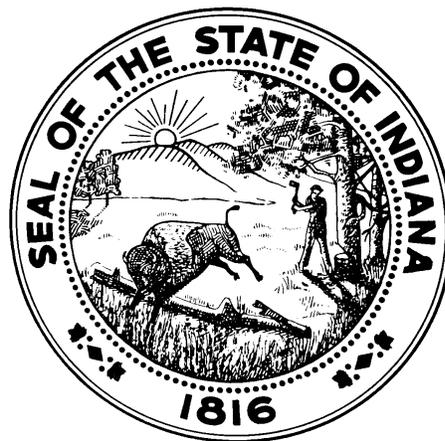


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF
GARY COMMUNITY SCHOOL CORPORATION
LAKE COUNTY, INDIANA
July 1, 2006 to June 30, 2008



FILED
06/30/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Carolyn V. Keith Alesia Y. Pritchett	07-01-06 to 02-16-07 02-17-07 to 06-30-09
Superintendent of Schools	Dr. Mary Steele-Agee Vacant Dr. Myrtle V. Campbell (Interim)	07-01-06 to 12-19-08 12-20-08 to 12-21-08 12-22-08 to 06-30-09
President of the School Board	Alex Wheeler, Jr. Nellie F. Moore	07-04-06 to 07-05-07 07-06-07 to 06-30-09



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

TO: THE OFFICIALS OF THE GARY COMMUNITY
SCHOOL CORPORATION, LAKE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gary Community School Corporation (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 June 22, 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.

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

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

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Combining Schedule, 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 Schedule, as listed in the Table of Contents, 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 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

June 22, 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 GARY COMMUNITY
SCHOOL CORPORATION, LAKE COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gary Community School Corporation (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 June 22, 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.

We noted certain matters that we reported to management in a separate letter dated June 22, 2009.

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

June 22, 2009

GARY COMMUNITY SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 93,893,605	\$ -	\$ 627,562	\$ (93,266,043)
Support services	70,599,059	709,185	5,219,293	(64,670,581)
Community services	669,923	-	-	(669,923)
Nonprogrammed charges	1,704,885	-	-	(1,704,885)
Debt service	34,185,697	-	-	(34,185,697)
	<u>\$ 201,053,169</u>	<u>\$ 709,185</u>	<u>\$ 5,846,855</u>	<u>(194,497,129)</u>
General receipts:				
Property taxes				47,103,538
Other local sources				6,842,074
State aid				113,064,139
Bonds and loans				19,432,190
Grants and contributions not restricted to specific programs				20,742,025
Sale of property, adjustments, and refunds				750,460
Investment earnings				2,399,842
				<u>210,334,268</u>
Total general receipts				<u>210,334,268</u>
Change in net assets				15,837,139
Net assets - beginning				<u>41,611,046</u>
Net assets - ending				<u>\$ 57,448,185</u>
<u>Assets</u>				
Cash and investments				\$ 37,839,437
Restricted assets:				
Cash and investments				<u>19,608,748</u>
Total assets				<u>\$ 57,448,185</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 2,328,608
Other purposes				17,280,140
Unrestricted				<u>37,839,437</u>
Total net assets				<u>\$ 57,448,185</u>

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

GARY COMMUNITY SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 91,861,664	\$ -	\$ 1,493,496	\$ (90,368,168)
Support services	76,524,152	699,658	7,310,233	(68,514,261)
Community services	669,551	-	-	(669,551)
Nonprogrammed charges	2,414,181	-	-	(2,414,181)
Debt service	<u>25,640,046</u>	<u>-</u>	<u>-</u>	<u>(25,640,046)</u>
Total government	<u>\$ 197,109,594</u>	<u>\$ 699,658</u>	<u>\$ 8,803,729</u>	<u>(187,606,207)</u>
General receipts:				
Property taxes				32,595,881
Other local sources				3,235,849
State aid				98,957,676
Bonds and loans				35,992,345
Grants and contributions not restricted to specific programs				19,771,391
Sale of property, adjustments, and refunds				1,039,314
Investment earnings				<u>1,604,749</u>
Total general receipts				<u>193,197,205</u>
Change in net assets				5,590,998
Net assets - beginning				<u>57,448,185</u>
Net assets - ending				<u>\$ 63,039,183</u>
<u>Assets</u>				
Cash and investments				\$ 44,567,355
Restricted assets:				
Cash and investments				<u>18,471,828</u>
Total assets				<u>\$ 63,039,183</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 1,264,288
Other purposes				17,207,540
Unrestricted				<u>44,567,355</u>
Total net assets				<u>\$ 63,039,183</u>

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

GARY COMMUNITY SCHOOL CORPORATION
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	Textbook Rental	Debt Service	Capital Projects	Other	Totals
Receipts:							
Local sources	\$ 28,741,961	\$ 10,862,802	\$ 82,761	\$ 6,638,474	\$ 8,385,334	\$ 921,838	\$ 55,633,170
Intermediate sources	647,800	-	-	-	-	-	647,800
State sources	110,923,032	-	979,170	-	-	4,293,489	116,195,691
Federal sources	829,980	607	-	379	471	22,625,891	23,457,328
Bonds and loans	5,793,225	6,763,755	-	961,540	5,874,012	39,658	19,432,190
Sale of property, adjustments and refunds	154,870	338	430,132	-	133,335	31,613	750,288
Interfund loans	169,848	-	-	-	-	180,909	350,757
Total receipts	147,260,716	17,627,502	1,492,063	7,600,393	14,393,152	28,093,398	216,467,224
Disbursements:							
Current:							
Instruction	80,526,084	-	-	-	-	13,618,893	94,144,977
Support services	40,744,049	9,218,785	1,080,301	133,420	6,842,801	12,941,434	70,960,790
Community services	68,041	318,672	-	-	-	283,210	669,923
Nonprogrammed charges	2,811,710	-	-	-	-	-	2,811,710
Debt services	21,473,038	1,061,003	-	5,820,788	5,827,946	2,922	34,185,697
Interfund loans	180,909	-	-	-	-	169,848	350,757
Total disbursements	145,803,831	10,598,460	1,080,301	5,954,208	12,670,747	27,016,307	203,123,854
Excess (deficiency) of receipts over disbursements	1,456,885	7,029,042	411,762	1,646,185	1,722,405	1,077,091	13,343,370
Other financing sources (uses):							
Transfers in	237,153	95,803	554,615	59,768	74,204	534,824	1,556,367
Transfers out	(388,378)	-	-	(554,615)	-	(613,374)	(1,556,367)
Total other financing sources (uses)	(151,225)	95,803	554,615	(494,847)	74,204	(78,550)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,305,660	7,124,845	966,377	1,151,338	1,796,609	998,541	13,343,370
Cash and investments - beginning	10,979,335	2,553,748	2,653,628	1,177,270	2,808,042	6,652,652	26,824,675
Cash and investments - ending	\$ 12,284,995	\$ 9,678,593	\$ 3,620,005	\$ 2,328,608	\$ 4,604,651	\$ 7,651,193	40,168,045
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.							
							17,280,140
Net assets of governmental activities							\$ 57,448,185
Cash and Investment Assets - Ending							
Cash and investments	\$ 12,284,995	\$ 9,678,593	\$ 3,620,005	\$ -	\$ 4,604,651	\$ 7,651,193	\$ 37,839,437
Restricted assets:							
Cash and investments	-	-	-	2,328,608	-	-	2,328,608
Total cash and investment assets - ending	\$ 12,284,995	\$ 9,678,593	\$ 3,620,005	\$ 2,328,608	\$ 4,604,651	\$ 7,651,193	\$ 40,168,045
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ 2,328,608	\$ -	\$ -	\$ 2,328,608
Unrestricted	12,284,995	9,678,593	3,620,005	-	4,604,651	7,651,193	37,839,437
Total cash and investment fund balance - ending	\$ 12,284,995	\$ 9,678,593	\$ 3,620,005	\$ 2,328,608	\$ 4,604,651	\$ 7,651,193	\$ 40,168,045

