

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, 2008 to June 30, 2010



FILED
03/01/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Alesia Y. Pritchett	07-01-08 to 06-30-11
Superintendent of Schools	Dr. Myrtle V. Campbell	07-01-08 to 06-30-11
President of the School Board	Nellie F. Moore Kenneth A. Stalling	07-01-08 to 06-30-09 07-01-09 to 06-30-11



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

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

We have audited the accompanying financial statements of the governmental activities, the business-type 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, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

In accordance with Government Auditing Standards, we have also issued a report dated December 17, 2010, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

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

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

The School Corporation's response to the Audit Results and Comments identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

December 17, 2010



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

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

We have audited the financial statements of the governmental activities, the business-type 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, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated December 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

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

Compliance and Other Matters

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

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

STATE BOARD OF ACCOUNTS

December 17, 2010

GARY COMMUNITY SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

<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	\$ 86,904,378	\$ -	\$ 1,559,813	\$ (85,344,565)
Support services	71,387,064	882,670	6,679,039	(63,825,355)
Noninstructional services	6,256,911	-	-	(6,256,911)
Facilities acquisition and construction	5,204,713	-	-	(5,204,713)
Debt service	41,618,897	-	-	(41,618,897)
Nonprogrammed charges	1,095,821	-	-	(1,095,821)
Total governmental activities	<u>\$ 212,467,784</u>	<u>\$ 882,670</u>	<u>\$ 8,238,852</u>	<u>(203,346,262)</u>
General receipts:				
Property taxes				39,333,970
Other local sources				5,384,492
State aid				94,452,611
Bonds and loans				18,250,899
Grants and contributions not restricted to specific programs				29,276,674
Sale of property				2,680
Investment earnings				602,685
Other				200,626
Total general receipts				<u>187,504,637</u>
Change in net assets				(15,841,625)
Net assets - beginning				<u>63,039,183</u>
Net assets - ending				<u>\$ 47,197,558</u>
<u>Assets</u>				
Cash and investments				\$ 29,923,203
Restricted assets:				
Cash and investments				<u>17,274,355</u>
Total assets				<u>\$ 47,197,558</u>
<u>Net Assets</u>				
Restricted for:				
Other purposes				\$ 17,274,355
Unrestricted				<u>29,923,203</u>
Total net assets				<u>\$ 47,197,558</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, 2010

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 85,304,862	\$ -	\$ 438,658	\$ (84,866,204)
Support services	63,636,498	878,068	6,118,986	(56,639,444)
Noninstructional services	5,889,178	-	-	(5,889,178)
Facilities acquisition and construction	12,509,447	-	-	(12,509,447)
Debt service	13,469,443	-	-	(13,469,443)
Nonprogrammed charges	<u>2,530,412</u>	<u>-</u>	<u>-</u>	<u>(2,530,412)</u>
Total governmental activities	<u>\$ 183,339,840</u>	<u>\$ 878,068</u>	<u>\$ 6,557,644</u>	<u>(175,904,128)</u>
General receipts:				
Property taxes				19,953,637
Other local sources				2,631,838
State aid				102,917,767
Bonds and loans				7,025,139
Grants and contributions not restricted to specific programs				35,542,023
Sale of property				8,655
Investment earnings				46,141
Other				<u>72,109</u>
Total general receipts				<u>168,197,309</u>
Change in net assets				(7,706,819)
Net assets - beginning				<u>47,197,558</u>
Net assets - ending				<u>\$ 39,490,739</u>
<u>Assets</u>				
Cash and investments				\$ 23,504,837
Restricted assets:				
Cash and investments				<u>15,985,902</u>
Total assets				<u>\$ 39,490,739</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 51,776
Other purposes				15,934,126
Unrestricted				<u>23,504,837</u>
Total net assets				<u>\$ 39,490,739</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, 2009

	General	Textbook Rental	Fiscal Stabilization Stimulus	Construction	Other	Totals
Receipts:						
Local sources	\$ 21,009,896	\$ 764,079	\$ -	\$ -	\$ 23,914,283	\$ 45,688,258
Intermediate sources	257,277	-	-	-	4,000	261,277
State sources	96,078,768	2,065,840	-	-	872,899	99,017,507
Federal sources	1,007,819	-	9,262,844	-	22,679,967	32,950,630
Temporary loans	-	-	-	-	6,542,022	6,542,022
Interfund loans	311,233	-	-	-	389,940	701,173
Other	-	-	-	4,150	1,450	5,600
Total receipts	118,664,993	2,829,919	9,262,844	4,150	54,404,561	185,166,467
Disbursements:						
Current:						
Instruction	70,279,366	-	2,572,119	-	14,052,893	86,904,378
Support services	47,060,435	1,074,078	1,339,902	-	22,901,376	72,375,791
Noninstructional services	133,549	-	2,926	-	6,120,436	6,256,911
Facilities acquisition and construction	254,094	-	-	311,969	4,638,650	5,204,713
Debt services	20,309,680	-	-	-	21,309,217	41,618,897
Nonprogrammed charges	114,541	-	-	-	-	114,541
Interfund loans	-	-	-	-	311,233	311,233
Total disbursements	138,151,665	1,074,078	3,914,947	311,969	69,333,805	212,786,464
Excess (deficiency) of receipts over disbursements	(19,486,672)	1,755,841	5,347,897	(307,819)	(14,929,244)	(27,619,997)
Other financing sources (uses):						
Proceeds of long-term debt	3,070,313	-	-	8,000,000	638,564	11,708,877
Sale of capital assets	1,538	-	-	-	1,142	2,680
Transfers in	-	33,269	-	-	1,422,788	1,456,057
Transfers out	-	(686,828)	-	-	(769,229)	(1,456,057)
Total other financing sources (uses)	3,071,851	(653,559)	-	8,000,000	1,293,265	11,711,557
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(16,414,821)	1,102,282	5,347,897	7,692,181	(13,635,979)	(15,908,440)
Cash and investments - beginning	17,528,887	5,475,973	-	-	22,826,783	45,831,643
Cash and investments - ending	<u>\$ 1,114,066</u>	<u>\$ 6,578,255</u>	<u>\$ 5,347,897</u>	<u>\$ 7,692,181</u>	<u>\$ 9,190,804</u>	29,923,203
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 receipts and disbursements of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.						<u>17,274,355</u>
Net assets of governmental activities						<u>\$ 47,197,558</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 1,114,066</u>	<u>\$ 6,578,255</u>	<u>\$ 5,347,897</u>	<u>\$ 7,692,181</u>	<u>\$ 9,190,804</u>	<u>\$ 29,923,203</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 1,114,066</u>	<u>\$ 6,578,255</u>	<u>\$ 5,347,897</u>	<u>\$ 7,692,181</u>	<u>\$ 9,190,804</u>	<u>\$ 29,923,203</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, 2010

	General	Textbook Rental	Fiscal Stabilization Stimulus	Construction	Other	Totals
Receipts:						
Local sources	\$ 3,165,248	\$ 50,535	\$ -	\$ -	\$ 19,806,039	\$ 23,021,822
Intermediate sources	448,695	-	-	-	5,487	454,182
State sources	103,937,268	1,420,767	-	-	7,228,625	112,586,660
Federal sources	1,071,154	-	2,301,157	-	29,058,463	32,430,774
Temporary loans	-	-	-	-	5,735,525	5,735,525
Interfund loans	-	-	-	-	4,685,968	4,685,968
Other	-	-	-	1,150	36,260	37,410
Total receipts	108,622,365	1,471,302	2,301,157	1,150	66,556,367	178,952,341
Disbursements:						
Current:						
Instruction	62,657,491	-	4,984,157	-	17,663,214	85,304,862
Support services	37,821,667	1,494,842	2,662,130	-	22,949,219	64,927,858
Noninstructional services	143,844	-	2,767	-	5,742,567	5,889,178
Facilities acquisition and construction	43,593	-	-	6,794,250	5,671,604	12,509,447
Debt services	3,125,793	-	-	-	10,343,650	13,469,443
Nonprogrammed charges	124,391	-	-	-	-	124,391
Interfund loans	-	-	-	-	4,364,637	4,364,637
Total disbursements	103,916,779	1,494,842	7,649,054	6,794,250	66,734,891	186,589,816
Excess (deficiency) of receipts over disbursements	4,705,586	(23,540)	(5,347,897)	(6,793,100)	(178,524)	(7,637,475)
Other financing sources (uses)						
Proceeds of long-term debt	-	-	-	-	1,289,614	1,289,614
Sale of capital assets	7,224	-	-	-	1,431	8,655
Transfers in	21,429	-	-	-	4,732,185	4,753,614
Transfers out	(36,850)	-	-	-	(4,744,148)	(4,780,998)
Total other financing sources (uses)	(8,197)	-	-	-	1,279,082	1,270,885
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,697,389	(23,540)	(5,347,897)	(6,793,100)	1,100,558	(6,366,590)
Cash and investments - beginning	1,114,066	6,578,255	5,347,897	7,692,181	9,190,804	29,923,203
Cash and investments - ending	\$ 5,811,455	\$ 6,554,715	\$ -	\$ 899,081	\$ 10,291,362	23,556,613
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 receipts and disbursements of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.						15,934,126
Net assets of governmental activities						<u>\$ 39,490,739</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 5,811,455	\$ 6,554,715	\$ -	\$ 899,081	\$ 10,239,586	\$ 23,504,837
Restricted assets:						
Cash and investments	-	-	-	-	51,776	51,776
Total cash and investment assets - ending	\$ 5,811,455	\$ 6,554,715	\$ -	\$ 899,081	\$ 10,291,362	\$ 23,556,613
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 51,776	\$ 51,776
Unrestricted	5,811,455	6,554,715	-	899,081	10,239,586	23,504,837
Total cash and investment fund balance - ending	\$ 5,811,455	\$ 6,554,715	\$ -	\$ 899,081	\$ 10,291,362	\$ 23,556,613

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, 2009

	Internal Service Fund
Operating receipts:	
Charges for services	\$ 988,727
Miscellaneous	449,308
Total operating receipts	1,438,035
Operating disbursements:	
Insurance claims and expense	981,280
Interfund loans	389,940
Total operating disbursements	1,371,220
Change in net assets	66,815
Cash and investment fund balance - beginning	17,207,540
Cash and investment fund balance - ending	\$ 17,274,355
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	\$ 17,274,355
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	\$ 17,274,355

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, 2010

	Internal Service Fund
Operating receipts:	
Charges for services	\$ 1,291,360
Miscellaneous	68,379
Interfund loans	4,364,637
Total operating receipts	5,724,376
Operating disbursements:	
Insurance claims and expense	2,406,021
Interfund loans	4,685,968
Total operating disbursements	7,091,989
Excess (deficiency) of operating receipts over operating disbursements	(1,367,613)
Transfers in	27,461
Transfers out	(77)
Change in net assets	(1,340,229)
Cash and investment fund balance - beginning	17,274,355
Cash and investment fund balance - ending	\$ 15,934,126
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	\$ 15,934,126
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	\$ 15,934,126

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

GARY COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2009

	<u>Agency Funds</u>
Cash and investments fund balance - ending	<u>\$ (6,867,713)</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 FUNDS
For the Year Ended June 30, 2010

	<u>Agency Funds</u>
Cash and investments fund balance - ending	<u>\$ (2,206,723)</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 following:

Primary Government: 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*.

