	no
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?	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
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Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Special Education Cluster
84.215	Title I Grants to Local Educational Agencies
	Fund for the Improvement of Education

Dollar threshold used to distinguish between Type A and Type B programs: \$518,088

Auditee qualified as low-risk auditee?	no
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Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

Michael Harding
Superintendent of Schools

Date: January 28, 2009

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NO. 2006-1

Original SBA Audit Report:	Cash Management
Fiscal Year:	June 30, 2006
Auditee Contact Person:	Theophilus Boone, Jr.
Title of Contact Person:	Chief Financial Officer
Phone Number:	219-873-2000 x 8343

Status of Finding: The Financial Assistant, CFO and the new full-time Title I Director will continue to review monthly cash balances and advise appropriate individuals when balances exceed 10%.

To the best of my knowledge, this corrective action was accomplished during the audit period.

Signature: *Theophilus Boone Jr.*



MICHIGAN CITY AREA SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on February 17, 2009, with Michael Harding, Superintendent of Schools; Theophilus Boone, Jr., Treasurer; Paulette Barkow, Financial Assistant; and James Kintzele, President of the School Board. The official response has been made a part of this report and may be found on page 55.



Michael Harding
Superintendent of Schools

Theophilus Boone, Jr., Chief Financial Officer
Administration Building
408 South Carroll Avenue
Michigan City, Indiana 46360-5345
E-Mail: tboone@mcas.k12.in.us
Phone: (219) 873-2000 ext. 8343
Fax: (219) 873-2086

February 23, 2009

CORRECTIVE ACTION PLAN

Subject: Michigan City Area Schools Audit Results and Comments
Textbook Rental Internal Deposits and Receipts Control
Procedures

Auditee Contact Person: Theophilus Boone, Jr.
Title of Contact Person: Chief Financial Officer
Phone Number: 219-873-2000 ext. 8343
Expected Completion Date: April 2008

Corrective Action: The Chief Financial Officer and the Financial Assistant will work with our vendor, Regional Data System, Inc., to develop a new Financial Deposit and Receipt Reporting System. This new reporting system, which is currently in phase 1 of 3 of development, will create documents that will illustrate and flag all late bank deposits and receipts submitted by our school building treasurers. These reports will be used by the Administration to increase accountability in all our schools' ECA banking transactions.

Signature: *Theophilus Boone, Jr.*

