

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

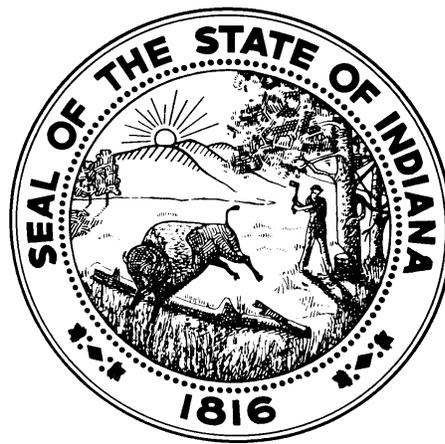
AUDIT REPORT

OF

SCHOOL CITY OF MISHAWAKA

ST. JOSEPH COUNTY, INDIANA

July 1, 2006 to June 30, 2008



FILED

03/27/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Randy J. Squadroni	01-01-06 to 12-31-09
Superintendent of Schools	R. Steven Mills	07-01-06 to 06-30-11
President of the School Board	Lloyd C. Wayne Larry E. Stillson	01-01-06 to 12-31-06 01-01-07 to 12-31-09



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

TO: THE OFFICIALS OF THE SCHOOL CITY OF MISHAWAKA, ST. JOSEPH COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School City of Mishawaka (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 prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 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 January 27, 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 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

January 27, 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 SCHOOL CITY OF MISHAWAKA, ST. JOSEPH COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School City of Mishawaka (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 January 27, 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.

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

January 27, 2009

SCHOOL CITY OF MISHAWAKA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		Charges for Services	Operating Grants and Contributions	<u>Totals</u>
Governmental activities:				
Instruction	\$ 35,409,386	\$ -	\$ 195,585	\$ (35,213,801)
Support services	18,340,697	1,009,810	1,309,921	(16,020,966)
Community services	212,548	-	-	(212,548)
Nonprogrammed charges	5,226,774	-	-	(5,226,774)
Debt service	14,050,422	-	-	(14,050,422)
Total government	\$ 73,239,827	\$ 1,009,810	\$ 1,505,506	(70,724,511)
General receipts:				
Property taxes				11,862,337
Other local sources				12,252,270
State aid				26,578,955
Bonds and loans				10,338,556
Grants and contributions not restricted to specific programs				5,337,596
Sale of property, adjustments, and refunds				1,640,688
Investment earnings				437,894
Total general receipts				68,448,296
Change in net assets				(2,276,215)
Net assets - beginning				5,026,488
Net assets - ending				\$ 2,750,273
<u>Assets</u>				
Cash and investments				\$ 1,526,589
Restricted assets:				
Cash and investments				638,621
Cash with fiscal agent				585,063
Total assets				\$ 2,750,273
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 127,190
Other purposes				1,096,494
Unrestricted				1,526,589
Total net assets				\$ 2,750,273

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

SCHOOL CITY OF MISHAWAKA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				Net (Disbursement) Receipts and Changes in Net Assets
Instruction	\$ 34,894,772	\$ -	\$ 317,046	\$ (34,577,726)
Support services	20,593,133	964,937	1,486,859	(18,141,337)
Community services	218,041	-	-	(218,041)
Nonprogrammed charges	5,080,403	-	-	(5,080,403)
Debt service	18,927,361	-	-	(18,927,361)
Total government	\$ 79,713,710	\$ 964,937	\$ 1,803,905	(76,944,868)
General receipts:				
Property taxes				15,013,339
Other local sources				14,139,651
State aid				26,207,741
Bonds and loans				18,629,681
Grants and contributions not restricted to specific programs				5,239,805
Sale of property, adjustments, and refunds				545,149
Investment earnings				148,416
Total general receipts				79,923,782
Change in net assets				2,978,914
Net assets - beginning				2,750,273
Net assets - ending				\$ 5,729,187
Assets				
Cash and investments				\$ 3,353,453
Restricted assets:				
Cash and investments				2,370,949
Cash with fiscal agent				4,785
Total assets				\$ 5,729,187
Net Assets				
Restricted for:				
Debt service				\$ 1,760,687
Other purposes				615,047
Unrestricted				3,353,453
Total net assets				\$ 5,729,187

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

SCHOOL CITY OF MISHAWAKA
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	Rainy Day	School Lunch	Levy Excess	Joint Services and Supply	Special Education Grants
Receipts:							
Local sources	\$ 5,137,833	\$ 323,436	\$ -	\$ 830,585	\$ 668,765	\$ 8,822,651	\$ -
Intermediate sources	348	-	-	-	-	-	-
State sources	26,742,959	-	-	17,387	-	660	-
Federal sources	-	-	-	1,126,006	-	-	3,372,268
Bonds and loans	5,962,500	275,000	-	-	-	-	-
Sale of property, adjustments and refunds	195,960	46,466	1,301,748	130	-	44,000	-
Interfund loans	1,026,315	-	-	-	-	-	-
Total receipts	39,065,915	644,902	1,301,748	1,974,108	668,765	8,867,311	3,372,268
Disbursements:							
Current:							
Instruction	20,223,332	-	600,000	-	-	8,198,504	2,830,277
Support services	7,560,966	485,509	-	1,942,335	-	657,884	506,007
Community services	205,075	-	-	-	-	-	-
Nonprogrammed charges	3,879,163	-	-	-	-	-	44,000
Debt services	7,400,000	200,000	-	-	-	-	-
Interfund loans	-	-	-	-	140,315	-	-
Total disbursements	39,268,536	685,509	600,000	1,942,335	140,315	8,856,388	3,380,284
Excess (deficiency) of receipts over disbursements	(202,621)	(40,607)	701,748	31,773	528,450	10,923	(8,016)
Other financing sources (uses):							
Transfers in	-	1,747	-	-	-	114,176	-
Transfers out	(152,751)	-	-	-	-	-	-
Total other financing sources (uses)	(152,751)	1,747	-	-	-	114,176	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(355,372)	(38,860)	701,748	31,773	528,450	125,099	(8,016)
Cash and investments - beginning	2,300,433	42,621	811,692	165,100	140,315	113,177	265,753
Cash and investments - ending	<u>\$ 1,945,061</u>	<u>\$ 3,761</u>	<u>\$ 1,513,440</u>	<u>\$ 196,873</u>	<u>\$ 668,765</u>	<u>\$ 238,276</u>	<u>\$ 257,737</u>

Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets -

Cash and Investment Basis are different because:

Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.

Net assets of governmental activities

Cash and Investment Assets - Ending

Cash and investments	\$ 1,945,061	\$ 3,761	\$ 1,513,440	\$ 196,873	\$ 668,765	\$ 238,276	\$ 257,737
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 1,945,061</u>	<u>\$ 3,761</u>	<u>\$ 1,513,440</u>	<u>\$ 196,873</u>	<u>\$ 668,765</u>	<u>\$ 238,276</u>	<u>\$ 257,737</u>

Cash and Investment Fund Balance - Ending

Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	1,945,061	3,761	1,513,440	196,873	668,765	238,276	257,737
Total cash and investment fund balance - ending	<u>\$ 1,945,061</u>	<u>\$ 3,761</u>	<u>\$ 1,513,440</u>	<u>\$ 196,873</u>	<u>\$ 668,765</u>	<u>\$ 238,276</u>	<u>\$ 257,737</u>

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

SCHOOL CITY OF MISHAWAKA
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
(Continued)