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

GARY COMMUNITY SCHOOL CORPORATION
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	Textbook Rental	Debt Service	Capital Projects	Other	Totals
Receipts:							
Local sources	\$ 15,900,965	\$ 8,526,581	\$ 90,918	\$ 1,596,155	\$ 10,045,230	\$ 803,384	\$ 36,963,233
Intermediate sources	547,319	342	-	76	401	-	548,138
State sources	99,897,006	-	2,239,777	-	-	1,566,159	103,702,942
Federal sources	1,039,605	-	-	-	-	22,790,249	23,829,854
Bonds and loans	16,939,773	8,058,882	-	1,791,056	9,163,078	39,556	35,992,345
Sale of property, adjustments and refunds	27,417	-	-	-	17,350	6,430	51,197
Interfund loans	180,909	-	-	-	-	311,233	492,142
Total receipts	134,532,994	16,585,805	2,330,695	3,387,287	19,226,059	25,517,011	201,579,851
Disbursements:							
Current:							
Instruction	77,286,225	-	-	-	-	14,771,067	92,057,292
Support services	41,663,827	9,835,432	1,161,555	183,841	12,128,649	11,966,558	76,939,862
Community services	95,852	318,190	-	-	-	255,509	669,551
Nonprogrammed charges	117,360	-	-	-	-	-	117,360
Debt services	9,814,605	6,763,755	-	3,580,938	5,441,205	39,543	25,640,046
Interfund loans	311,233	-	-	-	-	180,909	492,142
Total disbursements	129,289,102	16,917,377	1,161,555	3,764,779	17,569,854	27,213,586	195,916,253
Excess (deficiency) of receipts over disbursements	5,243,892	(331,572)	1,169,140	(377,492)	1,656,205	(1,696,575)	5,663,598
Other financing sources (uses):							
Transfers in	-	-	686,828	-	-	583,995	1,270,823
Transfers out	-	-	-	(686,828)	-	(583,995)	(1,270,823)
Total other financing sources (uses)	-	-	686,828	(686,828)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	5,243,892	(331,572)	1,855,968	(1,064,320)	1,656,205	(1,696,575)	5,663,598
Cash and investments - beginning	12,284,995	9,678,593	3,620,005	2,328,608	4,604,651	7,651,193	40,168,045
Cash and investments - ending	<u>\$ 17,528,887</u>	<u>\$ 9,347,021</u>	<u>\$ 5,475,973</u>	<u>\$ 1,264,288</u>	<u>\$ 6,260,856</u>	<u>\$ 5,954,618</u>	<u>45,831,643</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>17,207,540</u>
Net assets of governmental activities							<u>\$ 63,039,183</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 17,528,887	\$ 9,347,021	\$ 5,475,973	\$ -	\$ 6,260,856	\$ 5,954,618	\$ 44,567,355
Restricted assets:							
Cash and investments	-	-	-	1,264,288	-	-	1,264,288
Total cash and investment assets - ending	<u>\$ 17,528,887</u>	<u>\$ 9,347,021</u>	<u>\$ 5,475,973</u>	<u>\$ 1,264,288</u>	<u>\$ 6,260,856</u>	<u>\$ 5,954,618</u>	<u>\$ 45,831,643</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ 1,264,288	\$ -	\$ -	\$ 1,264,288
Unrestricted	17,528,887	9,347,021	5,475,973	-	6,260,856	5,954,618	44,567,355
Total cash and investment fund balance - ending	<u>\$ 17,528,887</u>	<u>\$ 9,347,021</u>	<u>\$ 5,475,973</u>	<u>\$ 1,264,288</u>	<u>\$ 6,260,856</u>	<u>\$ 5,954,618</u>	<u>\$ 45,831,643</u>

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

GARY COMMUNITY SCHOOL CORPORATION
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

	<u>Internal Service Fund</u>
Operating receipts:	
Employer contributions	\$ 3,372,292
Miscellaneous	<u>172</u>
Total operating receipts	<u>3,372,464</u>
Operating disbursements:	
Insurance claims and expense	<u>1,652,364</u>
Excess of operating receipts over operating disbursements	<u>1,720,100</u>
Nonoperating receipts:	
Interest and investment receipts	<u>773,669</u>
Excess of receipts and nonoperating receipts over operating disbursements	2,493,769
Cash and investment fund balance - beginning	<u>14,786,371</u>
Cash and investment fund balance - ending	<u>\$ 17,280,140</u>
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	<u>\$ 17,280,140</u>
Total cash and investment assets - ending	<u>\$ 17,280,140</u>
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	<u>\$ 17,280,140</u>
Total cash and investment fund balance - ending	<u>\$ 17,280,140</u>

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

GARY COMMUNITY SCHOOL CORPORATION
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

	<u>Internal Service Fund</u>
Operating receipts:	
Employer contributions	\$ 611,338
Miscellaneous	<u>988,117</u>
Total operating receipts	<u>1,599,455</u>
Operating disbursements:	
Insurance claims and expense	1,781,057
Other	<u>515,764</u>
Total operating disbursements	<u>2,296,821</u>
Excess (deficiency) of operating receipts over operating disbursements	<u>(697,366)</u>
Nonoperating receipts:	
Interest and investment receipts	<u>624,766</u>
Excess (deficiency) of receipts and nonoperating receipts over operating disbursements	(72,600)
Cash and investment fund balance - beginning	<u>17,280,140</u>
Cash and investment fund balance - ending	<u>\$ 17,207,540</u>
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	<u>\$ 17,207,540</u>
Total cash and investment assets - ending	<u>\$ 17,207,540</u>
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	<u>\$ 17,207,540</u>
Total cash and investment fund balance - ending	<u>\$ 17,207,540</u>

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

GARY COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENT BALANCES
FIDUCIARY FUND
June 30, 2007

	<u>Agency Fund</u>
Cash and investments fund balance - ending	<u>\$ 303,097</u>

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

GARY COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENT BALANCES
FIDUCIARY FUND
June 30, 2008

	<u>Agency Fund</u>
Cash and investments fund balance - ending	<u>\$ (2,127,019)</u>

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

GARY COMMUNITY SCHOOL CORPORATION
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 primary government, the Gary Community School Corporation.

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

Joint Venture

The School Corporation is a participant in a joint venture to operate the Northwest Indiana Public School Study Council (Study Council) which was created December 10, 1969, for improvement of education and for the study of problems and issues involved in public education. A board composed of a member from each of the 24 participating school corporations governs the Study Council. The School Corporation pays \$1,000 annually for membership in the Study Council. Complete financial statements for the Study Council can be obtained through the Merrillville Community School Corporation, 6701 Delaware Street, Merrillville, Indiana, 46410.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. However, there are no business-type activities to report at this time.

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.

GARY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 textbook rental fund accounts for receipts related to the rental of textbooks and workbooks furnished to students for a designated fee, for the repair of textbooks, and for the purchase of textbooks and workbooks.

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.

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for receipts and disbursements related to funding and payment of insurance claims related to torts, damage or destruction of assets and job related illness and injuries.

The agency fund accounts for assets held by the School Corporation as an agent for other governmental entities and insurance agencies.