Related Organizations

The School Corporation's officials are also responsible for appointing the voting majority of the boards of other organizations, but the School Corporation's accountability for these organizations does not extend beyond making the appointments. The School Corporation appoints the voting majority of the Gary Community School Building Corporation.

Joint Venture

The School Corporation, in conjunction with participating school corporations, govern 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. 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.

GARY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

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

The Textbook Rental Fund is used to account for receipts and disbursements for the textbook rental program.

The Fiscal Stabilization Stimulus Fund accounts for the fiscal stabilization funds from the American Recovery and Reinvestment Act of 2009 from the federal government.

The Construction Fund accounts for planned construction, repair, replacement or remodeling of building projects.

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

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

GARY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds.

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

D. Assets and Cash and Investment Balances

1. Restricted Assets

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

2. Cash and Investments

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

3. Property Taxes

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

4. 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.

GARY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

5. Long-Term Debt

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

6. Equity Classification

Government-Wide Statements

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

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

Fund Financial Statements

Governmental fund equity is classified as fund balance. 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 Activities

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

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.

GARY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Government-Wide Financial Statements

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

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

G. Rounding Differences

The financial statements may contain immaterial differences due to rounding of amounts when the statements were compiled. These differences are considered trivial and do not affect the overall presentation of the financial statements.

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

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

GARY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Cash Balance Deficits

At June 30, 2009 and 2010, the Agency Funds reported a \$6,867,713 and \$2,206,723, respectively, deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as authorized by state statute. The cash and investment deficit arose primarily from a balance carried forward from 1999 through 2008 of \$2,236,181 resulting from errors in recording employee insurance benefits. The remainder of the 2009 balance of \$4,631,532 resulted from timing differences between payment of insurance benefit invoices and subsequent recording the employer share of said insurance benefit. The remainder of the 2010 balance is a surplus of \$29,458, which is acceptable under the Uniform Compliance Guidelines as authorized by state statute. The 1999 through 2008 deficit balance of \$2,236,181 will be cleared through a board-approved transfer from the Self-Insurance Fund before December 31, 2010.

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 deposit policy for custodial credit risk. At June 30, 2010, the School Corporation had deposit balances in the amount of \$37,284,016.

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

GARY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 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, 2009 and 2010, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2009</u>	<u>2010</u>
General Fund	Other Governmental Funds	\$ -	\$ 9,389
	Internal Service Fund	-	27,461
Textbook Rental	Other Governmental Funds	686,828	-
Other Governmental Funds	General Fund	-	21,352
	Textbook Rental	33,269	-
	Other Governmental Funds	735,960	4,722,796
Internal Service Fund	General Fund	-	77
Totals		<u>\$ 1,456,057</u>	<u>\$ 4,781,075</u>

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

C. Tax Anticipation Warrants

Tax anticipation warrant outstanding balances as of June 30, 2009 and 2010 are detailed in the following schedule:

	<u>Principal Outstanding July 1, 2008</u>	<u>New Loan Amount</u>	<u>Repayments</u>	<u>Principal Outstanding June 30, 2009</u>
General	\$ 16,939,773	\$ -	\$ 16,939,773	\$ -
Transportation Operating	8,058,882	3,212,184	8,058,882	3,212,184
Special Education Preschool	36,749	-	36,749	-
Debt Service	1,791,056	-	1,791,056	-
Capital Projects	9,163,078	3,329,838	9,163,078	3,329,838
Totals	<u>\$ 35,989,538</u>	<u>\$ 6,542,022</u>	<u>\$ 35,989,538</u>	<u>\$ 6,542,022</u>

GARY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Principal Outstanding July 1, 2009	New Loan Amount	Repayments	Principal Outstanding June 30, 2010
Transportation Operating Debt Service	\$ 3,212,184	\$ 2,029,089	\$ 3,212,184	\$ 2,029,089
Capital Projects	-	843,792	-	843,792
	<u>3,329,838</u>	<u>2,862,644</u>	<u>3,329,838</u>	<u>2,862,644</u>
Totals	<u>\$ 6,542,022</u>	<u>\$ 5,735,525</u>	<u>\$ 6,542,022</u>	<u>\$ 5,735,525</u>

D. Temporary Interfund Loans

Temporary interfund loans for the year ended June 30, 2009 and 2010 were as follows:

Loan to	Loan From	07-01-08 Beginning Loans Outstanding	Proceeds	Repayments	06-30-09 Ending Loans Outstanding
Adult Education Administration Support	General	\$ 38,736	\$ -	\$ 38,736	\$ -
Adolescent Health	General	5,300	-	5,300	-
Safe & Drug Free Schools	General	253,570	-	253,570	-
Special Education Preschool Grant	General	13,627	-	13,627	-
Adult Education Administration Support	Internal Service	-	51,848	-	51,848
Safe & Drug Free Schools	Internal Service	-	11,918	-	11,918
Special Education Improvement	Internal Service	-	134,608	-	134,608
Debt Service	Internal Service	-	191,566	-	191,566
Totals		<u>\$ 311,233</u>	<u>\$ 389,940</u>	<u>\$ 311,233</u>	<u>\$ 389,940</u>

Loan to	Loan From	07-01-09 Beginning Loans Outstanding	Proceeds	Repayments	06-30-10 Ending Loans Outstanding
Transportation	Internal Service	\$ -	\$ 200,000	\$ 200,000	\$ -
Adult Education Administration Support	Internal Service	51,848	49,164	51,848	49,164
Special Education Improvement	Internal Service	134,608	-	134,608	-
Safe & Drug Free Schools	Internal Service	11,918	-	11,918	-
Debt Service	Internal Service	191,566	2,551,523	2,466,263	276,826
Non-Exempt Debt Service	Internal Service	-	385,281	-	385,281
Capital Projects	Internal Service	-	1,500,000	1,500,000	-
Totals		<u>\$ 389,940</u>	<u>\$ 4,685,968</u>	<u>\$ 4,364,637</u>	<u>\$ 711,271</u>

IV. Other Information

A. Risk Management

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

GARY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

The risks of errors and omissions; medical benefits to employees, retirees, and dependents; and natural disasters are covered by commercial insurance from independent third parties.

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. Limits are not set on the amount 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. Intefund 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.

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

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 years 2009 and 2010 totaled \$1,383,000, and \$1,382,000, respectively.

C. Subsequent Events

Reassessment and Property Taxes

Due to delays caused by trending of assessments, the assessed valuations of Lake County were not finalized by February 15, 2010, as required. Therefore, the 2009 pay 2010 property tax rates and levies, as well as related budget orders for 2010, were not established. The County issued a provisional billing due May 10, 2010, based upon the 2008 pay 2009 tax rates. The 2009 pay 2010 tax rates and levies were established as of September 2010. The County sent reconciliation tax bills due November 30, 2010. The County has not determined when the tax collections will be distributed.

Early Retirement Incentive Plan

The School Corporation and Gary Teachers Union, Local No. 4, AFT, approved an early retirement incentive to teachers who were eligible for normal retirement from the Indiana State Teachers' Retirement Fund pursuant to IC 5-10.2-4-1(b). The teacher had until April 26, 2010, to submit an irrevocable letter of retirement with a retirement date on or after January 1, 2010, and prior to commencement of the 2010-2011 school year. The teacher that elected to participate in the early retirement incentive plan received a one-time deposit of \$20,000 into the teacher's

GARY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Section 403(b) account pursuant to the U.S. Internal Revenue Code on or before August 31, 2010, and any and all severance pay and terminal retirement pay the teacher may be entitled to pursuant the Collective Bargaining Agreement. On August 25, 2010, the School Corporation disbursed \$1,440,000 to the teacher's Section 403(b) account for 72 retirees from the General Fund. The severance pay and terminal retirement pay was paid to the teachers by June 30, 2010, and included in the Termination Benefits note below.

Capital Lease

In December 2010, the Gary Community School Building Corporation (Building Corporation) sold \$10,000,000 Taxable Ad Valorem Property Tax First Mortgage Bonds, Series 2010 (Recovery Zone Economic Development Bonds – Direct Payment Option). The proceeds from the bonds will be used to acquire, construct, and renovate Locke Elementary School from the School Corporation and pay related issuance costs and capitalized interest. The Building Corporation will repay the bonds solely from lease rental revenue received from the School Corporation under a lease agreement dated as of March 9, 2010, by and between the Building Corporation, as lessor, and the School Corporation, as lessee. Bids for the project were received by the School Corporation in November 2010 and awarded in December 2010.

Common School Loan

In July 2010, the School Corporation borrowed \$1,013,000 from the State of Indiana Common School Fund as a short-term loan for technology improvements.

Tax Anticipation Warrants

In December 2010, the School Corporation approved to roll over the 2010 outstanding tax anticipation warrants with the Indiana Bond Bank for the Transportation Operating, Debt Service, and Capital Projects Funds for \$2,029,089, \$843,792, and \$2,862,644, respectively, since the County had not distributed the collected tax revenues.

In December 2010, the School Corporation plans on borrowing 2011 tax anticipation warrants for the Transportation Operating, Debt Service, Non-Exempt Debt Service, and Capital Projects Funds for \$1,092,367, \$1,294,061, \$818,962 and \$1,798,358, respectively.

Educational Jobs Fund

In August 2010, the School Corporation was notified by the Indiana Department of Education of federally enacted legislation that will provide Indiana one-time funding to be used for compensation, benefits and support services to retain existing employees, rehire former employees or hire new employees to provide childhood, elementary or secondary educational services. The School Corporation's Educational Jobs funding available for draw down between November 2010 and September 30, 2012, is \$3,235,394. As of December 17, 2010, the School Corporation had not made any draws.

D. Contingent Liabilities

The School Corporation has been named as a defendant in several pending lawsuits of which the outcome and the amount of potential damages has not been estimated.

GARY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Termination Benefits

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, 2009 and 2010, the School Corporation disbursed \$332,855 to 60 employees and \$813,953 to 121 employees, respectively, in termination benefits.