	Debt Service	Capital Projects	School Bus Replacement	Baker Park Construction	Other	Totals
Receipts:						
Local sources	\$ 4,719,607	\$ 2,308,718	\$ 53,881	\$ -	\$ 2,692,999	\$ 25,558,475
Intermediate sources	-	-	-	-	3,488	3,836
State sources	-	-	-	-	505,489	27,266,495
Federal sources	-	-	-	-	1,657,288	6,155,562
Bonds and loans	800,000	1,300,000	-	-	2,001,056	10,338,556
Sale of property, adjustments and refunds	173	21,801	-	-	30,410	1,640,688
Interfund loans	-	-	-	-	372,781	1,399,096
Total receipts	5,519,780	3,630,519	53,881	-	7,263,511	72,362,708
Disbursements:						
Current:						
Instruction	-	-	-	-	3,557,273	35,409,386
Support services	-	3,256,366	35,237	20,450	3,875,943	18,340,697
Community services	-	-	-	-	7,473	212,548
Nonprogrammed charges	-	-	-	-	1,607,638	5,530,801
Debt services	5,650,422	750,000	50,000	-	-	14,050,422
Interfund loans	-	-	-	-	1,258,781	1,399,096
Total disbursements	5,650,422	4,006,366	85,237	20,450	10,307,108	74,942,950
Excess (deficiency) of receipts over disbursements	(130,642)	(375,847)	(31,356)	(20,450)	(3,043,597)	(2,580,242)
Other financing sources (uses):						
Transfers in	-	-	-	-	73,235	189,158
Transfers out	-	-	-	-	(36,407)	(189,158)
Total other financing sources (uses)	-	-	-	-	36,828	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(130,642)	(375,847)	(31,356)	(20,450)	(3,006,769)	(2,580,242)
Cash and investments - beginning	257,832	469,979	39,873	32,627	(405,381)	4,234,021
Cash and investments - ending	<u>\$ 127,190</u>	<u>\$ 94,132</u>	<u>\$ 8,517</u>	<u>\$ 12,177</u>	<u>\$ (3,412,150)</u>	1,653,779
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:						
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.						
						1,096,494
Net assets of governmental activities						<u>\$ 2,750,273</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 94,132	\$ 8,517	\$ 12,177	\$ (3,412,150)	\$ 1,526,589
Restricted assets:						
Cash and investments	127,190	-	-	-	-	127,190
Total cash and investment assets - ending	\$ 127,190	\$ 94,132	\$ 8,517	\$ 12,177	\$ (3,412,150)	\$ 1,653,779
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ 127,190	\$ -	\$ -	\$ -	\$ -	\$ 127,190
Unrestricted	-	94,132	8,517	12,177	(3,412,150)	1,526,589
Total cash and investment fund balance - ending	\$ 127,190	\$ 94,132	\$ 8,517	\$ 12,177	\$ (3,412,150)	\$ 1,653,779

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

SCHOOL CITY OF MISHAWAKA
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	Rainy Day	School Lunch	Levy Excess	Joint Services and Supply	Special Education Grants
Receipts:							
Local sources	\$ 6,295,002	\$ 436,270	\$ -	\$ 805,189	\$ -	\$ 8,663,237	\$ -
Intermediate sources	96	-	-	-	-	-	-
State sources	26,464,153	-	-	17,449	-	-	-
Federal sources	-	-	-	1,181,804	-	-	3,104,895
Bonds and loans	13,435,950	350,000	-	-	-	-	-
Sale of property, adjustments and refunds	410,847	97,156	-	-	-	-	-
Total receipts	46,606,048	883,426	-	2,004,442	-	8,663,237	3,104,895
Disbursements:							
Current:							
Instruction	20,026,728	-	500,000	-	-	8,138,133	2,588,951
Support services	8,629,624	611,672	-	2,101,094	-	689,411	516,413
Community services	197,736	-	-	-	-	-	-
Nonprogrammed charges	4,283,283	-	-	-	-	-	-
Debt services	12,464,450	275,000	-	-	-	-	-
Total disbursements	45,601,821	886,672	500,000	2,101,094	-	8,827,544	3,105,364
Excess (deficiency) of receipts over disbursements	1,004,227	(3,246)	(500,000)	(96,652)	-	(164,307)	(469)
Other financing sources (uses):							
Transfers in	-	1,747	-	-	-	114,176	-
Transfers out	(163,609)	-	-	-	-	-	-
Total other financing sources (uses)	(163,609)	1,747	-	-	-	114,176	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	840,618	(1,499)	(500,000)	(96,652)	-	(50,131)	(469)
Cash and investments - beginning	1,945,061	3,761	1,513,440	196,873	668,765	238,276	257,737
Cash and investments - ending	\$ 2,785,679	\$ 2,262	\$ 1,013,440	\$ 100,221	\$ 668,765	\$ 188,145	\$ 257,268
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:							
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.							
Net assets of governmental activities							
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 2,785,679	\$ 2,262	\$ 1,013,440	\$ 100,221	\$ 668,765	\$ 188,145	\$ 257,268
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 2,785,679	\$ 2,262	\$ 1,013,440	\$ 100,221	\$ 668,765	\$ 188,145	\$ 257,268
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	2,785,679	2,262	1,013,440	100,221	668,765	188,145	257,268
Total cash and investment fund balance - ending	\$ 2,785,679	\$ 2,262	\$ 1,013,440	\$ 100,221	\$ 668,765	\$ 188,145	\$ 257,268

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

SCHOOL CITY OF MISHAWAKA
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
(Continued)

	Debt Service	Capital Projects	School Bus Replacement	Baker Park Construction	Other	Totals
Receipts:						
Local sources	\$ 6,585,008	\$ 3,187,892	\$ 69,536	\$ 1,970,100	\$ 2,252,439	\$ 30,264,673
Intermediate sources	-	-	-	-	1,574	1,670
State sources	-	-	-	-	602,891	27,084,493
Federal sources	-	-	-	-	1,880,259	6,166,958
Bonds and loans	-	1,100,000	-	-	3,743,731	18,629,681
Sale of property, adjustments and refunds	-	30,295	-	-	6,851	545,149
Total receipts	<u>6,585,008</u>	<u>4,318,187</u>	<u>69,536</u>	<u>1,970,100</u>	<u>8,487,745</u>	<u>82,692,624</u>
Disbursements:						
Current:						
Instruction	-	-	-	-	3,640,960	34,894,772
Support services	-	3,101,147	36,746	-	4,907,026	20,593,133
Community services	-	-	-	-	20,305	218,041
Nonprogrammed charges	-	-	-	-	315,673	4,598,956
Debt services	4,875,411	1,300,000	-	-	12,500	18,927,361
Total disbursements	<u>4,875,411</u>	<u>4,401,147</u>	<u>36,746</u>	<u>-</u>	<u>8,896,464</u>	<u>79,232,263</u>
Excess (deficiency) of receipts over disbursements	<u>1,709,597</u>	<u>(82,960)</u>	<u>32,790</u>	<u>1,970,100</u>	<u>(408,719)</u>	<u>3,460,361</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	210,538	326,461
Transfers out	(76,100)	-	-	-	(86,752)	(326,461)
Total other financing sources (uses)	<u>(76,100)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>123,786</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,633,497	(82,960)	32,790	1,970,100	(284,933)	3,460,361
Cash and investments - beginning	<u>127,190</u>	<u>94,132</u>	<u>8,517</u>	<u>12,177</u>	<u>(3,412,150)</u>	<u>1,653,779</u>
Cash and investments - ending	<u>\$ 1,760,687</u>	<u>\$ 11,172</u>	<u>\$ 41,307</u>	<u>\$ 1,982,277</u>	<u>\$ (3,697,083)</u>	<u>5,114,140</u>
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:						
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.						
						<u>615,047</u>
Net assets of governmental activities						<u>\$ 5,729,187</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 11,172	\$ 41,307	\$ 1,982,277	\$ (3,697,083)	\$ 3,353,453
Restricted assets:						
Cash and investments	<u>1,760,687</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,760,687</u>
Total cash and investment assets - ending	<u>\$ 1,760,687</u>	<u>\$ 11,172</u>	<u>\$ 41,307</u>	<u>\$ 1,982,277</u>	<u>\$ (3,697,083)</u>	<u>\$ 5,114,140</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ 1,760,687	\$ -	\$ -	\$ -	\$ -	\$ 1,760,687
Unrestricted	<u>-</u>	<u>11,172</u>	<u>41,307</u>	<u>1,982,277</u>	<u>(3,697,083)</u>	<u>3,353,453</u>
Total cash and investment fund balance - ending	<u>\$ 1,760,687</u>	<u>\$ 11,172</u>	<u>\$ 41,307</u>	<u>\$ 1,982,277</u>	<u>\$ (3,697,083)</u>	<u>\$ 5,114,140</u>