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.

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

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

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

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

GARY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds. The School Corporation has established an internal service fund for self-insurance which is supported by transfers from the General Fund.

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

3. Capital Assets

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

4. Long-Term Debt

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

5. Equity Classification

Government-Wide Statements

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

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

GARY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

- 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.
- 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:

GARY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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 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 Deficit

At June 30, 2008, the Agency Fund (Payroll Withholding) reported a \$2,127,019 deficit in cash and investments, which is a violation of the Uniform Compliance Guidelines and state statute. The cash and investment deficit arose primarily from disbursements exceeding receipts due to errors made in distributing health insurance premium refunds. The deficit will be repaid from appropriate transfers from the Self-Insurance and General Funds.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The School Corporation does not have a

GARY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

deposit policy for custodial credit risk. At June 30, 2008, the School Corporation had deposit balances in the amount of \$60,912,164. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Statutory Authorization for Investments

Indiana Code 5-13-9 authorizes the School Corporation to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the School Corporation to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the School Corporation and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the School Corporation may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the School Corporation's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

B. Interfund Transfers

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

GARY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Transfer From</u>	<u>Transfer To</u>	<u>2007</u>	<u>2008</u>
General Fund	Transportation Operating	\$ 95,803	\$ -
	Debt Service	59,768	-
	Capital Projects	74,204	-
	Other governmental funds	158,603	-
Debt Service	Textbook Rental	554,615	686,828
Other governmental funds	General Fund	237,153	-
	Other governmental funds	<u>376,221</u>	<u>583,995</u>
Totals		<u>\$ 1,556,367</u>	<u>\$ 1,270,823</u>

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

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 (excluding postemployment benefits); and natural disasters.

The risks of errors and omissions; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); 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.

Self-Insurance Fund

The School Corporation has chosen to establish a risk financing fund for risks associated with torts (board liability), theft of, damage to, and destruction of automobile and fleet assets, unemployment and job related illnesses or injuries to employees (worker's compensation). The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. There are no limits on the amounts that can be paid from this fund. Transfers are made from the General Fund in amounts sufficient to maintain a predetermined reserve for board liability, automobile liability and fleet collision. Interfund premiums for unemployment and worker's compensation are paid into the Self-Insurance 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 dollar of payroll paid by all affected funds and are reported as quasi-external interfund transactions. The School Corporation also maintains a \$1,000,000 line of credit dedicated to auto liability claims.

GARY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Holding Corporation

The School Corporation has entered into a capital lease with Gary Community School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the year ended June 30, 2008, totaled \$1,379,793.

C. Subsequent Events

Reassessment and Property Taxes

In accordance with state statutes, all counties were required to reassess property values prior to billing taxes in 2008. Taxes are normally billed in two installments, the first is due in May, and the second in November. Significant delays in the reassessment trending process have resulted in delays in billing, collecting, and distributing taxes. Provisional bills for 2007 pay 2008 taxes, based upon 50% of 2006 pay 2007 taxes, were due October 29, 2008, and distributed by November 21, 2008. Lake County 2007 pay 2008 tax rates were approved on November 14, 2008. The final reconciliation bill for 2007 pay 2008 taxes was due February 6, 2009, and distributed March 27, 2009. Rates for 2008 taxes payable in 2009 have not been approved as of the date of this report.

General Obligation Bonds

On June 2, 2009, the School Corporation issued \$8,000,000 in general obligation bonds to renovate four high schools into grades 7-12 academies.

Common School Loan

On October 8, 2008, the School Corporation borrowed \$3,070,313 from the State of Indiana Common School Fund as a short-term loan due to 2007 tax levy shortfalls.

D. Termination Benefits

During the years ended June 30, 2007 and 2008, the School Corporation offered severance pay and payments for unused sick leave to their employees upon termination. The benefits are based upon the number of years of service to the School Corporation and vary by job responsibilities and classifications. During the years ended June 30, 2007 and 2008, the School Corporation paid \$666,107 to 146 employees and \$503,555 to 99 employees, respectively, in termination benefits.

E. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State

GARY COMMUNITY SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

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

	PERF
Annual required contribution	\$ 1,731,861
Interest on net pension obligation	(63,743)
Adjustment to annual required contribution	72,640
Annual pension cost	1,740,758
Contributions made	1,589,463
Increase in net pension obligation	151,295
Net pension obligation, beginning of year	(879,216)
Net pension obligation, end of year	\$ (727,921)

GARY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF
Contribution rates:	
School Corporation	6.25%
Plan members	3%
Actuarial valuation date	07-01-08
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	PERF
Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-06	\$ 1,883,200	76%	\$ (1,198,962)
	06-30-07	1,806,135	82%	(879,216)
	06-30-08	1,740,758	91%	(727,921)

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.

GARY COMMUNITY SCHOOL CORPORATION
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 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2008, 2007, and 2006, were \$2,021,423, \$1,719,363, and \$2,060,553, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years, respectively.

GARY COMMUNITY SCHOOL CORPORATION
 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)
07-01-06	\$ 37,925,211	\$ 41,783,734	\$ 3,858,523	91%	\$ 24,267,643	16%
07-01-07	40,498,408	43,580,491	3,082,083	93%	23,744,949	13%
07-01-08	41,445,766	44,114,916	2,669,150	94%	23,376,881	11%

GARY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	Special Education Preschool	Rainy Day	Food Service	Safe Haven	Instruction Supplemental	Miscellaneous Programs	Gifted/ Talented FY 2007
Receipts:							
Local sources	\$ 66,812	\$ 8,821	\$ 683,052	\$ -	\$ 9,728	\$ 4,532	\$ -
State sources	237,029	-	20,805	-	-	-	42,090
Federal sources	-	-	4,219,318	-	-	-	-
Bonds and loans	39,658	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	30,046	530	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total receipts	343,499	38,867	4,923,705	-	9,728	4,532	42,090
Disbursements:							
Current:							
Instruction	368,565	-	-	8,672	1,051	-	45,774
Support services	-	726,043	5,012,838	-	-	4,532	-
Community services	-	-	-	-	-	-	-
Debt services	2,922	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	371,487	726,043	5,012,838	8,672	1,051	4,532	45,774
Excess (deficiency) of receipts over disbursements	(27,988)	(687,176)	(89,133)	(8,672)	8,677	-	(3,684)
Other financing sources (uses):							
Transfers in	501	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	501	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(27,487)	(687,176)	(89,133)	(8,672)	8,677	-	(3,684)
Cash and investments - beginning	182,362	765,612	2,508,581	8,672	-	-	11,555
Cash and investments - ending	\$ 154,875	\$ 78,436	\$ 2,419,448	\$ -	\$ 8,677	\$ -	\$ 7,871
Cash and Investment Assets - Ending							
Cash and investments	\$ 154,875	\$ 78,436	\$ 2,419,448	\$ -	\$ 8,677	\$ -	\$ 7,871
Total cash and investment assets - ending	\$ 154,875	\$ 78,436	\$ 2,419,448	\$ -	\$ 8,677	\$ -	\$ 7,871
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 154,875	\$ 78,436	\$ 2,419,448	\$ -	\$ 8,677	\$ -	\$ 7,871
Total cash and investment fund balance - ending	\$ 154,875	\$ 78,436	\$ 2,419,448	\$ -	\$ 8,677	\$ -	\$ 7,871

GARY COMMUNITY SCHOOL CORPORATION
 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)