F. U.S. Steel Property Tax Assessment Appeal Settlement

During 2009, a settlement agreement was reached between the United States Steel Corporation (U.S. Steel) and Lake County (Assessor, Auditor, Treasurer, Property Tax Assessment Board of Appeals, Council, and Commissioners) for the refund of tax overpayments for 2001, 2006, 2007, and 2008. U.S. Steel will receive a net refund of \$13,580,544, including interest, payable in the form of property tax credits against U.S. Steel's property tax obligations for tax years payable 2010 through 2013. The property tax credits total \$3,395,136 each year. Also, the 2001 property tax replacement credits (PTRC) need to be refunded to the State of Indiana. The assessment appeals of 2006 through 2008 were dismissed as part of this settlement agreement. This agreement also affects the following other taxing units: Lake County, City of Gary, Calumet Township, Gary Public Library, and Gary Airport. The approximate total impact on all taxing units is a decrease in property tax receipts of \$3,900,000 annually.

G. Economic Factors

Circuit Breaker Tax Credit

In 2008, the Indiana General Assembly passed House Enrolled Act 1001 (HEA 1001) which provides a property tax credit (the Circuit Breaker Tax Credit) when the taxes on any property exceed a certain percentage of the property's assessed value. The credit is phased in over two years. For taxes payable in 2010, the applicable percentages for homestead (owner-occupied) residential property, other residential property, and commercial/industrial property are 1%, 2%, and 3%, respectively. The Circuit Breaker Tax Credit will result in a reduction of property tax collections for each political subdivision in which the Circuit Breaker Tax Credit is applied. A political subdivision may not increase its property tax levy or borrow funds to offset the effects of the Circuit Breaker Tax Credit. The General Assembly passed a bill to minimize the effect for school districts for 2009 and 2010 calendar years. A grant was issued to provide funding for approximately 95% reimbursement of the Circuit Breaker Tax Credit loss for 2009. The grant amount for 2010 will be distributed prior to year-end.

The Indiana Department of Local Government Finance (IDLGF) has taken an administrative position that existing law requires taxing units to fully fund any levies for the payment of outstanding debt service or lease rental obligations regardless of any reduction in property tax collections due to the application of the Circuit Breaker Tax Credit. The IDLGF's position is that property taxes collected by a political subdivision must first be applied to pay debt service or lease rental obligations on all outstanding bonds or lease rental revenue bonds. If property tax collections are insufficient to fully fund debt service requirements due to the Circuit Breaker Tax Credit, the IDLGF has indicated the taxing units must use nonproperty tax revenues or revenues from property tax levies for other funds to offset revenue loss to the debt service fund.

GARY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

State Funding Formula

The 2010 State funding formula changed the "deghoster" factor, which averages the loss of revenue from declining enrollment, from five (5) years to three (3) years. Since the funding formula considers the greater of either the current year's Average Daily Membership (ADM) or the calculated average over the past three years, the School Corporation's adjusted ADM greatly decreased. The change in the "deghoster" factor means the School Corporation will have increased budget reductions until enrollment stabilizes.

H. Pension Plans

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

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the School Corporation during the period were \$4,359,559.

GARY COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy

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

The School Corporation's contributions to the plan during the period were \$8,061,923.

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, 2009

	Transportation	Special Education Preschool	Rainy Day	Food Service	Alternative Education	Safe Haven
Receipts:						
Local sources	\$ 9,840,416	\$ 51,127	\$ -	\$ 777,376	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	287,400	-	20,938	21,895	-
Federal sources	-	-	-	4,221,084	-	54,836
Temporary loans	3,212,184	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	-	-	1,450	-	-
Total receipts	13,052,600	338,527	-	5,020,848	21,895	54,836
Disbursements:						
Current:						
Instruction	-	299,497	-	-	9,060	53,400
Support services	11,821,754	-	-	41,450	-	-
Noninstructional services	367,694	-	-	5,426,063	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	8,058,882	36,749	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	20,248,330	336,246	-	5,467,513	9,060	53,400
Excess (deficiency) of receipts over disbursements	(7,195,730)	2,281	-	(446,665)	12,835	1,436
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(7,195,730)	2,281	-	(446,665)	12,835	1,436
Cash and investments - beginning	9,347,021	13,853	78,436	2,676,693	-	-
Cash and investments - ending	\$ 2,151,291	\$ 16,134	\$ 78,436	\$ 2,230,028	\$ 12,835	\$ 1,436
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 2,151,291	\$ 16,134	\$ 78,436	\$ 2,230,028	\$ 12,835	\$ 1,436
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ 2,151,291	\$ 16,134	\$ 78,436	\$ 2,230,028	\$ 12,835	\$ 1,436

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, 2009
 (Continued)

	Instruction Supplemental	Special Education United Way	Gifted/ Talented	Bilingual	Technology Planning Grant	WGVE Broadcast
Receipts:						
Local sources	\$ -	\$ 12,718	\$ -	\$ -	\$ -	\$ 74,443
Intermediate sources	-	-	-	-	-	-
State sources	-	-	91,117	2,399	-	-
Federal sources	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	-	12,718	91,117	2,399	-	74,443
Disbursements:						
Current:						
Instruction	-	8,238	112,914	-	-	82,066
Support services	-	-	-	-	248,064	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	-	8,238	112,914	-	248,064	82,066
Excess (deficiency) of receipts over disbursements	-	4,480	(21,797)	2,399	(248,064)	(7,623)
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	257,721	-
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	257,721	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	4,480	(21,797)	2,399	9,657	(7,623)
Cash and investments - beginning	130	9,855	25,335	6,177	-	17,348
Cash and investments - ending	\$ 130	\$ 14,335	\$ 3,538	\$ 8,576	\$ 9,657	\$ 9,725
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 130	\$ 14,335	\$ 3,538	\$ 8,576	\$ 9,657	\$ 9,725
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ 130	\$ 14,335	\$ 3,538	\$ 8,576	\$ 9,657	\$ 9,725

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, 2009
 (Continued)

	Title I School Improvement	Title I	Special Education Preschool Grant	Adult Basic Education	Adult Education Administration Support	Special Education Improvement
Receipts:						
Local sources	\$ -	\$ 10,237	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	464,000	11,249,171	143,443	243,524	91,737	3,192,261
Temporary loans	-	-	-	-	-	-
Interfund loans	-	-	-	-	51,848	134,608
Other	-	-	-	-	-	-
Total receipts	464,000	11,259,408	143,443	243,524	143,585	3,326,869
Disbursements:						
Current:						
Instruction	84,966	7,846,791	120,740	230,618	104,849	3,217,487
Support services	373,641	2,287,512	1,965	5,857	-	98,107
Noninstructional services	7,974	318,705	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Interfund loans	-	-	13,627	-	38,736	-
Total disbursements	466,581	10,453,008	136,332	236,475	143,585	3,315,594
Excess (deficiency) of receipts over disbursements	(2,581)	806,400	7,111	7,049	-	11,275
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	-
Sale of capital assets	-	979	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(273,189)
Total other financing sources (uses)	-	979	-	-	-	(273,189)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,581)	807,379	7,111	7,049	-	(261,914)
Cash and investments - beginning	113,435	585,775	-	12,371	-	261,914
Cash and investments - ending	<u>\$ 110,854</u>	<u>\$ 1,393,154</u>	<u>\$ 7,111</u>	<u>\$ 19,420</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 110,854</u>	<u>\$ 1,393,154</u>	<u>\$ 7,111</u>	<u>\$ 19,420</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 110,854</u>	<u>\$ 1,393,154</u>	<u>\$ 7,111</u>	<u>\$ 19,420</u>	<u>\$ -</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, 2009
 (Continued)

	Safe & Drug Free Schools	Impact Aid	UTEP	Carl D. Perkins	Adolescent Health	Title II
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500
Intermediate sources	-	-	4,000	-	-	-
State sources	-	-	-	-	-	-
Federal sources	181,376	37,990	-	692,325	3,005	2,078,156
Temporary loans	-	-	-	-	-	-
Interfund loans	11,918	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	193,294	37,990	4,000	692,325	3,005	2,078,656
Disbursements:						
Current:						
Instruction	-	19,365	-	697,978	-	1,045,485
Support services	285,649	23,619	-	-	1,565	517,887
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	23,779
Debt services	-	-	-	-	-	-
Interfund loans	253,570	-	-	-	5,300	-
Total disbursements	539,219	42,984	-	697,978	6,865	1,587,151
Excess (deficiency) of receipts over disbursements	(345,925)	(4,994)	4,000	(5,653)	(3,860)	491,505
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Transfers in	345,925	-	-	-	-	-
Transfers out	-	-	-	-	-	(462,771)
Total other financing sources (uses)	345,925	-	-	-	-	(462,771)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(4,994)	4,000	(5,653)	(3,860)	28,734
Cash and investments - beginning	-	77,386	935	99,436	3,860	279,129
Cash and investments - ending	\$ -	\$ 72,392	\$ 4,935	\$ 93,783	\$ -	\$ 307,863
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 72,392	\$ 4,935	\$ 93,783	\$ -	\$ 307,863
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ -	\$ 72,392	\$ 4,935	\$ 93,783	\$ -	\$ 307,863

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, 2009
 (Continued)

	Title II Part B	Deep River	Technology	Vision Athena	QZAB/ Restrooms	Title V Part A
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	449,150	-	-	-
Federal sources	-	-	-	-	-	27,059
Temporary loans	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	-	-	449,150	-	-	27,059
Disbursements:						
Current:						
Instruction	-	-	-	-	-	63,399
Support services	101,056	7,283	215,424	-	-	118,864
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Total disbursements	101,056	7,283	215,424	-	-	182,263
Excess (deficiency) of receipts over disbursements	(101,056)	(7,283)	233,726	-	-	(155,204)
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	116,846
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	116,846
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(101,056)	(7,283)	233,726	-	-	(38,358)
Cash and investments - beginning	101,056	9,000	1,304,441	36,810	121,056	61,919
Cash and investments - ending	<u>\$ -</u>	<u>\$ 1,717</u>	<u>\$ 1,538,167</u>	<u>\$ 36,810</u>	<u>\$ 121,056</u>	<u>\$ 23,561</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ -</u>	<u>\$ 1,717</u>	<u>\$ 1,538,167</u>	<u>\$ 36,810</u>	<u>\$ 121,056</u>	<u>\$ 23,561</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ -</u>	<u>\$ 1,717</u>	<u>\$ 1,538,167</u>	<u>\$ 36,810</u>	<u>\$ 121,056</u>	<u>\$ 23,561</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, 2009
 (Continued)