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

SCHOOL CITY OF MISHAWAKA
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2007

	Internal Service Fund <u>(Self-Insurance)</u>
Operating receipts:	
Charges for services	\$ 6,218,879
Operating disbursements:	
Insurance claims and expense	<u>5,914,852</u>
Excess of operating receipts over operating disbursements	304,027
Cash and investment fund balance - beginning	<u>792,467</u>
Cash and investment fund balance - ending	<u>\$ 1,096,494</u>
 <u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	\$ 511,431
Cash with fiscal agent	<u>585,063</u>
Total cash and investment assets - ending	<u>\$ 1,096,494</u>
 <u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	<u>\$ 1,096,494</u>

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

SCHOOL CITY OF MISHAWAKA
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2008

	Internal Service Fund <u>(Self-Insurance)</u>
Operating receipts:	
Charges for services	\$ 6,548,164
Operating disbursements:	
Insurance claims and expense	<u>7,029,611</u>
Excess of operating receipts over operating disbursements	(481,447)
Cash and investment fund balance - beginning	<u>1,096,494</u>
Cash and investment fund balance - ending	<u>\$ 615,047</u>
 <u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	\$ 610,262
Cash with fiscal agent	<u>4,785</u>
Total cash and investment assets - ending	<u>\$ 615,047</u>
 <u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	<u>\$ 615,047</u>

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

SCHOOL CITY OF MISHAWAKA
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2007

	<u>Private-Purpose Trust Funds</u>
Additions:	
Contributions:	
Other	\$ 96,402
Deductions:	
Administrative and general	<u>47,642</u>
Excess of total additions over total deductions	48,760
Cash and investment fund balance - beginning	<u>22,180</u>
Cash and investment fund balance - ending	<u><u>\$ 70,940</u></u>
Net assets:	
Cash and investments	<u>\$ 70,940</u>
Total net assets - cash and investment basis held in trust	<u><u>\$ 70,940</u></u>

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

SCHOOL CITY OF MISHAWAKA
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	<u>Private-Purpose Trust Funds</u>
Additions:	
Contributions:	
Other	\$ 16,539
Deductions:	
Administrative and general	<u>60,821</u>
Deficiency of total additions over total deductions	(44,282)
Cash and investment fund balance - beginning	<u>70,940</u>
Cash and investment fund balance - ending	<u>\$ 26,658</u>
Net assets:	
Cash and investments	<u>\$ 26,658</u>
Total net assets - cash and investment basis held in trust	<u>\$ 26,658</u>

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

SCHOOL CITY OF MISHAWAKA
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: School City of Mishawaka

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

Joint Ventures

The School Corporation is a participant with Penn-Harris-Madison School Corporation in a joint venture to operate Joint Service and Supply for Special Education (Joint Services) which was created to engage in the joint employment of personnel and joint purchase of supplies and equipment to provide programs and services for exceptional children with various disabilities. The School Corporation is obligated to pay Joint Services its proportion of the total joint service and supply expenditures. The Joint Services' continued existence depends on continued funding by the School Corporation. Complete financial statements for the Joint Services can be obtained from the Joint Services' Director, Pamela von Rahl, School City of Mishawaka's Administrative Center at 1402 South Main Street, Mishawaka, Indiana, 46544.

The School Corporation is a participant with John-Glenn School Corporation and Penn-Harris-Madison School Corporation in a joint venture to operate the Byrkit Avenue Alternative School (Byrkit) which was created to provide an alternative education program for students who have difficulty in traditional educational settings. The School Corporation is obligated by contract to remit annually an amount per student to supplement the Byrkit budget. Complete financial statements for the Byrkit can be obtained from its administrative office at Penn-Harris-Madison School Corporation, 55900 Bittersweet Road, Mishawaka, Indiana, 46545.

The School Corporation is a participant with eleven other school corporations of Elkhart and St. Joseph Counties in a joint venture to operate a Head Start Consortium (Consortium) which was created to develop, operate, participate and supervise a Head Start Program to serve the pre-school student populations of the participating corporations. The Consortium's continued existence depends on continued funding through a federal grant program. Participating school corporations are required to provide 'in-kind' services (transportation and classroom, gymnasium and playground space) to meet the grant requirements. No fees are assessed the School Corporation

SCHOOL CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

for the operation of this program. The School Corporation may be obligated for the debts of the Consortium should they not be covered by the grant. Complete financial statements for the Consortium can be obtained from its administrative office at South Bend Community School Corporation, 215 South St. Joseph Street, South Bend, IN 46601.

The School Corporation is a member with approximately 30 school corporations in a joint venture to operate North Central Energy Cooperative (NEC), which was created to procure natural gas in an economical and efficient manner. The School Corporation is obligated by contract to remit its actual natural gas expenses directly to the seller of the natural gas. There are no separate financial statements. Concord Community Schools is the administrative agent for the NEC.

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 non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School Corporation has not established any business-type activities.

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.

The rainy day fund accounts for unused and unencumbered funds that are transferred from a fund that has a tax levy and other sources authorized by the enabling ordinance.

The school lunch fund accounts for school lunch and breakfast program financial activity. Receipts include student and adult lunch and breakfast fees, federal and state reimbursements.

SCHOOL CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

The levy excess fund accounts for the portion of the property taxes received which exceeds the ad valorem property tax levy as certified by the Indiana Department of Local Government Finance.

The joint services and supply fund accounts for the operation of a joint venture created for special education programs. Financing is provided from the School Corporation's general fund and from another participating school corporation.

The special education grants fund accounts for federal grants which finance an education program for special needs children.

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 Baker Park construction fund accounts for proceeds of a general obligation bond issue to finance athletic field construction costs.

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for employee/retiree medical benefits financed by payroll deductions and employer share transferred from other funds.

The private-purpose trust funds report a trust arrangement under which principal and income benefit the students.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary 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.

SCHOOL CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. These changes do not affect the total amount of expenses, only the allocation of 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.

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. No property taxes were collected by the County Treasurer and available for distribution to the School Corporation on or prior to June 30, 2008 due to property tax assessment delays. The School Corporation would normally receive half of their 2008 tax distributions prior to June 30 which is an estimated \$7.5 million.

3. Capital Assets

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

4. Long-Term Debt

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

SCHOOL CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. 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.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

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.

SCHOOL CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. 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.

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 July 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:

SCHOOL CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund	2006	2007
Textbook Rental	\$ 1,072,514	\$ 1,113,489
Joint Services Preschool	183,159	308,202
Joint Services Campus Program	464,720	764,995
Tech Loans	605,087	542,637
A0558 Construction Loan	1,620,525	-
A0568 Construction Loan	-	1,438,305

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

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. At June 30, 2008, the School Corporation deposit balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

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

Transfer From	Transfer To	2006	2007
General Fund	Transportation Operating Fund	\$ 1,747	\$ 1,747
	Joint Services and Supply Fund	114,176	114,176
	Other governmental funds	36,828	47,686
Debt Service Fund	Other governmental funds	-	76,100
Other governmental funds	Other governmental funds	36,407	86,752
Totals		<u>\$ 189,158</u>	<u>\$ 326,461</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:

SCHOOL CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Fiscal Year 2006-2007</u>	<u>Beginning Balance</u>	<u>Issued/ Draws</u>	<u>Redeemed Repayments</u>	<u>Ending Balance</u>
General	\$ 8,400,000	\$ 5,962,500	\$ 8,400,000	\$ 5,962,500
Transportation Operating	-	275,000	-	275,000
Debt Service	-	800,000	-	800,000
Capital Projects	-	1,300,000	-	1,300,000
Other Governmental	-	12,500	-	12,500
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 8,400,000</u>	<u>\$ 8,350,000</u>	<u>\$ 8,400,000</u>	<u>\$ 8,350,000</u>
 <u>Fiscal Year 2007-2008</u>				
General	\$ 5,962,500	\$ 13,435,950	\$ 5,962,500	\$ 13,435,950
Transportation Operating	275,000	350,000	275,000	350,000
Debt Service	800,000	-	800,000	-
Capital Projects	1,300,000	1,100,000	1,300,000	1,100,000
Other Governmental	12,500	16,000	12,500	16,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 8,350,000</u>	<u>\$ 14,901,950</u>	<u>\$ 8,350,000</u>	<u>\$ 14,901,950</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 employees, retirees, and dependents; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; 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 to Employees, Retirees, and Dependents

The School Corporation has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees, and dependents. The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$100,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund.