	Project Management	Occupational Skills	Adult Education Administrative Support	Adult Basic Education	Adolescent Health	Impact Aid	UTEP
Receipts:							
Local sources	\$ -	\$ 63,548	\$ -	\$ -	\$ -	\$ -	\$ 188
State sources	-	-	-	-	-	-	-
Federal sources	-	-	85,631	239,070	95,499	59,204	-
Bonds and loans	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Interfund loans	-	-	33,551	-	7,596	-	-
Total receipts	-	63,548	119,182	239,070	103,095	59,204	188
Disbursements:							
Current:							
Instruction	-	63,548	89,602	220,204	17,077	29,043	6,831
Support services	-	-	-	16,771	54,854	73,970	-
Community services	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Interfund loans	-	-	29,580	-	31,164	-	-
Total disbursements	-	63,548	119,182	236,975	103,095	103,013	6,831
Excess (deficiency) of receipts over disbursements	-	-	-	2,095	-	(43,809)	(6,643)
Other financing sources (uses):							
Transfers in	158,102	-	-	-	-	-	-
Transfers out	(237,153)	-	-	-	-	-	-
Total other financing sources (uses)	(79,051)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(79,051)	-	-	2,095	-	(43,809)	(6,643)
Cash and investments - beginning	79,051	-	-	24,533	-	117,686	7,578
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 26,628	\$ -	\$ 73,877	\$ 935
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ -	\$ -	\$ 26,628	\$ -	\$ 73,877	\$ 935
Total cash and investment assets - ending	\$ -	\$ -	\$ -	\$ 26,628	\$ -	\$ 73,877	\$ 935
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ -	\$ -	\$ -	\$ 26,628	\$ -	\$ 73,877	\$ 935
Total cash and investment fund balance - ending	\$ -	\$ -	\$ -	\$ 26,628	\$ -	\$ 73,877	\$ 935

GARY COMMUNITY SCHOOL CORPORATION
 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)

	Bilingual	Title I School Improvement	Title II Competition	Special Education United Way	WGVE Broadcast	Technology
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 8,564	\$ 76,593	\$ -
State sources	410	-	74,712	-	-	892,149
Federal sources	-	577,164	-	-	-	-
Bonds and loans	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total receipts	410	577,164	74,712	8,564	76,593	892,149
Disbursements:						
Current:						
Instruction	2,186	248,947	2,097	2,384	86,926	-
Support services	-	197,086	77,606	-	-	735,843
Community services	-	3,295	-	-	-	-
Debt services	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	2,186	449,328	79,703	2,384	86,926	735,843
Excess (deficiency) of receipts over disbursements	(1,776)	127,836	(4,991)	6,180	(10,333)	156,306
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	(1,776)	127,836	(4,991)	6,180	(10,333)	156,306
Cash and investments - beginning	5,034	131,248	16,438	2,384	16,849	1,637,543
Cash and investments - ending	<u>\$ 3,258</u>	<u>\$ 259,084</u>	<u>\$ 11,447</u>	<u>\$ 8,564</u>	<u>\$ 6,516</u>	<u>\$ 1,793,849</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ 3,258</u>	<u>\$ 259,084</u>	<u>\$ 11,447</u>	<u>\$ 8,564</u>	<u>\$ 6,516</u>	<u>\$ 1,793,849</u>
Total cash and investment assets - ending	<u>\$ 3,258</u>	<u>\$ 259,084</u>	<u>\$ 11,447</u>	<u>\$ 8,564</u>	<u>\$ 6,516</u>	<u>\$ 1,793,849</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ 3,258</u>	<u>\$ 259,084</u>	<u>\$ 11,447</u>	<u>\$ 8,564</u>	<u>\$ 6,516</u>	<u>\$ 1,793,849</u>
Total cash and investment fund balance - ending	<u>\$ 3,258</u>	<u>\$ 259,084</u>	<u>\$ 11,447</u>	<u>\$ 8,564</u>	<u>\$ 6,516</u>	<u>\$ 1,793,849</u>

GARY COMMUNITY SCHOOL CORPORATION
 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)

	Special Education LEA	Special Education IDEA	Special Ed Preschool	Safe and Drug-Free Schools	Carl D. Perkins	Vision Athena
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	-	3,580,651	133,879	183,701	636,215	-
Bonds and loans	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Interfund loans	-	-	-	81,487	-	-
Total receipts	-	3,580,651	133,879	265,188	636,215	-
Disbursements:						
Current:						
Instruction	3,287	3,016,284	121,682	95,191	769,335	-
Support services	136	141,958	5,611	300,162	12,932	575
Community services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Interfund loans	-	8,231	-	10,827	-	-
Total disbursements	3,423	3,166,473	127,293	406,180	782,267	575
Excess (deficiency) of receipts over disbursements	(3,423)	414,178	6,586	(140,992)	(146,052)	(575)
Other financing sources (uses):						
Transfers in	-	-	6,121	140,992	-	-
Transfers out	-	(2,881)	(12,243)	-	-	-
Total other financing sources (uses)	-	(2,881)	(6,122)	140,992	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,423)	411,297	464	-	(146,052)	(575)
Cash and investments - beginning	3,423	-	1,274	-	205,181	37,385
Cash and investments - ending	<u>\$ -</u>	<u>\$ 411,297</u>	<u>\$ 1,738</u>	<u>\$ -</u>	<u>\$ 59,129</u>	<u>\$ 36,810</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ 411,297	\$ 1,738	\$ -	\$ 59,129	\$ 36,810
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 411,297</u>	<u>\$ 1,738</u>	<u>\$ -</u>	<u>\$ 59,129</u>	<u>\$ 36,810</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ -	\$ 411,297	\$ 1,738	\$ -	\$ 59,129	\$ 36,810
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 411,297</u>	<u>\$ 1,738</u>	<u>\$ -</u>	<u>\$ 59,129</u>	<u>\$ 36,810</u>

GARY COMMUNITY SCHOOL CORPORATION
 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)

	QZAB/ Restrooms	Title V Part A	Improving Teacher Quality	Title II Part D	QZAB/ Career Center	Title I
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	18,777	-	-
Federal sources	-	44,493	2,296,243	156,058	-	10,220,000
Bonds and loans	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	1,037	-	-	-	-
Interfund loans	-	18,586	39,689	-	-	-
Total receipts	-	64,116	2,335,932	174,835	-	10,220,000
Disbursements:						
Current:						
Instruction	-	106,537	1,081,976	12,424	-	7,209,866
Support services	-	195,734	564,305	110,267	10,196	2,366,867
Community services	-	-	-	-	-	279,915
Debt services	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	90,046
Total disbursements	-	302,271	1,646,281	122,691	10,196	9,946,694
Excess (deficiency) of receipts over disbursements	-	(238,155)	689,651	52,144	(10,196)	273,306
Other financing sources (uses):						
Transfers in	-	213,984	-	-	-	-
Transfers out	-	-	(354,976)	-	-	-
Total other financing sources (uses)	-	213,984	(354,976)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(24,171)	334,675	52,144	(10,196)	273,306
Cash and investments - beginning	121,056	104,487	15,325	20,352	10,196	-
Cash and investments - ending	<u>\$ 121,056</u>	<u>\$ 80,316</u>	<u>\$ 350,000</u>	<u>\$ 72,496</u>	<u>\$ -</u>	<u>\$ 273,306</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ 121,056</u>	<u>\$ 80,316</u>	<u>\$ 350,000</u>	<u>\$ 72,496</u>	<u>\$ -</u>	<u>\$ 273,306</u>
Total cash and investment assets - ending	<u>\$ 121,056</u>	<u>\$ 80,316</u>	<u>\$ 350,000</u>	<u>\$ 72,496</u>	<u>\$ -</u>	<u>\$ 273,306</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ 121,056</u>	<u>\$ 80,316</u>	<u>\$ 350,000</u>	<u>\$ 72,496</u>	<u>\$ -</u>	<u>\$ 273,306</u>
Total cash and investment fund balance - ending	<u>\$ 121,056</u>	<u>\$ 80,316</u>	<u>\$ 350,000</u>	<u>\$ 72,496</u>	<u>\$ -</u>	<u>\$ 273,306</u>