	Special Education Main Grant Carryover	Common School	Debt Service	Capital Projects	Construction Loan	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ 3,295,314	\$ 9,852,152	\$ -	\$ 23,914,283
Intermediate sources	-	-	-	-	-	4,000
State sources	-	-	-	-	-	872,899
Federal sources	-	-	-	-	-	22,679,967
Temporary loans	-	-	-	3,329,838	-	6,542,022
Interfund loans	-	-	191,566	-	-	389,940
Other	-	-	-	-	-	1,450
Total receipts	-	-	3,486,880	13,181,990	-	54,404,561
Disbursements:						
Current:						
Instruction	56,040	-	-	-	-	14,052,893
Support services	(275)	165,307	1,354,219	5,232,428	-	22,901,376
Noninstructional services	-	-	-	-	-	6,120,436
Facilities acquisition and construction	-	66	-	4,614,805	-	4,638,650
Debt services	-	-	4,050,508	9,163,078	-	21,309,217
Interfund loans	-	-	-	-	-	311,233
Total disbursements	55,765	165,373	5,404,727	19,010,311	-	69,333,805
Excess (deficiency) of receipts over disbursements	(55,765)	(165,373)	(1,917,847)	(5,828,321)	-	(14,929,244)
Other financing sources (uses):						
Proceeds of long-term debt	-	380,843	-	-	-	638,564
Sale of capital assets	-	-	-	163	-	1,142
Transfers in	273,189	-	686,828	-	-	1,422,788
Transfers out	-	-	(33,269)	-	-	(769,229)
Total other financing sources (uses)	273,189	380,843	653,559	163	-	1,293,265
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	217,424	215,470	(1,264,288)	(5,828,158)	-	(13,635,979)
Cash and investments - beginning	-	46,051	1,264,288	6,260,856	12,217	22,826,783
Cash and investments - ending	\$ 217,424	\$ 261,521	\$ -	\$ 432,698	\$ 12,217	\$ 9,190,804
Cash and Investment Assets - Ending						
Cash and investments	\$ 217,424	\$ 261,521	\$ -	\$ 432,698	\$ 12,217	\$ 9,190,804
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 217,424	\$ 261,521	\$ -	\$ 432,698	\$ 12,217	\$ 9,190,804

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, 2010

	Transportation	Special Education Preschool	Rainy Day	Food Service	Alternative Education	Safe Haven
Receipts:						
Local sources	\$ 8,414,832	\$ 23	\$ -	\$ 755,744	\$ -	\$ -
Intermediate sources	662	-	-	-	-	-
State sources	1,150,722	163,625	-	16,528	-	-
Federal sources	-	-	-	4,354,165	-	-
Temporary loans	2,029,089	-	-	-	-	-
Interfund loans	200,000	-	-	-	-	-
Other	-	-	-	1,260	-	-
Total receipts	11,795,305	163,648	-	5,127,697	-	-
Disbursements:						
Current:						
Instruction	-	170,394	-	-	3,051	1,436
Support services	11,070,472	-	-	1,260	-	-
Noninstructional services	346,359	-	-	5,035,937	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	3,212,184	-	-	-	-	-
Interfund loans	200,000	-	-	-	-	-
Total disbursements	14,829,015	170,394	-	5,037,197	3,051	1,436
Excess (deficiency) of receipts over disbursements	(3,033,710)	(6,746)	-	90,500	(3,051)	(1,436)
Other financing sources (uses):						
Proceeds of long-term debt	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Transfers in	2,082,509	9,389	-	-	-	-
Transfers out	-	(18,777)	-	-	-	-
Total other financing sources (uses)	2,082,509	(9,388)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(951,201)	(16,134)	-	90,500	(3,051)	(1,436)
Cash and investments - beginning	2,151,291	16,134	78,436	2,230,028	12,835	1,436
Cash and investments - ending	\$ 1,200,090	\$ -	\$ 78,436	\$ 2,320,528	\$ 9,784	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ 1,200,090	\$ -	\$ 78,436	\$ 2,320,528	\$ 9,784	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 1,200,090	\$ -	\$ 78,436	\$ 2,320,528	\$ 9,784	\$ -
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	1,200,090	-	78,436	2,320,528	9,784	-
Total cash and investment fund balance - ending	\$ 1,200,090	\$ -	\$ 78,436	\$ 2,320,528	\$ 9,784	\$ -

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, 2010
 (Continued)

	Instruction Supplemental	Special Education United Way	Gifted/ Talented	Bilingual	Technology Planning Grant	WGVE Broadcast	Title I School Improvement
Receipts:							
Local sources	\$ 15,000	\$ 7,704	\$ -	\$ -	\$ -	\$ 95,349	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	80,259	3,219	-	-	-
Federal sources	-	-	-	-	-	-	395,275
Temporary loans	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	<u>15,000</u>	<u>7,704</u>	<u>80,259</u>	<u>3,219</u>	<u>-</u>	<u>95,349</u>	<u>395,275</u>
Disbursements:							
Current:							
Instruction	-	2,054	34,945	-	-	42,440	42,977
Support services	445	-	-	-	-	-	411,537
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	<u>445</u>	<u>2,054</u>	<u>34,945</u>	<u>-</u>	<u>-</u>	<u>42,440</u>	<u>454,514</u>
Excess (deficiency) of receipts over disbursements	<u>14,555</u>	<u>5,650</u>	<u>45,314</u>	<u>3,219</u>	<u>-</u>	<u>52,909</u>	<u>(59,239)</u>
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>14,555</u>	<u>5,650</u>	<u>45,314</u>	<u>3,219</u>	<u>-</u>	<u>52,909</u>	<u>(59,239)</u>
Cash and investments - beginning	<u>130</u>	<u>14,335</u>	<u>3,538</u>	<u>8,576</u>	<u>9,657</u>	<u>9,725</u>	<u>110,854</u>
Cash and investments - ending	<u>\$ 14,685</u>	<u>\$ 19,985</u>	<u>\$ 48,852</u>	<u>\$ 11,795</u>	<u>\$ 9,657</u>	<u>\$ 62,634</u>	<u>\$ 51,615</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 14,685	\$ 19,985	\$ 48,852	\$ 11,795	\$ 9,657	\$ 62,634	\$ 51,615
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 14,685</u>	<u>\$ 19,985</u>	<u>\$ 48,852</u>	<u>\$ 11,795</u>	<u>\$ 9,657</u>	<u>\$ 62,634</u>	<u>\$ 51,615</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	14,685	19,985	48,852	11,795	9,657	62,634	51,615
Total cash and investment fund balance - ending	<u>\$ 14,685</u>	<u>\$ 19,985</u>	<u>\$ 48,852</u>	<u>\$ 11,795</u>	<u>\$ 9,657</u>	<u>\$ 62,634</u>	<u>\$ 51,615</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, 2010
 (Continued)

	Title I	Special Education Preschool Grant	Adult Basic Education	Adult Education Administration Support	Special Education Improvement	Safe & Drug Free Schools	Impact Aid
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	13,243,949	133,352	232,597	114,864	3,728,240	144,087	12,640
Temporary loans	-	-	-	-	-	-	-
Interfund loans	-	-	-	49,164	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	13,243,949	133,352	232,597	164,028	3,728,240	144,087	12,640
Disbursements:							
Current:							
Instruction	10,020,000	131,123	227,468	109,605	3,106,537	-	9,430
Support services	3,487,184	3,712	3,503	-	79,545	413,896	25,305
Noninstructional services	301,318	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Interfund loans	-	-	-	51,848	134,608	11,918	-
Total disbursements	13,808,502	134,835	230,971	161,453	3,320,690	425,814	34,735
Excess (deficiency) of receipts over disbursements	(564,553)	(1,483)	1,626	2,575	407,550	(281,727)	(22,095)
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	700	-	-	-	-	-	-
Transfers in	-	-	-	-	-	400,000	-
Transfers out	-	-	-	(2,575)	(230,750)	-	-
Total other financing sources (uses)	700	-	-	(2,575)	(230,750)	400,000	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(563,853)	(1,483)	1,626	-	176,800	118,273	(22,095)
Cash and investments - beginning	1,393,154	7,111	19,420	-	-	-	72,392
Cash and investments - ending	\$ 829,301	\$ 5,628	\$ 21,046	\$ -	\$ 176,800	\$ 118,273	\$ 50,297
Cash and Investment Assets - Ending							
Cash and investments	\$ 829,301	\$ 5,628	\$ 21,046	\$ -	\$ 176,800	\$ 118,273	\$ 50,297
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 829,301	\$ 5,628	\$ 21,046	\$ -	\$ 176,800	\$ 118,273	\$ 50,297
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	829,301	5,628	21,046	-	176,800	118,273	50,297
Total cash and investment fund balance - ending	\$ 829,301	\$ 5,628	\$ 21,046	\$ -	\$ 176,800	\$ 118,273	\$ 50,297

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, 2010
 (Continued)

	UTEP	Carl D. Perkins	Title II	Title II Part D	Deep River	Technology	Vision Athena
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	4,000	-	-	-	-	-	-
State sources	-	-	-	-	-	451,395	-
Federal sources	-	787,905	1,975,295	222,533	-	-	-
Temporary loans	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	4,000	787,905	1,975,295	222,533	-	451,395	-
Disbursements:							
Current:							
Instruction	-	778,381	1,000,133	-	-	143,951	-
Support services	699	13,363	430,863	131,882	791	549,865	28,175
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	20,183	-	-	-	-
Debt services	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	699	791,744	1,451,179	131,882	791	693,816	28,175
Excess (deficiency) of receipts over disbursements	3,301	(3,839)	524,116	90,651	(791)	(242,421)	(28,175)
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	(550,000)	-	-	-	-
Total other financing sources (uses)	-	-	(550,000)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,301	(3,839)	(25,884)	90,651	(791)	(242,421)	(28,175)
Cash and investments - beginning	4,935	93,783	307,863	-	1,717	1,538,167	36,810
Cash and investments - ending	<u>\$ 8,236</u>	<u>\$ 89,944</u>	<u>\$ 281,979</u>	<u>\$ 90,651</u>	<u>\$ 926</u>	<u>\$ 1,295,746</u>	<u>\$ 8,635</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 8,236	\$ 89,944	\$ 281,979	\$ 90,651	\$ 926	\$ 1,295,746	\$ 8,635
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 8,236</u>	<u>\$ 89,944</u>	<u>\$ 281,979</u>	<u>\$ 90,651</u>	<u>\$ 926</u>	<u>\$ 1,295,746</u>	<u>\$ 8,635</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	8,236	89,944	281,979	90,651	926	1,295,746	8,635
Total cash and investment fund balance - ending	<u>\$ 8,236</u>	<u>\$ 89,944</u>	<u>\$ 281,979</u>	<u>\$ 90,651</u>	<u>\$ 926</u>	<u>\$ 1,295,746</u>	<u>\$ 8,635</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, 2010
 (Continued)