SCHOOL CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Holding Corporations

The School Corporation has entered into capital leases with the School City of Mishawaka Multi-School Building Corporation and with the Mishawaka 2001 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 has been determined to be related parties of the School Corporation. Lease payments during the years ended June 30, 2007 and June 30, 2008, totaled \$4,986,207 and \$3,076,486, respectively.

C. Subsequent Events

During the subsequent period, the School Corporation Board minutes show several instances of short and long-term borrowings:

August 26, 2008 – approved application for Common School Fund loan advance, \$950,000

October 1, 2008 – approved Treasurer borrowing \$1,250,000 from local bank

October 14, 2008 – approved general fund temporary loan, \$1,600,000

October 28, 2008 – approved Common School Fund loan advances \$489,469, \$496,100, and \$1,000,000

November 25, 2008 – approved general, transportation, debt service and capital projects funds borrowing \$10,000,000

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. 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 for the obligations.

D. Termination Benefits

The School Corporation offers severance pay to employees with a minimum of 15 years of service and minimum age of 50, or 10 years of service and age 60. The severance pay is calculated based on years of service and unused sick leave. For example, certified staff (teachers) are paid \$200 for each year of service and \$30 for up to 250 unused sick days. During the years ended June 30, 2007 and 2008, the School Corporation paid \$97,645 and \$169,516 to 13 and 26 retirees, respectively.

E. Other Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health and life insurance benefits, as authorized by IC 5-10-8, to certain employees who retire from the School Corporation on or after attaining age 55 with at least 15 years of service. Currently, 82 retirees meet these eligibility requirements. The School Corporation provides \$2,300 towards these postemployment benefits for each retiree. For 2008, these retirees received \$147,746 from the School Corporation to reduce their estimated health insurance premium. This benefit amounted to approximately 37% of the total health insurance premiums, \$400,908. Retirees paid the balance. Disbursements for those retiree health benefits, which are paid from the School Corporation's self insurance fund, are recognized on a pay-as-you-go basis. Disbursements for these health benefit costs cannot be reasonably estimated.

SCHOOL CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Pension Plans

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

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.

Actuarial Information for the Above Plan

Annual required contribution	\$ 566,424
Interest on net pension obligation	(53,647)
Adjustment to annual required contribution	<u>61,135</u>
Annual pension cost	573,912
Contributions made	<u>520,514</u>
Increase in net pension obligation	53,398
Net pension obligation, beginning of year	<u>(739,957)</u>
Net pension obligation, end of year	<u><u>\$ (686,559)</u></u>

SCHOOL CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Contribution rates:	
School Corporation	6.13%
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

Actuarial Assumptions

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%

*2.75% converted members; 4% nonconverted members

Three Year Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06-30-05	\$ 389,384	123%	\$ (771,170)
06-30-06	496,572	94%	(739,957)
06-30-07	573,912	91%	(686,559)

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.

SCHOOL CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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 \$870,211, \$811,856, and \$751,620, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years, respectively.

SCHOOL CITY OF MISHAWAKA
 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	\$ 5,459,684	\$ 6,216,720	\$ (757,036)	88%	\$ 8,019,986	(9%)
07-01-06	5,671,535	6,290,008	(618,473)	90%	7,833,867	(8%)
07-01-07	6,261,935	6,976,089	(714,154)	90%	7,883,213	(9%)

SCHOOL CITY OF MISHAWAKA
 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

	Preschool	Textbook Rental	Joint Services Summer School	Joint Services Preschool	Joint Services In Service Clearing	Joint Services Campus Program	Historical Society
Receipts:							
Local sources	\$ 14,695	\$ 256,549	\$ -	\$ 1,037,345	\$ -	\$ 1,167,899	\$ 22,392
Intermediate sources	-	-	-	-	-	-	-
State sources	287,860	117,550	-	594	-	-	-
Federal sources	-	-	-	-	-	-	-
Bonds and loans	8,500	-	-	-	-	-	4,000
Sale of property, adjustments and refunds	-	-	950	325	-	1,973	3,000
Interfund loans	-	320,054	-	52,504	-	-	-
Total receipts	311,055	694,153	950	1,090,768	-	1,169,872	29,392
Disbursements:							
Current:							
Instruction	-	-	-	1,052,984	-	1,167,855	10,893
Support services	-	717,254	-	-	-	236,973	19,365
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	349,250	-	-	-	-	-	-
Interfund loans	-	1,120,054	-	52,504	-	-	-
Total disbursements	349,250	1,837,308	-	1,105,488	-	1,404,828	30,258
Excess (deficiency) of receipts over disbursements	(38,195)	(1,143,155)	950	(14,720)	-	(234,956)	(866)
Other financing sources (uses)							
Transfers in	-	-	-	8,044	-	27,735	1,049
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	8,044	-	27,735	1,049
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(38,195)	(1,143,155)	950	(6,676)	-	(207,221)	183
Cash and investments - beginning	38,357	70,641	515	(176,483)	10,222	(257,499)	318
Cash and investments - ending	\$ 162	\$ (1,072,514)	\$ 1,465	\$ (183,159)	\$ 10,222	\$ (464,720)	\$ 501
Cash and Investment Assets - Ending							
Cash and investments	\$ 162	\$ (1,072,514)	\$ 1,465	\$ (183,159)	\$ 10,222	\$ (464,720)	\$ 501
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 162	\$ (1,072,514)	\$ 1,465	\$ (183,159)	\$ 10,222	\$ (464,720)	\$ 501

SCHOOL CITY OF MISHAWAKA
 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)

	Education License Plate Fees	Alternative Education	Safe Haven	Reading Recovery	Isaip North Side	Gifted and Talented	Tech Loans
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ 838	\$ -	\$ -	\$ 40,000
Intermediate sources	3,488	-	-	-	-	-	-
State sources	-	18,485	11,287	7,000	-	31,555	-
Federal sources	-	-	-	-	-	-	-
Bonds and loans	-	-	-	-	-	-	1,113,281
Sale of property, adjustments and refunds	-	-	429	2,962	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total receipts	3,488	18,485	11,716	10,800	-	31,555	1,153,281
Disbursements:							
Current:							
Instruction	-	2,138	11,715	59	-	30,938	-
Support services	2,025	-	-	37,782	-	-	800,151
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	373,113
Interfund loans	-	-	-	-	-	-	-
Total disbursements	2,025	2,138	11,715	37,841	-	30,938	1,173,264
Excess (deficiency) of receipts over disbursements	1,463	16,347	1	(27,041)	-	617	(19,983)
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	1,463	16,347	1	(27,041)	-	617	(19,983)
Cash and investments - beginning	1,613	(14,672)	-	28,677	41	195	(585,104)
Cash and investments - ending	<u>\$ 3,076</u>	<u>\$ 1,675</u>	<u>\$ 1</u>	<u>\$ 1,636</u>	<u>\$ 41</u>	<u>\$ 812</u>	<u>\$ (605,087)</u>
Cash and Investment Assets - Ending							
Cash and investments	<u>\$ 3,076</u>	<u>\$ 1,675</u>	<u>\$ 1</u>	<u>\$ 1,636</u>	<u>\$ 41</u>	<u>\$ 812</u>	<u>\$ (605,087)</u>
Cash and Investment Fund Balance - Ending							
Unrestricted	<u>\$ 3,076</u>	<u>\$ 1,675</u>	<u>\$ 1</u>	<u>\$ 1,636</u>	<u>\$ 41</u>	<u>\$ 812</u>	<u>\$ (605,087)</u>

SCHOOL CITY OF MISHAWAKA
 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)