GARY COMMUNITY SCHOOL CORPORATION
 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)

	Special Education Main Grant Carryover	Special Education Early Childhood Carryover	Common School	Title II Part B	Construction Loan	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 921,838
State sources	-	-	3,007,517	-	-	4,293,489
Federal sources	-	-	-	98,765	-	22,625,891
Bonds and loans	-	-	-	-	-	39,658
Sale of property, adjustments and refunds	-	-	-	-	-	31,613
Interfund loans	-	-	-	-	-	180,909
Total receipts	-	-	3,007,517	98,765	-	28,093,398
Disbursements:						
Current:						
Instruction	2,754	5,851	-	799	-	13,618,893
Support services	127	271	2,297,472	35,278	-	12,941,434
Community services	-	-	-	-	-	283,210
Debt services	-	-	-	-	-	2,922
Interfund loans	-	-	-	-	-	169,848
Total disbursements	2,881	6,122	2,297,472	36,077	-	27,016,307
Excess (deficiency) of receipts over disbursements	(2,881)	(6,122)	710,045	62,688	-	1,077,091
Other financing sources (uses):						
Transfers in	2,881	12,243	-	-	-	534,824
Transfers out	-	(6,121)	-	-	-	(613,374)
Total other financing sources (uses)	2,881	6,122	-	-	-	(78,550)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	710,045	62,688	-	998,541
Cash and investments - beginning	-	-	606,630	-	12,217	6,652,652
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,316,675</u>	<u>\$ 62,688</u>	<u>\$ 12,217</u>	<u>\$ 7,651,193</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ -	\$ 1,316,675	\$ 62,688	\$ 12,217	\$ 7,651,193
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,316,675</u>	<u>\$ 62,688</u>	<u>\$ 12,217</u>	<u>\$ 7,651,193</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ -	\$ -	\$ 1,316,675	\$ 62,688	\$ 12,217	\$ 7,651,193
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,316,675</u>	<u>\$ 62,688</u>	<u>\$ 12,217</u>	<u>\$ 7,651,193</u>

GARY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008

	Special Education Preschool	Rainy Day	Food Service	Safe Haven	Instruction Supplemental	Special Education United Way
Receipts:						
Local sources	\$ 46,185	\$ -	\$ 674,630	\$ -	\$ 907	\$ 2,866
State sources	224,653	-	19,993	-	-	-
Federal sources	-	-	4,930,252	29,544	-	-
Bonds and loans	39,556	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	1,430	-	-	-
Interfund loans	-	-	-	-	-	-
Total receipts	310,394	-	5,626,305	29,544	907	2,866
Disbursements:						
Current:						
Instruction	411,873	-	-	29,544	9,454	1,575
Support services	-	-	5,369,060	-	-	-
Community services	-	-	-	-	-	-
Debt services	39,543	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	451,416	-	5,369,060	29,544	9,454	1,575
Excess (deficiency) of receipts over disbursements	(141,022)	-	257,245	-	(8,547)	1,291
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	(141,022)	-	257,245	-	(8,547)	1,291
Cash and investments - beginning	154,875	78,436	2,419,448	-	8,677	8,564
Cash and investments - ending	<u>\$ 13,853</u>	<u>\$ 78,436</u>	<u>\$ 2,676,693</u>	<u>\$ -</u>	<u>\$ 130</u>	<u>\$ 9,855</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ 13,853</u>	<u>\$ 78,436</u>	<u>\$ 2,676,693</u>	<u>\$ -</u>	<u>\$ 130</u>	<u>\$ 9,855</u>
Total cash and investment assets - ending	<u>\$ 13,853</u>	<u>\$ 78,436</u>	<u>\$ 2,676,693</u>	<u>\$ -</u>	<u>\$ 130</u>	<u>\$ 9,855</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ 13,853</u>	<u>\$ 78,436</u>	<u>\$ 2,676,693</u>	<u>\$ -</u>	<u>\$ 130</u>	<u>\$ 9,855</u>
Total cash and investment fund balance - ending	<u>\$ 13,853</u>	<u>\$ 78,436</u>	<u>\$ 2,676,693</u>	<u>\$ -</u>	<u>\$ 130</u>	<u>\$ 9,855</u>

GARY COMMUNITY SCHOOL CORPORATION
 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/ Talented FY 2007	Gifted/ Talented FY 2008	Bilingual	WGVE Broadcast	Title I School Improvement	Title I
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 71,497	\$ -	\$ 1,474
State sources	-	91,117	2,919	-	-	-
Federal sources	-	-	-	-	261,712	10,959,704
Bonds and loans	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total receipts	-	91,117	2,919	71,497	261,712	10,961,178
Disbursements:						
Current:						
Instruction	7,871	65,782	-	60,665	243,980	8,378,977
Support services	-	-	-	-	161,391	2,016,213
Community services	-	-	-	-	1,990	253,519
Debt services	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	7,871	65,782	-	60,665	407,361	10,648,709
Excess (deficiency) of receipts over disbursements	(7,871)	25,335	2,919	10,832	(145,649)	312,469
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(7,871)	25,335	2,919	10,832	(145,649)	312,469
Cash and investments - beginning	7,871	-	3,258	6,516	259,084	273,306
Cash and investments - ending	\$ -	\$ 25,335	\$ 6,177	\$ 17,348	\$ 113,435	\$ 585,775
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 25,335	\$ 6,177	\$ 17,348	\$ 113,435	\$ 585,775
Total cash and investment assets - ending	\$ -	\$ 25,335	\$ 6,177	\$ 17,348	\$ 113,435	\$ 585,775
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ -	\$ 25,335	\$ 6,177	\$ 17,348	\$ 113,435	\$ 585,775
Total cash and investment fund balance - ending	\$ -	\$ 25,335	\$ 6,177	\$ 17,348	\$ 113,435	\$ 585,775

GARY COMMUNITY SCHOOL CORPORATION
 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)

	Special Ed Preschool	Adult Basic Education	Adult Education Administrative Support	Special Education IDEA	Safe and Drug-Free Schools	Impact Aid
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	132,714	247,000	93,870	3,060,865	-	53,002
Bonds and loans	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Interfund loans	13,627	-	38,736	-	253,570	-
Total receipts	146,341	247,000	132,606	3,060,865	253,570	53,002
Disbursements:						
Current:						
Instruction	140,803	245,673	99,055	2,945,308	42,573	5,251
Support services	7,276	15,584	-	128,357	463,510	44,242
Community services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Interfund loans	-	-	33,551	-	81,487	-
Total disbursements	148,079	261,257	132,606	3,073,665	587,570	49,493
Excess (deficiency) of receipts over disbursements	(1,738)	(14,257)	-	(12,800)	(334,000)	3,509
Other financing sources (uses):						
Transfers in	-	-	-	-	334,000	-
Transfers out	-	-	-	(136,583)	-	-
Total other financing sources (uses)	-	-	-	(136,583)	334,000	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,738)	(14,257)	-	(149,383)	-	3,509
Cash and investments - beginning	1,738	26,628	-	411,297	-	73,877
Cash and investments - ending	<u>\$ -</u>	<u>\$ 12,371</u>	<u>\$ -</u>	<u>\$ 261,914</u>	<u>\$ -</u>	<u>\$ 77,386</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ -</u>	<u>\$ 12,371</u>	<u>\$ -</u>	<u>\$ 261,914</u>	<u>\$ -</u>	<u>\$ 77,386</u>
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 12,371</u>	<u>\$ -</u>	<u>\$ 261,914</u>	<u>\$ -</u>	<u>\$ 77,386</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ -</u>	<u>\$ 12,371</u>	<u>\$ -</u>	<u>\$ 261,914</u>	<u>\$ -</u>	<u>\$ 77,386</u>
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 12,371</u>	<u>\$ -</u>	<u>\$ 261,914</u>	<u>\$ -</u>	<u>\$ 77,386</u>