	QZAB/ Restrooms	Title V Part A	Special Education Main Grant Carryover	Common School	Title I Stimulus	Special Education Stimulus	Special Education Preschool Stimulus
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	10,556	-	-	2,005,883	1,346,176	49,726
Temporary loans	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	10,556	-	-	2,005,883	1,346,176	49,726
Disbursements:							
Current:							
Instruction	-	36,804	411,853	-	593,054	784,885	12,693
Support services	-	147,313	10,920	1,293,758	658,857	16,977	3,343
Noninstructional services	-	-	-	-	36,633	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	-	184,117	422,773	1,293,758	1,288,544	801,862	16,036
Excess (deficiency) of receipts over disbursements	-	(173,561)	(422,773)	(1,293,758)	717,339	544,314	33,690
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	1,289,614	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	150,000	230,750	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	150,000	230,750	1,289,614	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(23,561)	(192,023)	(4,144)	717,339	544,314	33,690
Cash and investments - beginning	121,056	23,561	217,424	261,521	-	-	-
Cash and investments - ending	\$ 121,056	\$ -	\$ 25,401	\$ 257,377	\$ 717,339	\$ 544,314	\$ 33,690
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 121,056	\$ -	\$ 25,401	\$ 257,377	\$ 717,339	\$ 544,314	\$ 33,690
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 121,056	\$ -	\$ 25,401	\$ 257,377	\$ 717,339	\$ 544,314	\$ 33,690
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	121,056	-	25,401	257,377	717,339	544,314	33,690
Total cash and investment fund balance - ending	\$ 121,056	\$ -	\$ 25,401	\$ 257,377	\$ 717,339	\$ 544,314	\$ 33,690

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, 2010
 (Continued)

	Education Technology Stimulus	School Lunch Equipment Stimulus	Debt Service	Non-Exempt Debt Service	Capital Projects	Construction Loan	Totals
Receipts:							
Local sources	\$ -	\$ -	\$ 1,847,434	\$ 660,761	\$ 8,009,192	\$ -	\$ 19,806,039
Intermediate sources	-	-	144	52	629	-	5,487
State sources	-	-	1,493,109	-	3,869,768	-	7,228,625
Federal sources	276,000	25,220	-	-	-	-	29,058,463
Temporary loans	-	-	843,792	-	2,862,644	-	5,735,525
Interfund loans	-	-	2,551,523	385,281	1,500,000	-	4,685,968
Other	-	-	-	-	35,000	-	36,260
Total receipts	276,000	25,220	6,736,002	1,046,094	16,277,233	-	66,556,367
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	17,663,214
Support services	80,979	2,900	903,140	-	3,178,535	-	22,949,219
Noninstructional services	-	22,320	-	-	-	-	5,742,567
Facilities acquisition and construction	-	-	-	-	5,651,421	-	5,671,604
Debt services	-	-	2,775,843	1,025,785	3,329,838	-	10,343,650
Interfund loans	-	-	2,466,263	-	1,500,000	-	4,364,637
Total disbursements	80,979	25,220	6,145,246	1,025,785	13,659,794	-	66,734,891
Excess (deficiency) of receipts over disbursements	195,021	-	590,756	20,309	2,617,439	-	(178,524)
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	-	-	1,289,614
Sale of capital assets	-	-	-	-	731	-	1,431
Transfers in	-	-	1,675,645	55,231	128,661	-	4,732,185
Transfers out	-	-	(2,214,625)	(75,540)	(1,651,881)	-	(4,744,148)
Total other financing sources (uses)	-	-	(538,980)	(20,309)	(1,522,489)	-	1,279,082
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	195,021	-	51,776	-	1,094,950	-	1,100,558
Cash and investments - beginning	-	-	-	-	432,698	12,217	9,190,804
Cash and investments - ending	\$ 195,021	\$ -	\$ 51,776	\$ -	\$ 1,527,648	\$ 12,217	\$ 10,291,362
Cash and Investment Assets - Ending							
Cash and investments	\$ 195,021	\$ -	\$ -	\$ -	\$ 1,527,648	\$ 12,217	\$ 10,239,586
Restricted assets:							
Cash and investments	-	-	51,776	-	-	-	51,776
Total cash and investment assets - ending	\$ 195,021	\$ -	\$ 51,776	\$ -	\$ 1,527,648	\$ 12,217	\$ 10,291,362
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ 51,776	\$ -	\$ -	\$ -	\$ 51,776
Unrestricted	195,021	-	-	-	1,527,648	12,217	10,239,586
Total cash and investment fund balance - ending	\$ 195,021	\$ -	\$ 51,776	\$ -	\$ 1,527,648	\$ 12,217	\$ 10,291,362

GARY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2009

	Employee FICA	Employee Pensions	Savings Bonds	Employee Insurance	FIT	State Tax	Annuities
Additions:							
Agency fund additions	\$ 7,557,203	\$ 348,280	\$ 37,693	\$ 16,571,756	\$ 12,287,278	\$ 3,214,217	\$ 5,404,223
Deductions:							
Agency fund deductions	<u>7,557,203</u>	<u>352,583</u>	<u>37,700</u>	<u>21,330,127</u>	<u>12,287,278</u>	<u>3,214,217</u>	<u>5,404,223</u>
Excess (deficiency) of total additions over total deductions	-	(4,303)	(7)	(4,758,371)	-	-	-
Cash and investment fund balance - beginning	<u>37</u>	<u>87,840</u>	<u>835</u>	<u>(2,215,364)</u>	<u>-</u>	<u>-</u>	<u>(2,160)</u>
Cash and investment fund balance - ending	<u>\$ 37</u>	<u>\$ 83,537</u>	<u>\$ 828</u>	<u>\$ (6,973,735)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,160)</u>

GARY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Garnishments	Union Dues	Withholdings	Credit Union	Provident Life Insurance	Short-Term Disability	Totals
Additions:							
Agency fund additions	\$ 1,263,125	\$ 1,218,573	\$ 24,058	\$ 4,245,334	\$ 159,727	\$ 363,605	\$ 52,695,072
Deductions:							
Agency fund deductions	1,263,350	1,196,290	24,128	4,245,334	159,727	363,605	57,435,765
Excess (deficiency) of total additions over total deductions	(225)	22,283	(70)	-	-	-	(4,740,693)
Cash and investment fund balance - beginning	225	1,510	70	-	-	(13)	(2,127,020)
Cash and investment fund balance - ending	\$ -	\$ 23,793	\$ -	\$ -	\$ -	\$ (13)	\$ (6,867,713)

GARY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2010

	Employee FICA	Employee Pensions	Savings Bonds	Employee Insurance	FIT	State Tax	Annuities
Additions:							
Agency fund additions	\$ 7,035,820	\$ 316,714	\$ 30,810	\$ 22,827,219	\$ 11,189,121	\$ 3,018,437	\$ 4,533,783
Deductions:							
Agency fund deductions	7,035,820	324,897	31,250	18,174,241	11,189,121	3,018,437	4,533,788
Excess (deficiency) of total additions over total deductions	-	(8,183)	(440)	4,652,978	-	-	(5)
Cash and investment fund balance - beginning	37	83,537	828	(6,973,735)	-	-	(2,160)
Cash and investment fund balance - ending	\$ 37	\$ 75,354	\$ 388	\$ (2,320,757)	\$ -	\$ -	\$ (2,165)

GARY COMMUNITY SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2010
 (Continued)

	<u>Garnishments</u>	<u>Union Dues</u>	<u>Withholdings</u>	<u>Credit Union</u>	<u>Provident Life Insurance</u>	<u>Short-Term Disability</u>	<u>Retirees Life Insurance</u>	<u>Totals</u>
Additions:								
Agency fund additions	\$ 1,088,135	\$ 1,157,957	\$ 9,919	\$ 4,036,486	\$ 129,594	\$ 337,657	\$ 290,925	\$ 56,002,577
Deductions:								
Agency fund deductions	1,088,840	1,142,039	9,919	4,036,486	129,594	337,644	289,511	51,341,587
Excess (deficiency) of total additions over total deductions	(705)	15,918	-	-	-	13	1,414	4,660,990
Cash and investment fund balance - beginning	-	23,793	-	-	-	(13)	(6,867,713)	(13,735,426)
Cash and investment fund balance - ending	\$ (705)	\$ 39,711	\$ -	\$ -	\$ -	\$ -	\$ (6,866,299)	\$ (9,074,436)

GARY COMMUNITY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2010

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land and buildings	\$ 115,954,883
Machinery and equipment	<u>53,024,839</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 168,979,722</u>

GARY COMMUNITY SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2010

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 lease:		
Glen Park Academy and Marquette Elementary School Buildings	\$ 17,490,000	\$ 1,382,500
Notes and loans payable:		
Common school loans	26,257,592	4,179,221
General obligation bonds payable:		
2001 \$2,000,000 school improvements	500,006	166,666
2003 \$1,860,000 school improvements	775,000	155,000
2009 \$8,000,000 school improvements	<u>7,980,000</u>	<u>246,970</u>
Total governmental activities debt	<u>\$ 53,002,598</u>	<u>\$ 6,130,357</u>

GARY COMMUNITY SCHOOL CORPORATION
OTHER REPORT

The audit report presented herein was prepared in addition to another official report prepared for the individual School Corporation office listed below:

Bailly Middle School

GARY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCE - AGENCY FUND

The cash balance of the Employee Insurance Fund, an Agency Fund, was overdrawn \$2,320,757 as of June 30, 2010. The deficit balance in the Employee Insurance Fund has accumulated for many years due to errors made in recording employee insurance benefits. The School Corporation approved a transfer of \$2,236,181, in December 2010, from the Self-Insurance Fund to the Employee Insurance Fund. A similar comment was in the prior report audit report.

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

ACADEMIC HONORS DIPLOMA

The School Corporation's supporting documentation reflected a count of 39 students that graduated with academic honors for the Class of 2009. The School Corporation reported 41 students to the Indiana Department of Education resulting in an overstatement of two students as academic honors diploma recipients.