	YMCA Childcare	State Medicaid	Non-English Speaking	Buddy System	Technology Plan Grant	Title I 06-07
Receipts:						
Local sources	\$ -	\$ -	\$ 113	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	16,888	1,270	-	-	-
Federal sources	-	-	-	-	-	1,074,191
Bonds and loans	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total receipts	-	16,888	1,383	-	-	1,074,191
Disbursements:						
Current:						
Instruction	-	-	-	-	-	1,023,718
Support services	-	-	693	-	31,812	155,221
Community services	-	-	-	-	-	3,423
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	-	-	693	-	31,812	1,182,362
Excess (deficiency) of receipts over disbursements	-	16,888	690	-	(31,812)	(108,171)
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	-	16,888	690	-	(31,812)	(108,171)
Cash and investments - beginning	5,391	-	1,055	177	31,812	194,888
Cash and investments - ending	<u>\$ 5,391</u>	<u>\$ 16,888</u>	<u>\$ 1,745</u>	<u>\$ 177</u>	<u>\$ -</u>	<u>\$ 86,717</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 5,391</u>	<u>\$ 16,888</u>	<u>\$ 1,745</u>	<u>\$ 177</u>	<u>\$ -</u>	<u>\$ 86,717</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 5,391</u>	<u>\$ 16,888</u>	<u>\$ 1,745</u>	<u>\$ 177</u>	<u>\$ -</u>	<u>\$ 86,717</u>

SCHOOL CITY OF MISHAWAKA
 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)

	Title V Innovative Programs	Special Education Carry Over	Special Education Preschool	Safe and Drug Free	Medicaid Federal	Tech Prep
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	22,089	-	136,335	32,830	30,642	-
Bonds and loans	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total receipts	22,089	-	136,335	32,830	30,642	-
Disbursements:						
Current:						
Instruction	-	5,946	117,976	-	-	-
Support services	57,611	-	-	12,434	3,346	-
Community services	-	-	-	4,050	-	-
Nonprogrammed charges	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	57,611	5,946	117,976	16,484	3,346	-
Excess (deficiency) of receipts over disbursements	(35,522)	(5,946)	18,359	16,346	27,296	-
Other financing sources (uses)						
Transfers in	36,407	-	-	-	-	-
Transfers out	-	-	-	(16,415)	-	-
Total other financing sources (uses)	36,407	-	-	(16,415)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	885	(5,946)	18,359	(69)	27,296	-
Cash and investments - beginning	9,936	5,945	(18,359)	9,727	-	11
Cash and investments - ending	<u>\$ 10,821</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ 9,658</u>	<u>\$ 27,296</u>	<u>\$ 11</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ 10,821</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ 9,658</u>	<u>\$ 27,296</u>	<u>\$ 11</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ 10,821</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ 9,658</u>	<u>\$ 27,296</u>	<u>\$ 11</u>

SCHOOL CITY OF MISHAWAKA
 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)

	Improving Teacher Quality	Competitive Tech Grant	Title III LMMP	Part B Math/Science	Hurricane Katrina Rita	Work Study Program
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,003
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	13,000	-
Federal sources	258,339	-	23,402	79,460	-	-
Bonds and loans	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total receipts	258,339	-	23,402	79,460	13,000	3,003
Disbursements:						
Current:						
Instruction	120,242	10,923	-	1,886	-	-
Support services	76,970	16,432	23,556	89,182	-	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	10,000	-
Interfund loans	-	-	-	-	-	-
Total disbursements	197,212	27,355	23,556	91,068	10,000	-
Excess (deficiency) of receipts over disbursements	61,127	(27,355)	(154)	(11,608)	3,000	3,003
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	(19,992)	-	-	-	-
Total other financing sources (uses)	-	(19,992)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	61,127	(47,347)	(154)	(11,608)	3,000	3,003
Cash and investments - beginning	(4,435)	50,544	154	159,864	17,000	-
Cash and investments - ending	<u>\$ 56,692</u>	<u>\$ 3,197</u>	<u>\$ -</u>	<u>\$ 148,256</u>	<u>\$ 20,000</u>	<u>\$ 3,003</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 56,692</u>	<u>\$ 3,197</u>	<u>\$ -</u>	<u>\$ 148,256</u>	<u>\$ 20,000</u>	<u>\$ 3,003</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 56,692</u>	<u>\$ 3,197</u>	<u>\$ -</u>	<u>\$ 148,256</u>	<u>\$ 20,000</u>	<u>\$ 3,003</u>

SCHOOL CITY OF MISHAWAKA
 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)

	LaSalle CBF	2004 Multischool	Service Building	A0558 Construction Loan	Repair and Replacement	Totals
Receipts:						
Local sources	\$ -	\$ 66,585	\$ 83,580	\$ -	\$ -	\$ 2,692,999
Intermediate sources	-	-	-	-	-	3,488
State sources	-	-	-	-	-	505,489
Federal sources	-	-	-	-	-	1,657,288
Bonds and loans	-	-	-	875,275	-	2,001,056
Sale of property, adjustments and refunds	-	-	-	20,771	-	30,410
Interfund loans	-	223	-	-	-	372,781
Total receipts	-	66,808	83,580	896,046	-	7,263,511
Disbursements:						
Current:						
Instruction	-	-	-	-	-	3,557,273
Support services	-	384	-	1,594,752	-	3,875,943
Community services	-	-	-	-	-	7,473
Nonprogrammed charges	-	-	-	875,275	-	1,607,638
Interfund loans	-	36,223	-	50,000	-	1,258,781
Total disbursements	-	36,607	-	2,520,027	-	10,307,108
Excess (deficiency) of receipts over disbursements	-	30,201	83,580	(1,623,981)	-	(3,043,597)
Other financing sources (uses)						
Transfers in	-	-	-	-	-	73,235
Transfers out	-	-	-	-	-	(36,407)
Total other financing sources (uses)	-	-	-	-	-	36,828
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	30,201	83,580	(1,623,981)	-	(3,006,769)
Cash and investments - beginning	1,734	161	-	3,456	8,737	(405,381)
Cash and investments - ending	\$ 1,734	\$ 30,362	\$ 83,580	\$ (1,620,525)	\$ 8,737	\$ (3,412,150)
Cash and Investment Assets - Ending						
Cash and investments	\$ 1,734	\$ 30,362	\$ 83,580	\$ (1,620,525)	\$ 8,737	\$ (3,412,150)
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 1,734	\$ 30,362	\$ 83,580	\$ (1,620,525)	\$ 8,737	\$ (3,412,150)

SCHOOL CITY OF MISHAWAKA
 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

	Preschool	Textbook Rental	Joint Services Summer School	Joint Services Preschool	Joint Services In Service Clearing	Joint Services Campus Program
Receipts:						
Local sources	\$ 18,098	\$ 273,868	\$ -	\$ 928,711	\$ -	\$ 984,150
Intermediate sources	-	-	-	-	-	-
State sources	275,670	219,740	-	-	-	-
Federal sources	-	-	-	-	-	-
Bonds and loans	11,000	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	650	239	-	3,964
Total receipts	<u>304,768</u>	<u>493,608</u>	<u>650</u>	<u>928,950</u>	<u>-</u>	<u>988,114</u>
Disbursements:						
Current:						
Instruction	-	-	-	1,062,037	-	1,043,362
Support services	90	610,683	-	-	-	272,762
Community services	-	-	-	-	-	-
Nonprogrammed charges	295,673	-	-	-	-	-
Debt services	8,500	-	-	-	-	-
Total disbursements	<u>304,263</u>	<u>610,683</u>	<u>-</u>	<u>1,062,037</u>	<u>-</u>	<u>1,316,124</u>
Excess (deficiency) of receipts over disbursements	<u>505</u>	<u>(117,075)</u>	<u>650</u>	<u>(133,087)</u>	<u>-</u>	<u>(328,010)</u>
Other financing sources (uses):						
Transfers in	-	76,100	-	8,044	-	27,735
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>76,100</u>	<u>-</u>	<u>8,044</u>	<u>-</u>	<u>27,735</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>505</u>	<u>(40,975)</u>	<u>650</u>	<u>(125,043)</u>	<u>-</u>	<u>(300,275)</u>
Cash and investments - beginning	<u>162</u>	<u>(1,072,514)</u>	<u>1,465</u>	<u>(183,159)</u>	<u>10,222</u>	<u>(464,720)</u>
Cash and investments - ending	<u>\$ 667</u>	<u>\$ (1,113,489)</u>	<u>\$ 2,115</u>	<u>\$ (308,202)</u>	<u>\$ 10,222</u>	<u>\$ (764,995)</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ 667</u>	<u>\$ (1,113,489)</u>	<u>\$ 2,115</u>	<u>\$ (308,202)</u>	<u>\$ 10,222</u>	<u>\$ (764,995)</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	<u>\$ 667</u>	<u>\$ (1,113,489)</u>	<u>\$ 2,115</u>	<u>\$ (308,202)</u>	<u>\$ 10,222</u>	<u>\$ (764,995)</u>