GARY COMMUNITY SCHOOL CORPORATION
 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)

	UTEP	Carl D. Perkins	Adolescent Health	Improving Teacher Quality	Title II Part B	Title II Competition
Receipts:						
Local sources	\$ 875	\$ -	\$ -	\$ -	\$ 4,950	\$ -
State sources	-	-	-	-	-	-
Federal sources	-	639,276	88,775	2,161,212	77,123	-
Bonds and loans	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Interfund loans	-	-	5,300	-	-	-
Total receipts	875	639,276	94,075	2,161,212	82,073	-
Disbursements:						
Current:						
Instruction	875	570,708	9,080	1,325,799	434	1,165
Support services	-	28,261	73,539	419,183	43,271	10,282
Community services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Interfund loans	-	-	7,596	39,689	-	-
Total disbursements	875	598,969	90,215	1,784,671	43,705	11,447
Excess (deficiency) of receipts over disbursements	-	40,307	3,860	376,541	38,368	(11,447)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(447,412)	-	-
Total other financing sources (uses)	-	-	-	(447,412)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	40,307	3,860	(70,871)	38,368	(11,447)
Cash and investments - beginning	935	59,129	-	350,000	62,688	11,447
Cash and investments - ending	<u>\$ 935</u>	<u>\$ 99,436</u>	<u>\$ 3,860</u>	<u>\$ 279,129</u>	<u>\$ 101,056</u>	<u>\$ -</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 935</u>	<u>\$ 99,436</u>	<u>\$ 3,860</u>	<u>\$ 279,129</u>	<u>\$ 101,056</u>	<u>\$ -</u>
Total cash and investment assets - ending	<u>\$ 935</u>	<u>\$ 99,436</u>	<u>\$ 3,860</u>	<u>\$ 279,129</u>	<u>\$ 101,056</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 935</u>	<u>\$ 99,436</u>	<u>\$ 3,860</u>	<u>\$ 279,129</u>	<u>\$ 101,056</u>	<u>\$ -</u>
Total cash and investment fund balance - ending	<u>\$ 935</u>	<u>\$ 99,436</u>	<u>\$ 3,860</u>	<u>\$ 279,129</u>	<u>\$ 101,056</u>	<u>\$ -</u>

GARY COMMUNITY SCHOOL CORPORATION
 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)

	Deep River	Technology	Vision Athena	QZAB/ Restrooms	Title V Part A
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	506,124	-	-	-
Federal sources	9,000	-	-	-	-
Bonds and loans	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-
Interfund loans	-	-	-	-	-
Total receipts	9,000	506,124	-	-	-
Disbursements:					
Current:					
Instruction	-	-	-	-	33,988
Support services	-	995,532	-	-	79,235
Community services	-	-	-	-	-
Debt services	-	-	-	-	-
Interfund loans	-	-	-	-	18,586
Total disbursements	-	995,532	-	-	131,809
Excess (deficiency) of receipts over disbursements	9,000	(489,408)	-	-	(131,809)
Other financing sources (uses):					
Transfers in	-	-	-	-	113,412
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	113,412
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	9,000	(489,408)	-	-	(18,397)
Cash and investments - beginning	-	1,793,849	36,810	121,056	80,316
Cash and investments - ending	<u>\$ 9,000</u>	<u>\$ 1,304,441</u>	<u>\$ 36,810</u>	<u>\$ 121,056</u>	<u>\$ 61,919</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	<u>\$ 9,000</u>	<u>\$ 1,304,441</u>	<u>\$ 36,810</u>	<u>\$ 121,056</u>	<u>\$ 61,919</u>
Total cash and investment assets - ending	<u>\$ 9,000</u>	<u>\$ 1,304,441</u>	<u>\$ 36,810</u>	<u>\$ 121,056</u>	<u>\$ 61,919</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Unrestricted	<u>\$ 9,000</u>	<u>\$ 1,304,441</u>	<u>\$ 36,810</u>	<u>\$ 121,056</u>	<u>\$ 61,919</u>
Total cash and investment fund balance - ending	<u>\$ 9,000</u>	<u>\$ 1,304,441</u>	<u>\$ 36,810</u>	<u>\$ 121,056</u>	<u>\$ 61,919</u>

GARY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Title II Part D	Special Education Main Grant Carryover	Common School	Construction Loan	Totals
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 803,384
State sources	-	-	721,353	-	1,566,159
Federal sources	46,200	-	-	-	22,790,249
Bonds and loans	-	-	-	-	39,556
Sale of property, adjustments and refunds	-	-	5,000	-	6,430
Interfund loans	-	-	-	-	311,233
Total receipts	46,200	-	726,353	-	25,517,011
Disbursements:					
Current:					
Instruction	10,320	130,314	-	-	14,771,067
Support services	108,376	6,269	1,996,977	-	11,966,558
Community services	-	-	-	-	255,509
Debt services	-	-	-	-	39,543
Interfund loans	-	-	-	-	180,909
Total disbursements	118,696	136,583	1,996,977	-	27,213,586
Excess (deficiency) of receipts over disbursements	(72,496)	(136,583)	(1,270,624)	-	(1,696,575)
Other financing sources (uses):					
Transfers in	-	136,583	-	-	583,995
Transfers out	-	-	-	-	(583,995)
Total other financing sources (uses)	-	136,583	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(72,496)	-	(1,270,624)	-	(1,696,575)
Cash and investments - beginning	72,496	-	1,316,675	12,217	7,651,193
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,051</u>	<u>\$ 12,217</u>	<u>\$ 5,954,618</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,051</u>	<u>\$ 12,217</u>	<u>\$ 5,954,618</u>
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,051</u>	<u>\$ 12,217</u>	<u>\$ 5,954,618</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Unrestricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,051</u>	<u>\$ 12,217</u>	<u>\$ 5,954,618</u>
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,051</u>	<u>\$ 12,217</u>	<u>\$ 5,954,618</u>

GARY COMMUNITY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2008

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 13,499,934
Buildings	99,680,819
Machinery and equipment	<u>51,201,212</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 164,381,965</u>

GARY COMMUNITY SCHOOL CORPORATION
 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:		
Glen Park Academy and Marquette Elementary School Buildings	\$ 18,750,000	\$ 1,383,000
Notes and loans payable:		
Tax anticipation warrants	35,989,537	35,989,537
Common school loans	24,719,700	3,094,326
General obligation bonds payable:		
School Improvement Bonds, 2001	833,338	166,666
School Improvement Bonds, 2003	1,085,000	155,000
School Improvement Bonds, 2004	<u>475,000</u>	<u>480,641</u>
Total governmental activities debt	<u>\$ 81,852,575</u>	<u>\$ 41,269,170</u>

GARY COMMUNITY SCHOOL CORPORATION
OTHER REPORTS

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

Gary Community School Corporation Supplemental Report
Frankie W. McCullough Academy for Girls
Emerson School for the Visual and Performing Arts
Theodore Roosevelt High School

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE GARY COMMUNITY
SCHOOL CORPORATION, LAKE COUNTY, INDIANA

Compliance

We have audited the compliance of the Gary Community School Corporation (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. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2008-1.