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

TRANSPORTATION CONTRACT

The School Corporation contracts with One Button ICSB Joint Venture, LLC (One Button) to provide school buses to transport students. An agreement effective August 10, 2007 through August 9, 2009, was provided regarding the payments made to One Button for the 2008-2009 school year. However, a comparison of the rate schedule per the agreement to One Button invoices noted the rates paid per route were \$14.45 per route in excess of the contract amounts. A review of the August 26, 2008, School Board minutes noted an approved fuel escalator clause for an additional \$14.45 per home/school route for 2008-2009. However, the fuel escalator clause was not provided for audit as an addendum to the agreement for the 2008-2009 school year.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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

GARY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

CREDIT CARD CLAIMS

The following inconsistencies were noted when reviewing credit card claims for travel:

1. The School Corporation Expense Reimbursements Policy 625, Non-Local Travel Procedures, as amended November 1, 2006, provides for a "fifty dollar (\$50) flat rate per diem, which includes gratuities, for reimbursement of food. No longer will receipts be required to obtain reimbursement for food during approved non-local travel. Exceptions for cities with a high index cost require prior approval."

Accounts payable vouchers paid by the School Corporation indicated that some administrators charge meal purchases instead of receiving the \$50 per diem. A review of the meals charged noted meal purchases in excess of the \$50 per diem without documented prior approval.

Additionally, we noted two individuals traveled to the same city, one received the \$50 per diem and the other was allowed to spend more than \$50 per day. The written policy does not define which cities are considered high index and what the per diem rate would be for those cities.

2. We noted that sometimes tips were paid in excess of 15%, and School Policy 625 states that "Gratuities on Meals are limited to fifteen percent (15%) of actual meal costs."
3. Receipts from restaurants were noted that did not list the names of attendees and many of the receipts were not itemized to allow for a determination of the proprietary of the receipt.

When traveling outside the local unit's boundaries on official business, officers and employees may also be reimbursed for meals, lodging, and incidental expenses as defined in the travel policy. The claim for reimbursement should be supported by itemized receipts from hotels, restaurants, and taxi cabs used by the officer or employee while traveling on official business. (The School Administrator and Uniform Compliance Guidelines, Volume 167, September 2004)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

PAYROLL VOUCHER CERTIFICATION

The School Board minutes do reflect the approval of the consent agenda which includes the gross payroll amount and the payroll identifying number being approved. However, the proper prescribed or approved form was not signed by the School Board verifying the proper allowance was granted.

GARY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

IC 20-26-4-1(d) states in part:

"The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds. The treasurer shall: (1) issue a receipt for money received by the treasurer; (2) deposit money described in subdivision (1) in accordance with the laws governing the deposit of public funds; and (3) issue all warrants in payment of expenses lawfully incurred on behalf of the school corporation. However, except as otherwise provided by law, warrants described in this subdivision must be issued only after proper allowance or approval by the governing body."

The Payroll Schedule and Voucher (General Form 99) should be used to prepare all payrolls from the attendance records of the employees listed thereon. The attendance information should be supplied to the business office by the school principal or by the department head for all employees under his jurisdiction or supervision. Upon completion of the payroll claim by the business office, the certificate must be executed by the superintendent of schools or the business manager of the school corporation (provided the business manager is not also the treasurer) and the attest or approval signed by the treasurer of the school corporation. The payroll claim should then be processed, numbered, allowed by the school board and filed in numerical sequence with other claims. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 2)

The Accounts Payable Voucher Register (General Form 364) is designed so that the form may be prepared in a standard typewriter or handwritten and contained in a standard post binder. All mileage claims, accounts payable vouchers, payroll vouchers, publisher's claims and schedules of payments to school bus contractors shall be listed on the record in claim number sequence and the action of the school board on each claim shall be noted. Space is provided for the board members and treasurer to sign the register if they do not wish to sign each claim. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 2)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

CONTROLS OVER CAPITAL ASSETS

Controls over the recording and tagging of capital assets are insufficient. Assets are received at a central location; however, the assets are not tagged upon arrival. Assets are distributed to the various schools and then tagged which allows for items to be overlooked in the recording process.

For example, a review of capital asset additions found 3 of 16 "Einstructure CPSRF 32 Pad Systems" purchased for \$2,295 each were not recorded in the School Corporation's capital asset records. All 16 items were received at the Curriculum Service - Career Center. Thirteen items of equipment were distributed to various school locations, tagged, and recorded in the capital asset ledger. School Corporation Officials researched the location of the other three items and found that they were tagged and located at Lew Wallace Stem Academy, Roosevelt Career Tech Academy, and West Side Leadership Academy. However, the items were not recorded on the School Corporation's capital asset records.

We also noted that land values were classified with the building values in the capital asset records. Hence, the total value for land was not available. Therefore, land and building totals have been combined and reported as "Land and Buildings" in the Schedule of Capital Assets.

GARY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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

TEXTBOOK RENTAL COLLECTIONS

Textbook rental fees are collected at the individual schools and remitted to the School Corporation on a weekly basis. Extra-curricular treasurers are to post textbook rental payments to the student's account. The Information Technology Department provided a "Daily Fee Payment" report for 2008-2009 and 2009-2010 which detailed, by school, student, and day, the textbook rental collections posted to student accounts. For the 2008-2009 and 2009-2010 school years, 35% and 22% (\$17,696 and \$10,884) of textbook rental collections received at the schools and remitted to the School Corporation, respectively, were not found posted to the "Daily Fee Payment" report. The School Corporation does not ensure that the amounts collected for textbook rental are posted to the students' accounts to assure proper billing of delinquent textbook rental to parents.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

TEXTBOOK RENTAL CREDIT BALANCES

Several students that were entitled to free textbooks also paid textbook rental. The State provided a reimbursement to the School Corporation for some textbooks regarding students that were entitled to free and reduced school lunches. Refunds were not processed for students who might be due a refund. We noted for the school years ending June 30, 2009 and 2010, \$2,417 and \$1,778, respectively, was received from free/reduced students for textbook rental fees that should had been refunded.

GARY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

According to the School Corporation's "Textbook Rental Fee Collection Procedures" waiver of fees section, "Parents/guardians who complete the free and reduced lunch applications, and qualify for lunch assistance, receive a waiver of book rental fees." From the "Fee Changes From Schedule Changes" section, "At the end of the school year, students with credits due may request a refund, provided the book rental fees were NOT on an income eligibility waiver."

IC 20-33-5-3 states:

"(a) If a parent of a child or an emancipated minor who is enrolled in a public school, in kindergarten or grades 1 through 12, meets the financial eligibility standard under section 2 of this chapter, the parent or the emancipated minor may not be required to pay the fees for school books, supplies, or other required class fees. The fees shall be paid by the school corporation that the child attends.

(b) The school corporation may apply for a reimbursement under section 7 of this chapter from the department of the costs incurred under subsection (a).

(c) To the extent the reimbursement received by the school corporation is less than the textbook rental fee assessed for textbooks that have been adopted under IC 20-20-5-1 through IC 20-20-5-4 or waived under IC 20-26-12-28, the school corporation may request that the parent or emancipated minor pay the balance of this amount."

TEXTBOOK RENTAL REIMBURSEMENT DOCUMENTATION

The School Corporation submits a textbook reimbursement claim to the Indiana Department of Education for reimbursement of textbook rental assistance for students who meet federal poverty guidelines to be eligible for free and reduced meals. The claim multiplies the number of eligible students by grade by the total cost of textbooks. 9,342 students were claimed for 2009-2010 school year, for textbook reimbursement assistance.

The Information Technology Department provided a detail report listing the free and reduced students as of October 29, 2009. The listing did not have a total, but had 170 pages of 55 students plus 8 students on page 171 for a total of 9,358 students. The listing was not in grade number order, but in alphabetical order by school. The report also included notations "WD" for withdrawn without a date as to when the student withdrew. A total of 963 "WD" notations were listed which could decrease the free and reduced count to 8,395.

IC 20-33-5-7 states in part:

"(c) To be guaranteed some level of reimbursement from the department, the governing body of a school corporation shall request the reimbursement before November 1 of a school year.

(d) In its request, the governing body shall certify to the department: (1) the number of students who are enrolled in that school corporation and who are eligible for assistance under this chapter;. . .

(e) Each school within a school corporation shall maintain complete and accurate information concerning the number of students determined to be eligible for assistance under this chapter. This information shall be provided to the department upon request."

GARY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

INTERNAL CONTROLS OVER EXTRA-CURRICULAR ACCOUNT RECEIPTS,
DISBURSEMENTS, AND BALANCES (Applies to all Extra-Curricular Accounts)

Procedures to help ensure all data has been entered and prevent erroneous duplicate entries in the records are inadequate as follows:

1. The accounting system does not prevent users from modifying receipts and disbursements after they have been posted. Extra-Curricular account receipt numbers, as well as check numbers, can be used, cancelled and reused with a different date.
2. Receipt numbers, check numbers and dates are assigned in the accounting system by the Extra-Curricular Treasurer at the time of entry; they are not computer generated.
3. The ability exists to record negative receipts and disbursements.
4. Beginning balances can be changed by the Extra-Curricular Treasurer by choosing to have an entry affect the beginning balance rather than the receipt detail. When the beginning balance is changed, the transaction does not appear in the records.
5. The accounting system controls do not ensure that the date which appears on each receipt or check is consistent with the transaction's receipt or disbursement date as recorded within the accounting system and each related report. Receipts and disbursements can be back-dated into the prior month until the records are closed for that month.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

The computerized accounting system must maintain electronic audit trails sufficient to trace all transactions from original source of entry into the system, through all system processing, and to the results produced by the system. The audit trails must also maintain sufficient information to trace all transactions from the final results produced by the system, through all system processing, and to the original source of entry into the system. Audit trails must also identify the user that processed the transaction or updated the information. These audit trails must be protected from modification and deletion. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 8)

The computerized accounting system must provide input edits and controls to assure that information entered into the system is accurate, that all appropriate information is entered into the system, and that information is entered into the system only once. All information entered into the system must be authorized through effective manual or electronic controls. Transaction dates should be based upon system generated dates which cannot be modified by the user. If necessary, the system may provide an additional effective date of the transaction that is user controlled. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 8)

GARY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

RECORDS NOT PROVIDED FOR AUDIT (Applies to Bethune Early Childhood Development Center)

The following records were not provided for the audit of Bethune Early Childhood Development Center:

1. Bank statements for 3 out of 24 months, or 25%.
2. Monthly Financial Report of School Extra-Curricular Accounts for 16 out of 24 monthly reports, or 67%.
3. Purchase order and accounts payable vouchers, Form SA-1, with supporting documentation for disbursement for 18 out of 26 vouchers, or 69%.
4. Duplicate checks for 13 out of 26 checks, or 50%.