SCHOOL CITY OF MISHAWAKA
 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)

	Historical Society	Education License Plate Fees	Alternative Education	Safe Haven	Reading Recovery	Isaip North Side
Receipts:						
Local sources	\$ 46,110	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	1,574	-	-	-	-
State sources	-	-	10,458	-	8,500	-
Federal sources	-	-	-	-	-	-
Bonds and loans	5,000	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	1,700	-
Total receipts	51,110	1,574	10,458	-	10,200	-
Disbursements:						
Current:						
Instruction	6,071	-	20,094	19,029	-	-
Support services	42,504	4,463	-	-	6,830	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	4,000	-	-	-	-	-
Total disbursements	52,575	4,463	20,094	19,029	6,830	-
Excess (deficiency) of receipts over disbursements	(1,465)	(2,889)	(9,636)	(19,029)	3,370	-
Other financing sources (uses):						
Transfers in	1,049	-	-	10,858	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	1,049	-	-	10,858	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(416)	(2,889)	(9,636)	(8,171)	3,370	-
Cash and investments - beginning	501	3,076	1,675	1	1,636	41
Cash and investments - ending	\$ 85	\$ 187	\$ (7,961)	\$ (8,170)	\$ 5,006	\$ 41
Cash and Investment Assets - Ending						
Cash and investments	\$ 85	\$ 187	\$ (7,961)	\$ (8,170)	\$ 5,006	\$ 41
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ 85	\$ 187	\$ (7,961)	\$ (8,170)	\$ 5,006	\$ 41

SCHOOL CITY OF MISHAWAKA
 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)

	Gifted and Talented	Tech Loans	YMCA Childcare	State Medicaid	Non-English Speaking	Buddy System
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	50,497	-	-	23,753	14,273	-
Federal sources	-	-	-	-	-	-
Bonds and loans	-	496,100	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	50,497	496,100	-	23,753	14,273	-
Disbursements:						
Current:						
Instruction	19,693	-	-	-	-	-
Support services	-	433,650	-	-	7,610	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	19,693	433,650	-	-	7,610	-
Excess (deficiency) of receipts over disbursements	30,804	62,450	-	23,753	6,663	-
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	30,804	62,450	-	23,753	6,663	-
Cash and investments - beginning	812	(605,087)	5,391	16,888	1,745	177
Cash and investments - ending	\$ 31,616	\$ (542,637)	\$ 5,391	\$ 40,641	\$ 8,408	\$ 177
Cash and Investment Assets - Ending						
Cash and investments	\$ 31,616	\$ (542,637)	\$ 5,391	\$ 40,641	\$ 8,408	\$ 177
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ 31,616	\$ (542,637)	\$ 5,391	\$ 40,641	\$ 8,408	\$ 177

SCHOOL CITY OF MISHAWAKA
 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 I 06-07	Title I 07-08	Title I 07-08 School Improvement	Title V Innovative Programs	Special Education Carry Over	Special Education Preschool
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	1,372,323	28,478	10,801	-	138,433
Bonds and loans	-	-	-	-	-	-
Sale of property, adjustments and refunds	35	-	-	-	1	-
Total receipts	35	1,372,323	28,478	10,801	1	138,433
Disbursements:						
Current:						
Instruction	-	1,081,925	22,064	-	-	140,818
Support services	-	267,285	1,106	17,851	-	-
Community services	-	17,355	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	-	1,366,565	23,170	17,851	-	140,818
Excess (deficiency) of receipts over disbursements	35	5,758	5,308	(7,050)	1	(2,385)
Other financing sources (uses):						
Transfers in	-	86,752	-	-	-	-
Transfers out	(86,752)	-	-	-	-	-
Total other financing sources (uses)	(86,752)	86,752	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(86,717)	92,510	5,308	(7,050)	1	(2,385)
Cash and investments - beginning	86,717	-	-	10,821	(1)	-
Cash and investments - ending	\$ -	\$ 92,510	\$ 5,308	\$ 3,771	\$ -	\$ (2,385)
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 92,510	\$ 5,308	\$ 3,771	\$ -	\$ (2,385)
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ 92,510	\$ 5,308	\$ 3,771	\$ -	\$ (2,385)

SCHOOL CITY OF MISHAWAKA
 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)

	Safe and Drug Free	Medicaid Federal	Tech Prep	Improving Teacher Quality	Competitive Tech Grant	Title III LMMP
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	25,476	42,077	-	204,386	-	10,855
Bonds and loans	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	25,476	42,077	-	204,386	-	10,855
Disbursements:						
Current:						
Instruction	-	-	-	170,699	-	-
Support services	16,821	-	-	34,326	3,197	-
Community services	2,950	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	19,771	-	-	205,025	3,197	-
Excess (deficiency) of receipts over disbursements	5,705	42,077	-	(639)	(3,197)	10,855
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	5,705	42,077	-	(639)	(3,197)	10,855
Cash and investments - beginning	9,658	27,296	11	56,692	3,197	-
Cash and investments - ending	<u>\$ 15,363</u>	<u>\$ 69,373</u>	<u>\$ 11</u>	<u>\$ 56,053</u>	<u>\$ -</u>	<u>\$ 10,855</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 15,363</u>	<u>\$ 69,373</u>	<u>\$ 11</u>	<u>\$ 56,053</u>	<u>\$ -</u>	<u>\$ 10,855</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	<u>\$ 15,363</u>	<u>\$ 69,373</u>	<u>\$ 11</u>	<u>\$ 56,053</u>	<u>\$ -</u>	<u>\$ 10,855</u>

SCHOOL CITY OF MISHAWAKA
 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)

	Part B Math/Science	Hurricane Katrina Rita	Work Study Program	LaSalle CBF	2004 Multischool	Service Building
Receipts:						
Local sources	\$ -	\$ -	\$ 1,502	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	47,430	-	-	-	-	-
Bonds and loans	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	47,430	-	1,502	-	-	-
Disbursements:						
Current:						
Instruction	55,168	-	-	-	-	-
Support services	128,600	-	-	-	30,347	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	20,000	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	183,768	20,000	-	-	30,347	-
Excess (deficiency) of receipts over disbursements	(136,338)	(20,000)	1,502	-	(30,347)	-
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	(136,338)	(20,000)	1,502	-	(30,347)	-
Cash and investments - beginning	148,256	20,000	3,003	1,734	30,362	83,580
Cash and investments - ending	<u>\$ 11,918</u>	<u>\$ -</u>	<u>\$ 4,505</u>	<u>\$ 1,734</u>	<u>\$ 15</u>	<u>\$ 83,580</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 11,918</u>	<u>\$ -</u>	<u>\$ 4,505</u>	<u>\$ 1,734</u>	<u>\$ 15</u>	<u>\$ 83,580</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	<u>\$ 11,918</u>	<u>\$ -</u>	<u>\$ 4,505</u>	<u>\$ 1,734</u>	<u>\$ 15</u>	<u>\$ 83,580</u>

SCHOOL CITY OF MISHAWAKA
 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)