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

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)

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.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

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

June 22, 2009

GARY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2007 and 2008

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-07	Total Federal Awards Expended 06-30-08
U.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 836,575	\$ 1,015,479
National School Lunch Program	10.555		3,360,864	3,381,264
After School Snack	10.Unknown		-	20,507
Total for federal grantor agency			<u>4,197,439</u>	<u>4,417,250</u>
U.S. DEPARTMENT OF DEFENSE				
Direct Grant				
Marine Corps Junior Reserve Officer Training Corps (MC JROTC) Unit FY 06-07 (MC JROTC) Unit FY 07-08	12.Unknown		133,004	-
Total for federal grantor agency			<u>133,004</u>	<u>165,098</u>
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education				
Special Education Cluster				
Special Education - Grants to States				
FY 05-06	84.027	14206-019-PN01	442,883	-
FY 06-07		14207-019-PN01	2,718,290	905,297
FY 07-08		14208-019-PN01	-	2,304,951
FY 06-07 Carryover		14206-019-PY02	2,881	-
FY 07-08 Carryover		14207-019-PY02	-	136,584
FY 05-06 Sliver		14205-019-DY01	3,423	-
Total for program			<u>3,167,477</u>	<u>3,346,832</u>
Special Education - Preschool Grants				
FY 05-06	84.173	45706-019-PN01	13,754	-
FY 06-07		45707-019-PN01	119,661	16,738
FY 07-08		45708-019-PN01	-	131,341
FY 06-07 Carryover		45706-019-PY02	6,121	-
Total for program			<u>139,536</u>	<u>148,079</u>
Total for cluster			<u>3,307,013</u>	<u>3,494,911</u>
Adult Education - Basic Grants to States				
FY 05-06	84.002	V002A050014	24,533	-
FY 05-06			15,934	-
FY 06-07		V002A060014	212,442	27,976
FY 06-07			73,669	18,630
FY 07-08		V002A070014	-	233,281
FY 07-08			-	80,425
Total for program			<u>326,578</u>	<u>360,312</u>
Title I Grants to Local Educational Agencies				
	84.010	06-4690	4,029,954	-
		06-4690	371,248	-
		07-4690	7,782,466	3,391,004
		07-4690	78,079	259,085
		08-4690	-	7,991,290
		08-4690	-	148,278
Total for program			<u>12,261,747</u>	<u>11,789,657</u>
Impact Aid				
FY 03-04	84.041	S041B-2004-1597	38,478	1,800
FY 04-05		S041B-2005-1597	32,973	1,547
FY 05-06		S041B-2006-1597	17,472	16,411
FY 06-07		S041B-2007-1597	14,089	25,000
FY 07-08		S041B-2008-1597	-	4,734
Total for program			<u>103,012</u>	<u>49,492</u>

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

GARY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2007 and 2008
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-07	Total Federal Awards Expended 06-30-08
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through Indiana Department of Education (continued)				
Career and Technical Education - Basic Grants to States	84.048			
FY 05-06		06-4700-4690	380,236	-
FY 06-07		07-4700-4690	402,031	236,966
FY 07-08		08-4700-4690	-	362,002
Total for program			<u>782,267</u>	<u>598,968</u>
Safe and Drug Free Schools and Communities - State Grants	84.186			
		Q186A050015	130,165	-
		Q186A060015	265,188	506,083
Total for program			<u>395,353</u>	<u>506,083</u>
State Grants for Innovative Programs	84.298			
		S298A040015	102,480	-
		S298A050015	150,712	80,316
		06-4690	49,079	32,906
Total for program			<u>302,271</u>	<u>113,222</u>
Education Technology State Grants	84.318			
		S318X040014	39,130	-
		S318X040014	20,183	-
		S318X050014	83,562	118,696
		S318X050014	59,520	11,447
Total for program			<u>202,395</u>	<u>130,143</u>
Mathematics and Science Partnerships	84.366			
		6000/182500	36,077	43,705
Improving Teacher Quality State Grants	84.367			
		S376A040013	515,324	-
		S376A050013	1,446,243	790,000
		S376A060013	-	1,442,083
Total for program			<u>1,961,567</u>	<u>2,232,083</u>
Total for federal grantor agency			<u>19,678,280</u>	<u>19,318,576</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Pass-Through Indiana Department of Health				
Maternal and Child Health Services Block Grant to the States	93.994			
		B04MC0-06559-01-04	82,504	690
		MCH 433-2	-	81,929
Total for federal grantor agency			<u>82,504</u>	<u>82,619</u>
Total federal awards expended			<u>\$ 24,091,227</u>	<u>\$ 23,983,543</u>

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

GARY COMMUNITY SCHOOL CORPORATION
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 Gary Community School Corporation (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 School Corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

II. Subrecipients

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

Program Title	Federal CFDA Number	2007	2008
Adult Education - Basic Grants to States	84.002	\$ 82,353	\$ 82,487

III. Noncash Assistance

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

Program Title	Federal CFDA Number	2007	2008
National School Lunch Program	10.555	\$ 199,377	\$ 115,549

GARY COMMUNITY SCHOOL CORPORATION
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?	yes
--	-----

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
	Child Nutrition Cluster
	Special Education Cluster
84.010	Title I Grants to Local Educational Agencies
84.367	Improving Teacher Quality State Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$1,442,063

Auditee qualified as low-risk auditee?	no
--	----

Section II – Financial Statement Findings

No matters are reportable.

GARY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III – Federal Award Findings and Questioned Costs

FINDING 2008-1, QUESTIONED COSTS FOR SUPPLEMENTAL
EDUCATIONAL SERVICES CONTRACTS

Federal Agency: U.S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Awards Numbers: 06-4690, 07-4690, 08-4690
Pass-Through Entity: Indiana Department of Education

The Gary Community School Corporation entered into 121 contractual agreements with 12 different consultants for Supplemental Educational Services (SES) for the period November 29, 2006, to June 15, 2007. The claims presented for the payments to these consultants totaled \$1,432,844. The Contract Purpose and Scope of Work stated, in part: "To provide extra academic assistance for eligible students in compliance with the Title I Supplemental Educational Services (SES) Program. Each student will receive four (4) hours of instruction in math, language arts, and reading per week for 14 weeks."

Eleven of the consultants submitted invoices and were paid hourly amounts that exceeded the hourly amounts determined from the contract terms by \$322,755.73. Most of the contracts provided that a certain number of students at each school would receive 4 hours of tutoring per week for 14 weeks for \$1,402.00 per student. These terms would provide 56 hours of tutoring per student at a rate of \$25.04 per hour. However, the consultants were actually paid between \$28.00 and \$70.00 per hour.

EDGAR Part 80 Subpart C (Post-Award Requirements) Sec. 80.20 states in part: "(b) The financial management systems of other grantees and subgrantees must meet the following standards: (5) Allowable Cost. Applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs."

Office of Management and Budget (OMB) Circular No. A-87, Attachment A, Section C, Basic Guidelines, states in part: "1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria: c. Be authorized or not prohibited under State or local laws or regulations . . ."

The Gary Community School Corporation modified the Supplemental Educational Services contracts to reflect the proper hourly rates for the 2007-2008 school year.