IC 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

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

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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

FIELD TRIP FUND (Applies to Bethune Early Childhood Development Center)

Fees were collected from students for field trips to the Lincoln Park Zoo, Disney on Ice, and the Barnum and Bailey Circus. Disbursements for admission fees and transportation were not paid from the Field Trip Fund. The Field Trip Fund has accumulated to a balance of \$17,768.81 as of June 30, 2010. The Extra-Curricular Treasurer stated that the School Corporation had paid for the transportation and that the teachers would pay for admissions fees from collected fees without depositing the fees with the Extra-Curricular Treasurer.

GARY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual Extra-Curricular Accounts, Chapter 7)

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual Extra-Curricular Accounts, Chapter 7)

SUMMARY COLLECTION FORM SA-8 (Applies to Bethune Early Childhood Development Center and Gary Area Career Center)

Bethune Early Childhood Development Center did not use the Summary Collection Form SA-8 for field trip collections.

The Gary Area Career Center did not use the Summary Collection Form SA-8 for the collections remitted by food service personnel from the food pantry collections.

The Summary Collection Form (SA-8) is prenumbered and to be prepared in duplicate by the sponsor. The original is to the extra-curricular treasurer to be retained in numerical order and the duplicate is to be retained in numerical order by the sponsor. A sponsor for the purpose of Form (SA-8) is the teacher or other person in charge of a classroom or function collecting money. Form SA-8 is to be used as a transmittal document each time fundraiser or field trip money is reported from the sponsor to the extra-curricular treasurer.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

UNTIMELY DEPOSITS (Applies to Bailly Preparatory Academy, and Beveridge and Marquette Elementary Schools)

The June 30, 2010, bank reconciliation for Bailly Preparatory Academy included a \$194 deposit in transit. Upon review of the July 2010, bank statement, a \$194 deposit was not made. The \$194 deposit in transit was determined to be Receipt Number 252 posted on May 28, 2010. The Extra-Curricular Treasurer did not deposit the \$194 until November 9, 2010, six months after receiving the collections. The deposit on November 9, 2010, also included a \$6 receipt from September 13, 2010.

GARY COMMUNITY SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS
 (Continued)

Furthermore, a review of the receipts dates to deposit dates from July 1, 2010 until November 30, 2010, noticed that for the 61 deposits made, 38 of them were anywhere from eight to twenty-six days after the receipt date. Receipts dated November 12, 15-19, 22, and 23, 2010, totaling \$394.45 were not deposited as of November 30, 2010.

Additionally, Beveridge and Marquette Elementary Schools receipts, in some instances, were held up to 20 and 14 days, respectively, before being deposited.

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

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

INTEREST FUND SOURCES AND USES (Applies to Beveridge Elementary School and West Side Leadership Academy)

The School Corporation closed several schools after the 2008-2009 school year. The Extra-Curricular fund balances remaining as of June 30, 2009, were remitted to other schools based on the percentage of students attending the other schools from the closed school. The Supervisor of Secretaries sent a memorandum to each school receiving a distribution from a closed school detailing the accounts maintained at the closed school and the amount allocated to that school. The memorandum stated: "Provided, for your convenience, is the breakdown of the accounts and amount you are allocated to receive from each. If you have these accounts already, you should receipt the funds into the same accounts. If you do not have the account already established, please receipt the funds into the Student Activity Account."

Beveridge Elementary School receipted \$492.23 on January 5, 2010, from the accounts at Pyle Elementary School. The \$492.23 was split between two funds; \$208.90 to Athletics and \$283.33 to the Interest Account Fund. However, based on the schedule provided by the Supervisor of Secretaries, the \$492.23 should have been posted to the following funds for the amounts noted:

Fund	Amount
Athletics	\$ 10.29
Sixth Grade	18.48
Student Activities	227.42
Student Council	7.47
Faculty Affairs	9.88
Fellowship	7.07
Field Trip	65.45
Interest	3.73
Vending Staff	76.33
Library	66.11
Total	\$ 492.23

The Interest Account Fund showed a disbursement of \$384.73 on refreshments for professional development meetings between March and May 2010.

GARY COMMUNITY SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS
 (Continued)

West Side received \$3,691.68 on December 22, 2009, from the accounts at Pyle Elementary School. The \$3,691.68 was split between two funds: \$1,566.73 to Athletics and \$2,124.95 to the Interest Account Fund. However, based on the schedule provided by the Supervisor of Secretaries, the \$3,691.68 should have been posted to the following fund for the amounts noted:

Fund	Amount
Sixth Grade Basketball	\$ 215.78
Social Studies	8.80
Student Council	55.99
Faculty Affairs	74.11
Fellowship	53.00
Field Trip	490.88
Fund Raiser	668.17
Interest	27.97
Student Activity	1,022.97
Vending Student	5.73
Vending Staff	572.45
Library	495.83
Total	\$ 3,691.68

The Interest Account Fund showed a disbursement of \$260 on ISTEP staff celebration, \$1,369.43 for staff appreciation/secretaries week, and \$150 for nutrition activity stipends between March and June 2010.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

The interest earned from the investment may be used for any of the following: (1) Any school purpose approved by the principal. (2) An extra-curricular purpose approved by the principal. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 5)

DISBURSEMENTS LACKING ADEQUATE SUPPORTING DOCUMENTATION AND OTHER INCONSISTENCIES (Applies to Bethune Early Childhood Development Center, Ivanhoe Elementary School, McCullough Academy for Girls, Watson Academy for Boys, Lew Wallace STEM Academy, Roosevelt Career/Tech Academy)

Bethune Early Childhood Development Center

Five disbursements examined did not have supporting documentation, such as the Purchase Order and Accounts Payable Voucher Form SA-1, or receipts, or invoices showing the authorization and substantiation of the purchase.

GARY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Ivanhoe Elementary

Disbursements made to Pappadeaux Seafood Kitchen and Illinois Central School Bus for \$654.06 and \$255, respectively, for a staff school closing event were not supported by detail invoices. The disbursements were from the Vending Staff and Non Student funds.

McCullough Academy for Girls

1. One claim noted the revolving fund was to disburse the funds; however, the payment was posted to the Pictures Fund.
2. One claim to the West Side Theater Guild only had a flyer about the show attached to the claim. An indication of the number of attendees was not noted.
3. The Vending Staff Fund posted a disbursement to Meyer's Castle without a detailed invoice attached to the claim.

Watson Academy for Boys

1. One disbursement was made prior to the receipt of goods or services. The sponsor was provided \$100 for student incentives. The supporting documentation attached to the Purchase Order/Accounts Payable Voucher totaled \$73.03. The sponsor did subsequently return \$20; however, \$6.97 was unaccounted for.
2. Three of the disbursements reviewed did not have a Purchase Order Accounts and Payable Voucher Form (SA-1) to support the disbursements.
3. Five of the disbursements reviewed did not contain adequate supporting documentation such as receipts or invoices.

Lew Wallace STEM Academy

Payments were made to Riddell All American for football equipment for \$1,862.14 and to Old Fashion Candy for candy purchases for \$3,528 which did not contain adequate supporting documentation, such as a detailed invoice.

Roosevelt Career/Tech Academy

1. Five claims either did not list a fund to be paid from or the claim was posted to a different fund from what was noted on the Purchase Order Accounts Payable Voucher Form SA-1.
2. Two claims were not adequately itemized.
3. The supporting documentation for three claims did not agree to the amounts paid. The amounts paid were less than the supporting documentation.
4. Two claims were paid from a quote and not an invoice.
5. One claim was issued in advance for a band field trip. Invoices totaling \$1,163.52 were turned in upon return. We noted that while on the field trip, each student was given \$20 for food and snacks. The students were not told to keep and remit any receipts; therefore, \$840.48 of the advance was not supported by invoices.

GARY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

CANCELED WARRANTS NOT PROVIDED FOR AUDIT (Applies to Bailly Preparatory Academy and Banneker Achievement Center)

The financial institution did not return the actual canceled checks with the monthly bank statements, nor provided an optical image of the front and back side of the canceled checks.

IC 5-15-6-3(d) states:

"No financial records or records relating thereto shall be destroyed until the earlier of the following actions: (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied. (2) The financial record or records have been copied or reproduced as described in subsection (e)."

IC 5-15-6-3(a) concerning optical imaging of checks states in part:

". . . 'original records' includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

Furthermore, IC 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

GARY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

BUILDING RENTAL (Applies to Watson Academy for Boys)

Watson Academy received \$3,450 on February 12, 2009, as building rental for afterschool tutoring. The \$3,450 was receipted to Watson's Building Rental Fund. As of June 30, 2009, the Building Rental Fund had a balance of \$3,417.10. \$3,417.10 was transferred from the Building Rental Fund to the Student Affairs Fund and is being spent at Watson Academy.

Extra-curricular activities are defined as athletic, social or other school functions, the cost of which is not paid from public funds. These activities do not include functions conducted solely by any organization of parents and/or teachers (IC 20-41-1-7). Note that this statutory definition does not include any curricular or educational functions. All educational functions are the specific responsibility of the governing body (board of school trustees, etc.) of the school corporation acting on its behalf (IC 20-26-5-4), including providing the facilities and equipment therefore. All monies received for educational purposes, including those related to educational programs or facilities must be receipted to school corporation funds. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

IC 20-26-4-1 concerning duties of the School Corporation Treasurer, states in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds . . ." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

SPECIAL DONATION FUND (Applies to Webster Elementary School)

A Special Donation Fund was established during the 2009-2010 school year. Discrepancies regarding the Special Donation Fund were as follows:

- (1) Building rental totaling \$750 was collected and retained in the Special Donation Fund and were not remitted to the School Corporation.
- (2) A reimbursement for an overpayment of a candy sales fundraiser totaling \$728.55 was receipted into the Special Donation Fund. The original disbursement for the candy sale fundraiser was paid from the Student Activity Fund.
- (3) A disbursement for a staff food purchase totaling \$304.44 was paid from the Special Donation Fund.