	A0558 Construction Loan	A0560 Construction Loan	A0568 Construction Loan	Repair and Replacement	Totals
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 2,252,439
Intermediate sources	-	-	-	-	1,574
State sources	-	-	-	-	602,891
Federal sources	-	-	-	-	1,880,259
Bonds and loans	1,650,000	1,000,000	581,631	-	3,743,731
Sale of property, adjustments and refunds	-	-	262	-	6,851
Total receipts	<u>1,650,000</u>	<u>1,000,000</u>	<u>581,893</u>	<u>-</u>	<u>8,487,745</u>
Disbursements:					
Current:					
Instruction	-	-	-	-	3,640,960
Support services	8,703	1,000,000	2,020,198	-	4,907,026
Community services	-	-	-	-	20,305
Nonprogrammed charges	-	-	-	-	315,673
Debt services	-	-	-	-	12,500
Total disbursements	<u>8,703</u>	<u>1,000,000</u>	<u>2,020,198</u>	<u>-</u>	<u>8,896,464</u>
Excess (deficiency) of receipts over disbursements	<u>1,641,297</u>	<u>-</u>	<u>(1,438,305)</u>	<u>-</u>	<u>(408,719)</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	210,538
Transfers out	-	-	-	-	(86,752)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>123,786</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>1,641,297</u>	<u>-</u>	<u>(1,438,305)</u>	<u>-</u>	<u>(284,933)</u>
Cash and investments - beginning	<u>(1,620,525)</u>	<u>-</u>	<u>-</u>	<u>8,737</u>	<u>(3,412,150)</u>
Cash and investments - ending	<u>\$ 20,772</u>	<u>\$ -</u>	<u>\$ (1,438,305)</u>	<u>\$ 8,737</u>	<u>\$ (3,697,083)</u>
Cash and Investment Assets - Ending					
Cash and investments	<u>\$ 20,772</u>	<u>\$ -</u>	<u>\$ (1,438,305)</u>	<u>\$ 8,737</u>	<u>\$ (3,697,083)</u>
Cash and Investment Fund Balance - Ending					
Restricted for:					
Debt service	<u>\$ 20,772</u>	<u>\$ -</u>	<u>\$ (1,438,305)</u>	<u>\$ 8,737</u>	<u>\$ (3,697,083)</u>

SCHOOL CITY OF MISHAWAKA
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007

	LaSalle Donation	Education Foundations	Robert Perkins Memorial	Friends of Project	Support Staff Recognition	Elementary Library Books	Early Literacy Clearing	General Donations	Totals
Additions:									
Contributions:									
Other	\$ -	\$ 89,533	\$ -	\$ -	\$ 6,042	\$ -	\$ -	\$ 827	\$ 96,402
Deductions:									
Administrative and general	-	41,563	-	-	6,079	-	-	-	47,642
Excess (deficiency) of total additions over total deductions	-	47,970	-	-	(37)	-	-	827	48,760
Cash and investment fund balance - beginning	390	5,151	321	863	97	2,035	12,038	1,285	22,180
Cash and investments - ending	<u>\$ 390</u>	<u>\$ 53,121</u>	<u>\$ 321</u>	<u>\$ 863</u>	<u>\$ 60</u>	<u>\$ 2,035</u>	<u>\$ 12,038</u>	<u>\$ 2,112</u>	<u>\$ 70,940</u>
Net assets:									
Cash and investments	<u>\$ 390</u>	<u>\$ 53,121</u>	<u>\$ 321</u>	<u>\$ 863</u>	<u>\$ 60</u>	<u>\$ 2,035</u>	<u>\$ 12,038</u>	<u>\$ 2,112</u>	<u>\$ 70,940</u>
Total net assets - cash and investment basis held in trust	<u>\$ 390</u>	<u>\$ 53,121</u>	<u>\$ 321</u>	<u>\$ 863</u>	<u>\$ 60</u>	<u>\$ 2,035</u>	<u>\$ 12,038</u>	<u>\$ 2,112</u>	<u>\$ 70,940</u>

SCHOOL CITY OF MISHAWAKA
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2008

	LaSalle Donation	Education Foundations	Robert Perkins Memorial	Friends of Project	Support Staff Recognition	Elementary Library Books	Early Literacy Clearing	General Donations	Totals
Additions:									
Contributions:									
Other	\$ -	\$ 10,134	\$ -	\$ -	\$ 6,405	\$ -	\$ -	\$ -	\$ 16,539
Deductions:									
Administrative and general	-	54,228	-	-	6,593	-	-	-	60,821
Deficiency of total additions over total deductions	-	(44,094)	-	-	(188)	-	-	-	(44,282)
Cash and investment fund balance - beginning	390	53,121	321	863	60	2,035	12,038	2,112	70,940
Cash and investments - ending	<u>\$ 390</u>	<u>\$ 9,027</u>	<u>\$ 321</u>	<u>\$ 863</u>	<u>\$ (128)</u>	<u>\$ 2,035</u>	<u>\$ 12,038</u>	<u>\$ 2,112</u>	<u>\$ 26,658</u>
Net assets:									
Cash and investments	\$ 390	\$ 9,027	\$ 321	\$ 863	\$ (128)	\$ 2,035	\$ 12,038	\$ 2,112	\$ 26,658
Total net assets - cash and investment basis held in trust	<u>\$ 390</u>	<u>\$ 9,027</u>	<u>\$ 321</u>	<u>\$ 863</u>	<u>\$ (128)</u>	<u>\$ 2,035</u>	<u>\$ 12,038</u>	<u>\$ 2,112</u>	<u>\$ 26,658</u>

SCHOOL CITY OF MISHAWAKA
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

As of 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	\$ 628,457
Buildings	104,988,685
Improvements other than buildings	5,547,388
Machinery and equipment	<u>9,814,876</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 120,979,406</u>

SCHOOL CITY OF MISHAWAKA
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2008

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
John Young Middle School Expansion and North Side Elementary School	\$ 26,480,000	\$ 3,635,000
Emmons Elementary School Renovations and Outdoor Facilities	13,250,000	582,419
Beiger Elementary School	15,735,000	2,099,500
Tractors	4,822	4,956
Floor Scrubber	6,710	2,679
Textbooks	555,120	294,310
Notes and loans payable:		
Common School Loan A1156 - Technology	245,300	165,577
Common School Loan A0558 - Construction	1,650,000	256,744
Common School Loan A1213 - Technology	496,100	105,992
Common School Loan A0560 - Construction	1,000,000	100,687
Common School Loan A0568 - Construction (Advance)	581,631	-
Common School Loan A1136 - Technology	62,392	62,704
Common School Loan A1007 - Technology	75,000	50,625
Common School Loan A1097 - Technology	125,000	51,125
Common School Loan A1103 - Technology	125,000	51,125
Common School Loan A0524 - Construction	693,750	64,875
Floor Scrubbers	14,827	5,280
Automobile	8,606	7,704
School Bus	62,304	30,000
Tractors	21,415	12,000
Bonds payable:		
General obligation bonds:		
Athletic Fields	1,990,000	-
Total long term debt	<u>\$ 63,182,977</u>	<u>\$ 7,583,302</u>

SCHOOL CITY OF MISHAWAKA
AUDIT RESULTS AND COMMENTS

CASH NECESSARY TO BALANCE, BANK RECONCILIATIONS

A comparison of the records to the payroll bank accounts indicated a cash necessary to balance of \$1,900.51 at June 30, 2008. The cash necessary to balance at July 31, 2008, is \$2,848.58, which is the most current completed monthly reconciliation as of January 5, 2009. A similar comment was included in the prior Report B29110.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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

OVERDRAWN CASH BALANCES

The cash balance of the following funds were significantly overdrawn for the years ended June 30, 2007 and 2008:

<u>Fund</u>	<u>2006</u>	<u>2007</u>
Textbook Rental	\$1,072,514	\$1,113,489
Joint Services Preschool	183,159	308,202
Joint Services Campus Program	464,720	764,995
Tech Loans	605,087	542,637
A0558 Construction Loan	1,620,525	-
A0568 Construction Loan	-	1,438,305

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

TIMELY RECORDKEEPING

We noted instances where transfers were made from one fund on June 30, 2008, but not posted as a receipt in the receiving funds until July 18, 2008. These transfers totaled \$484,743 and were made from the general fund to two other funds. School officials approved audit adjustments to recognize the transfer receipt in the receiving funds as of June 30, 2008.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

SCHOOL CITY OF MISHAWAKA
AUDIT RESULTS AND COMMENTS
(Continued)

ERRORS ON ACCOUNTS PAYABLE VOUCHERS

During our test of accounts payable vouchers, we found that some claims or invoices did not have evidence to support receipt of goods or services.