We recommended that School Corporation Officials establish procedures to ensure that all payments for Supplemental Educational Services are made according to approved contracts.

GARY COMMUNITY SCHOOL CORPORATION

BUSINESS SERVICES DEPARTMENT
620 East 10th Place – Gary, IN 46402



**A NEW DIRECTION: Focus on Accountability and
Continuous School Improvement**
(219) 881-5424 • Fax (219) 886-6738
Alesia Pritchett, Executive Director
apritchett@garycsc.k12.in.us

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2006-3

Original SBA Audit Report Number:	B30112
Fiscal Year:	2004-2006
Auditee Contact Person:	Diana Younger
Title of Contact Person:	Director of Special Education
Phone Number:	(219) 881-5493
Status of Finding:	To correct this exception the OT Therapist has been required to sit with the Trade Winds accountant to translate her handwriting. When the typed version reaches the Special Education Director, she reviews the document again with the OT Therapist at her side to ensure the comparative analysis is accurately recorded.

Finding Number 2006-4

Original SBA Audit Report Number:	B30112
Fiscal Year:	2004-2006
Auditee Contact Person:	George Comer
Title of Contact Person:	Director of Federal Programs
Phone Number:	(219) 881-5778
Status of Finding:	We have been doing what we think are good procedures with the following adjustments: <ol style="list-style-type: none">1. Requests are being sent to the Supervisor of Student and Family Services instead of the Federal Programs office. We now have a person in place which provides additional monitoring.2. Receipts are maintained by the social worker, treasurer, Student and Family Services, and Federal Programs.

Finding Number 2006-5

Original SBA Audit Report Number:

B30112

Fiscal Year:

2004-2006

Auditee Contact Person:

William Outlar

Title of Contact Person:

Finance/Special Projects Supervisor

Phone Number:

(219) 881-5477

Status of Finding:

This is a state procedure and we follow the procedure that is required by the state. We are required to use their forms. The Cash Request form does not allow for cash request to occur beyond July. Also, the Cash Request form must match the Total Budget page form. The corporation does not have the authority to change the state form. However, in talking to Hazel Beasley, IDOE Finance Division Comptroller, we can send an e-mail requesting July's distribution be allocated over July and August. The e-mail will be used as an addendum to the Cash Request form for audit purposes.



Submitted By: Alesia Pritchett, Treasurer

March 5, 2009

GARY COMMUNITY SCHOOL CORPORATION



**A NEW DIRECTION: Focus on Accountability and
Continuous School Improvement**

(219) 881-5424 • Fax (219) 886-6418

ALESIA Y. PRITCHETT, Executive Director
apritchett@garycsc.k12.in.us

BUSINESS SERVICES DEPARTMENT
620 East 10th Place - Gary, IN 46402

June 15, 2009

CORRECTIVE ACTION PLAN

Indiana State Board of Accounts
Bruce Hartman, State Examiner
302 W. Washington St. – Room E418
Indianapolis, Indiana 46204-2765

Finding Number 2008-1 ALLOWABLE COSTS FOR SUPPLEMENTAL EDUCATION SERVICES

Fiscal Year:	2006 - 2008
Auditee Contact Person:	George Comer
Title of Contact Person:	Director of Federal Programs
Phone Number:	(219) 881-4064

Status of Finding:

We are responding to the auditor's report on Supplemental Educational Services (SES) contracts and payments. The auditor reviewed 2006-07 SES contracts and payments. The auditor indicated that payments had to be "questioned" because of the contract language. We responded by saying that an attempt was made to establish what we thought was an appropriate number of tutoring hours for each youngster. However, after reviewing the SES regulations, we found that the Local Educational Agency (LEA) could not "impose requirements on program design" such as "a certain number of hours of services to receive the statutory per pupil amount for services." We had to pay what was considered to be a reasonable hourly rate set by each provider. The concern centered around our contract language. We should note, however, that all payments made during the 2006-07 school year were made according to federal SES regulations. These regulations are as follows:

STATE EDUCATIONAL AGENCY (SEA)

B-3. May an SEA require that supplemental educational service providers adhere to specific program design parameters?

Yes, as part of its process to approve providers and ensure that supplemental educational services are of the highest quality, an SEA may establish certain program design criteria for providers to meet. An SEA could, for example, set a range for acceptable

student/tutor ratios. If establishing criteria for student/tutor ratios, an SEA should define acceptable ranges (e.g. 1-10:1 ratio) as opposed to absolute values (e.g. 6:1) in order to not unduly restrict providers' service delivery options.

...While SEAs do have the authority discussed above, it is important to note that **LEAs may not impose requirements on program design.**

B-4. May an SEA define hourly rates for providers?

As explained above, an SEA may, if it so chooses, define acceptable ranges for program design parameters that influence the hourly rates providers charge throughout the State, in order to prohibit grossly exorbitant charges or unrealistically low rates. **An SEA should avoid arbitrarily setting uniform pricing or hourly rates** and, if defining acceptable program design parameters for providers, should consider the following factors:

- The pupil/tutor ratio;
- The variation in per-pupil allocations among LEAs in the State;
- The number of instructional hours;
- The qualifications (and therefore costs) of the tutoring staff;
- The cost of instructional materials and equipment (books, computers, manipulatives, etc.)
- The amount of rent charged by the LEA and other landlords (including variations throughout a State);
- The LEAs' payment policies regarding attendance; and
- The variation in the cost of doing business among LEAs in the State.

Local Educational Agency (LEA)

G-3. May an LEA impose requirements on a provider that affect the design of a provider's program?

No. An LEA may not impose requirements that relate to whether a provider has an effective educational program; doing so would undermine the State's authority to establish standards for approval of providers as having effective programs and to determine which providers meet those standards.

For example, an LEA may not require that providers offer a certain number of hours of services to receive the statutory per-pupil amount for services, that providers employ only State-certified teachers as tutors, or providers' programs have certain student-teacher ratios. These types of requirements may create a "one-size-fits-all" model of services that does not effectively take into consideration the varied needs of students and undermines parents' opportunity to select the most appropriate provider and services for their child. This type of intervention by an LEA in program design is not provided for in the statute or regulations.

Under no circumstances should an LEA refuse to offer as an option to parents any provider on the State-approved list because of program design concerns.

As a result of the established federal regulations listed above, we used the hourly rates and program designs that were included in the providers' description of their services. None of the rates appeared to be exorbitant or unrealistically low. Most ranged from \$40.00 to \$60.00 per hour with 30 or more hours of instruction.

Corrective Action

As a part of our corrective action and to insure that there would be no further issues with the interpretation of our contract language, we worked with our Title I consultant and made revisions in our contract and contract addendum. **This action was completed almost two years ago on July 31, 2007. Copies of the revisions were sent to our Title I office for review. We now include the following information on all SES contracts: 1. Rate per Session; 2. Session Length in Minutes; 3. No. of Weekly Sessions; 4. Total No. of Sessions; 5. Total Cost, Item a x d.** Again, this was completed in July of 2007. A sample copy is attached.

Our Title I office has also confirmed that we were required to follow the regulations that were outlined above. The office also mentioned, however, that there is now, as pointed out in our Title I District Online Training materials (May 22, 2009) some flexibility in working with providers to ensure that programming and hours are appropriate.


Alesia Y. Pritchett, Treasurer

GARY COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on June 22, 2009, with Alesia Y. Pritchett, Treasurer; Dr. Myrtle V. Campbell, Superintendent of Schools; Nellie F. Moore, President of the School Board; and Charles F. Williams, Internal Auditor.