IC 5-11-10-1.6 states in part:

"(b) As used in this section, "claim" means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

COMMON SCHOOL LOANS

The School Corporation petitioned for and received an advancement from the common school fund in 2006 for \$1,650,000. The petition showed that the funds would be used for construction related expenditures. \$140,000 of the funds received were transferred to the debt service fund on December 29, 2006, to pay part of a building lease rental payment.

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

FUND SOURCES AND USES

Funds were disbursed from the Capital Projects Fund for instructional staff training, security services, computer equipment, audiovisual equipment, and movable equipment. These types of accounts are not authorized for the Capital Projects Fund in the accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

SCHOOL CITY OF MISHAWAKA
AUDIT RESULTS AND COMMENTS
(Continued)

CASH NECESSARY TO BALANCE, BANK RECONCILIATIONS (Applies to High School)

A comparison of the high school extra-curricular records to the bank account indicated a cash necessary to balance of \$2,548 at June 30, 2008. The cash necessary to balance was \$3,843 at September 30, 2008.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

ECA DEPOSITS (Applies to High School)

Receipts were not always deposited within a reasonable time. In our sample tests, we found two instances: \$655 collected at a January 30, 2007, boys' basketball game was deposited February 8, which is seven business days after the receipt date; and, \$2,341 collected at a February 2, 2007, boys' basketball game was deposited February 15, which is nine business days after the receipt date.

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

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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
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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 SCHOOL CITY OF MISHAWAKA, ST. JOSEPH COUNTY, INDIANA

Compliance

We have audited the compliance of the School City of Mishawaka (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.

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

January 27, 2009

SCHOOL CITY OF MISHAWAKA
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>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	7200	\$ 187,193	\$ 203,801
National School Lunch Program	10.555	7200	<u>1,038,761</u>	<u>1,074,656</u>
Total for federal grantor agency			<u>1,225,954</u>	<u>1,278,457</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Special Education Cluster				
Special Education - Grants to States	84.027			
		14205-041-PY02 CO	5,945	-
		14206-041-PN01	546,521	-
		14206-041-PY02	257,483	-
		14206-041-PY02 CO	-	224,607
		14208-041-PN01	-	2,926,993
		45705-041-PN01	<u>2,833,762</u>	<u>31,344</u>
Total for Program			<u>3,643,711</u>	<u>3,182,944</u>
Special Education - Preschool Grants	84.173			
		45705-041-PN01	136,335	-
		45708-041-PN01	<u>-</u>	<u>138,433</u>
Total for program			<u>136,335</u>	<u>138,433</u>
Total For Special Education Cluster			<u>3,780,046</u>	<u>3,321,377</u>
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies	84.010			
		06-7200	194,888	-
		07-7200	1,070,756	86,716
		08-7200	-	1,366,565
		08-7200 School Improvement	<u>-</u>	<u>23,171</u>
Total for program			<u>1,265,644</u>	<u>1,476,452</u>
Pass-Through Elkhart Community Schools				
Career and Technical Education - Basic Grants to States	84.048		<u>-</u>	<u>30,097</u>
Pass-Through Indiana Department of Education				
Safe and Drug Free Schools and Communities - State Grants	84.186			
		04-144	9,727	-
		05-166	23,171	9,659
		7200-06	<u>-</u>	<u>10,113</u>
Total for program			<u>32,898</u>	<u>19,772</u>
State Grants for Innovative Programs	84.298			
		04-167	20,903	-
		05-125	36,708	10,820
		06-7200	<u>-</u>	<u>7,030</u>
Total for program			<u>57,611</u>	<u>17,850</u>

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

SCHOOL CITY OF MISHAWAKA
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				
Education Technology State Grants	84.318			
		04-06	14,799	-
		05-06	17,694	-
		06-07	<u>14,854</u>	<u>3,197</u>
Total for program			<u>47,347</u>	<u>3,197</u>
English Language Acquisition Grants	84.365	2006-07	<u>23,402</u>	-
Mathematics and Science Partnerships	84.366	6000/182500	<u>91,068</u>	<u>183,768</u>
Improving Teacher Quality State Grants	84.367			
		05-167	197,212	4,692
		06-7200	-	<u>200,333</u>
Total for program			<u>197,212</u>	<u>205,025</u>
Hurricane Education Recovery	84.938		<u>10,000</u>	<u>20,000</u>
Total for federal grantor agency			<u>5,505,228</u>	<u>5,277,538</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Pass-Through Indiana Department of Homeland Security				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		-	<u>4,058</u>
Total federal awards expended			<u>\$ 6,731,182</u>	<u>\$ 6,560,053</u>

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

SCHOOL CITY OF MISHAWAKA
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 School City of Mishawaka (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 schools shall be conducted biennially. Such audits shall include both years within the biennial period.

II. Noncash Assistance

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

Program Title	Federal CFDA Number	2007	2008
National School Lunch Program	10.555	\$ 95,790	\$ 96,653

SCHOOL CITY OF MISHAWAKA
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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$398,737

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.



School City of Mishawaka

An NCA/CASI Accredited District

Creating a Lifetime of Learning for All

SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS

Business Office

R. Steven Mills, Ed.S.
Superintendent of Schools

Randy J. Squadroni
Chief Financial Officer

Patricia Verduin
Assistant Business Manager

Carl Miles
Administrative Assistant

Carol Traxler
Support Services Coordinator

Tracey Bolin
Accounting Specialist

Stefanie Bell
Accounting Specialist
Payroll

Christine Christman
Accounting Specialist
Accounts Payable, ECA

FINDING NO. 2006-1

Federal Agency:	U.S. Department of Education
Federal Program:	Special Education – Grants to States
CFDA Number:	84.027
Pass-Through Entity:	Indiana Department of Education
Auditee Contact Person:	Randy J. Squadroni
Title of Contact Person:	Business Manager
Phone Number:	574.254.4501
Expected Completion Date:	As soon as possible

Corrective Action:

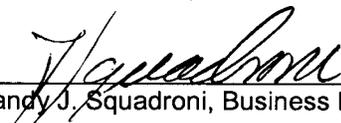
School City of Mishawaka will continue to review our revenue and expenditures for the current year and realign to bring our cash balance as close to zero as possible. Each month we will continue to monitor and adjust our revenue to match our expenditures throughout the year to ensure compliance with federal regulations.

FINDING NO. 2006-2

Federal Agency:	U.S. Department of Education
Federal Program:	Title I Grants to Local Educational Agencies
CFDA Number:	84.010
Pass-Through Entity:	Indiana Department of Education
Auditee Contact Person:	Randy J. Squadroni
Title of Contact Person:	Business Manager
Phone Number:	574.254.4501
Expected Completion Date:	As soon as possible

Corrective Action:

School City of Mishawaka will continue to review our revenue and expenditures for the current year and realign to bring our cash balance as close to zero as possible. Each month we will continue to monitor and adjust our revenue to match our expenditures throughout the year to ensure compliance with federal regulations.


Randy J. Squadroni, Business Manager

1-27-09
Date

SCHOOL CITY OF MISHAWAKA
EXIT CONFERENCE

The contents of this report were discussed on January 27, 2009, with R. Steven Mills, Superintendent of Schools; Randy J. Squadroni, Treasurer; and Larry E. Stillson, President of the School Board. On January 27, 2009, we also discussed the audit results and comments related to the High School Extra-Curricular Account with Elaine Hahaj, Treasurer; and with Dr. George Marzotto, Principal. The officials concurred with our audit findings.