Extra-curricular activities are defined as athletic, social or other school functions, the cost of which is not paid from public funds. These activities do not include functions conducted solely by any organization of parents and/or teachers (IC 20-41-1-7). Note that this statutory definition does not include any curricular or educational functions. All educational functions are the specific responsibility of the governing body (board of school trustees, etc.) of the school corporation acting on its behalf (IC 20-26-5-4), including providing the facilities and equipment therefore. All monies received for educational purposes, including those related to educational programs or facilities must be receipted to school corporation funds. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

GARY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

The State Board of Accounts consistently has been of the audit position to not take an audit exception to a school extra curricular account having a general fund if the fund consists of revenues received from functions (vending machines or sales of a similar nature, etc.) not generated by students for a specific class or organization (for which a fund should be established). Our audit position has been with the provision that the functions for which the expenditures are made benefit the student body as a whole (as opposed to a select group of students, school employees or administrators). Examples of appropriate expenditures in the past would be convocations, field trips which the entire student body has the opportunity to take during the course of the school year, etc. Our audit position has been based in part upon the substance of the transaction (the revenues are primarily from students or parents paying into vending machines, picture money, etc.). Naturally, we would not take audit exception to a public policy of a school corporation which would provide that a general fund does not exist and that money from these types of functions be used to offset the cost of the function (reduced prices of vending machine items, reduce the costs of pictures, etc.) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

RECONCILING ITEMS (Applies to Dunbar Pulaski Middle School and Wirt High School)

Dunbar Pulaski Middle School closed after the 2008-2009 school year. The bank reconciliation as of June 30, 2009, included a \$400 reconciling item for a check that cleared the bank twice in May 2009. Additionally, a \$500 non-sufficient funds (NSF) check was credited back to the School's bank account in May 2009. The NSF check was for building rental that had already been remitted to the School Corporation. For both items, a negative receipt was posted to the ledger on June 30, 2010, to clear these items from the bank reconciliation.

Wirt High School closed after the 2008-2009 school year. The bank reconciliations as of June 30, 2010 and September 30, 2010, still had a reconciling item of \$218.17 for non-sufficient funds (NSF) checks which were returned to the school during the 2008-2009 school year.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

GRANT FUNDS (Applies to Wirt/Emerson Visual and Performing Arts Academy)

The Close Up Fund accounts for a grant from the Legacy Foundation. From the Extra-Curricular Grant funds, the Close Up sponsor, who is also a teacher, was paid \$1,500 in January 2009 for being the project leader of the grant with no supporting documentation attached to the claim. The \$1,500 was not included on the employee's School Board approved teacher contract, in the employee's Wage and Tax Statement Form W-2 or was an IRS Miscellaneous Income Form 1099-MISC issued.

GARY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

IC 20-26-4-1 concerning duties of the School Corporation Treasurer, states in part:

"The treasurer shall be the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds . . ." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 11)

TEXTBOOK RENTAL RECEIPT ISSUANCE (Applies to Wirt/Emerson Visual and Performing Arts Academy)

Either textbook rental receipts are not always written when textbook rental fees were collected or not all textbook rental receipt books were presented for audit. \$6,384 more in textbook rental collections were posted in 2009-2010 to the ledger than the total official textbook rental receipts issued. Additionally, textbook rental receipts were deposited to the bank 29 days after collection.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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

LOCK FEES (Applies to Lew Wallace STEM Academy)

Lock fees were collected from July 1, 2008 to June 30, 2010. These locks were purchased from the School Corporation's General Fund in August 2007 totaling \$1,815.83. The lock fees were not remitted to the School Corporation.

Extra-curricular activities are defined as athletic, social or other school functions, the cost of which is not paid from public funds. These activities do not include functions conducted solely by any organization of parents and/or teachers (IC 20-41-1-7). Note that this statutory definition does not include any curricular or educational functions. All educational functions are the specific responsibility of the governing body (board of school trustees, etc.) of the school corporation acting on its behalf (IC 20-26-5-4), including providing the facilities and equipment therefore. All monies received for educational purposes, including those related to educational programs or facilities must be receipted to school corporation funds. The following items erroneously appear in funds of the extra-curricular account. Accounting for them should be in the General Fund of the School Corporation. Examples are:

GARY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Adult Education Fees	Rent of School Facilities
Apples in Education	Science Fees
Art Fees	Special Education
Distributive Education	Driver Education Fees
Equipment Sale or Rental	Summer School Fees
Facilities Rental	Supplies
Grants (State, Federal and Other)	Towel Fees (when towels are purchased from corporation funds)
Kindergarten Fees	
Library Fines and Fees	Typing Fees
Visual Education Fees	Visual Education Fees
Locker Fees	Vocational Education Fees
Night School Fees	Vocational Evening School Fees

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

TRANSACTION RECORDING (Applies to Roosevelt Career/Tech Academy)

Roosevelt Career/Tech Academy had a savings account that was closed in March 2009 which was not included in the ledgers or in the financial reports of the School prior to the closing of the account. Additionally, a certificate of deposit with a balance of \$8,113.88 as of June 30, 2010, was not included in the ledgers or in the financial reports of the School. The certificate of deposit matures every three months and automatically rolls over at each maturity. An Investment Register, General Form 350, is not currently in use for the accounting of the investment.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

RECEIPT COMPOSITION (Applies to Roosevelt Career/Tech Academy)

The composition of the receipts for seven of the deposits examined did not match the composition of the deposit ticket.

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

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

GARY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Tickets, goods for sale, billings, and other collections, are considered accountable items for which a corresponding deposit must be made in the bank accounts of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of the payors. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

PRESCRIBED FORM (Applies to Budget/Finance Trustee Fund)

The most current version of the prescribed form, Receipt Form, SA-3 is not used. The form in use was approved in 1961. The current version of Receipt Form SA-3 prescribed in 1997 has detailed boxes to indicate if the payment received was cash, check, or money order.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

The receipt form is to be prenumbered and printed in duplicate, three receipts to the page if bound and five receipts to the page if printed loose-leaf. If printed loose-leaf, the duplicate shall be contained in a post binder as a permanent record. The receipt is to be issued for any and all money received. A separate receipt shall be issued for each amount of money received. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

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, 2009 and 2010. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2009 and 2010. 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 items 2010-1, 2010-2, and 2010-3.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major

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)

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.

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

A control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in items 2010-1, 2010-2, and 2010-3 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

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

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

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

STATE BOARD OF ACCOUNTS

December 17, 2010

GARY COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2009 and 2010

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-09	Total Federal Awards Expended 06-30-10
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 1,160,417	\$ 1,296,517
National School Lunch Program	10.555		3,404,352	3,394,304
Total for cluster			<u>4,564,769</u>	<u>4,690,821</u>
Child and Adult Care Food Program (CACFP)	10.558	After School Snack	2,424	14,009
Total for federal grantor agency			<u>4,567,193</u>	<u>4,704,830</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>				
Direct Grant				
Marine Corps Junior Reserve Officer Training Corps	12.Unknown		223,728	238,539
<u>U.S. DEPARTMENT OF LABOR</u>				
Pass-Through Indiana Department of Workforce Development				
Trade Adjustment Assistance	17.245	5100171F09TAAGR	-	500
<u>ENVIRONMENTAL PROTECTION AGENCY</u>				
Direct Grant				
Congressionally Mandated Projects	66.202			
Deep River Wetland Restoration		2006-0108-012	7,283	791
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010	08-4690	5,143,247	-
		09-4690	7,282,174	6,213,456
		10-4690	-	8,368,008
School Improvement		08-4690	115,985	-
School Improvement		09-4690	269,146	181,609
School Improvement		10-4690	-	214,660
Total for program			<u>12,810,552</u>	<u>14,977,733</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	10-4690	-	1,288,544
Total for cluster			<u>12,810,552</u>	<u>16,266,277</u>
Special Education Cluster				
Special Education - Grants to States	84.027	14208-019-PN01	1,136,914	-
		14209-019-PN01	2,451,869	947,392
		14208-019-PY02	55,764	217,424
		14210-019-PN01	-	2,469,440
		45209-019-PY02	-	205,349
Total for program			<u>3,644,547</u>	<u>3,839,605</u>
Special Education - Preschool Grants	84.173	45708-019-PN01	2,373	-
		45709-019-PN01	120,332	14,111
		45706-019-PN01	-	120,724
Total for program			<u>122,705</u>	<u>134,835</u>
ARRA - Special Education - Grants to States, Recovery Act	84.391	33310-019-SN01	-	801,862
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	44410-019-SN01	-	16,037
Total for cluster			<u>3,767,252</u>	<u>4,792,339</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, 2009 and 2010
(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 06-30-09	Total Federal Awards Expended 06-30-10
<u>U.S. DEPARTMENT OF EDUCATION (Continued)</u>				
Pass-Through Indiana Department of Education				
Educational Technology State Grants Cluster				
Educational Technology State Grants (Enhancing Education through Technology Programs)	84.318	C1094690	-	<u>131,882</u>
ARRA - Educational Technology State Grants, Recovery Act (Enhancing Education through Technology Programs)	84.386	S386A090014 10-4690	-	<u>80,979</u> <u>22,320</u>
Total for program			-	<u>103,299</u>
Total for cluster			-	<u>235,181</u>
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	10-4690	<u>3,914,947</u>	<u>7,649,054</u>
Adult Education - Basic Grants to States	84.002	V002A070014 FY2009-8013 FY2010-8013	12,371 224,104 -	- 19,420 211,551
Administration Support		FY 07-08	11,626	-
Administration Support		FY 08-09	93,223	8,986
Administration Support		FY 2010-8013	-	<u>98,045</u>
Total for program			<u>341,324</u>	<u>338,002</u>
Impact Aid Cluster				
Impact Aid	84.041	S041B-2004-1597 S041B-2005-1597 S041B-2006-1597 S041B-2008-1597 S041B-2009-1597 S041B-2004-1597 FY 2010	2,255 6,931 11,303 22,496 -	19 2,363 14,183 7,452 8,504 <u>2,215</u>
Total for cluster			<u>42,985</u>	<u>34,736</u>
Career and Technical Education - Basic Grants to States	84.048	08-4700-4690 09-4700-4690 10-4700-4690	253,253 444,726 -	- 345,123 <u>446,621</u>
Total for program			<u>697,979</u>	<u>791,744</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	07-4690 08-4690	285,649 -	- <u>413,896</u>
Total for program			<u>285,649</u>	<u>413,896</u>
State Grants for Innovative Programs	84.298	06-4690 07-4690 08-4690	61,919 120,344 -	- 34,117 <u>150,000</u>
Total for program			<u>182,263</u>	<u>184,117</u>
Mathematics and Science Partnerships	84.366	6000/182500	<u>37,125</u>	-
Improving Teacher Quality State Grants	84.367	S367A060013 07-4690 08-4690	596,629 1,453,293 -	- 522,863 <u>1,478,316</u>
Total for program			<u>2,049,922</u>	<u>2,001,179</u>
Total for federal grantor agency			<u>24,129,998</u>	<u>32,706,525</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, 2009 and 2010
(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 06-30-09	Total Federal Awards Expended 06-30-10
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Pass-Through Indiana Department of Education Medicaid Cluster Medical Assistance Program	93.778		<u>244,865</u>	<u>240,382</u>
Pass-Through Indiana Department of Health Maternal and Child Health Services Block Grant to the States	93.994	MCH-433-2	<u>1,565</u>	<u>-</u>
Total for federal grantor agency			<u>246,430</u>	<u>240,382</u>
<u>SOCIAL SECURITY ADMINISTRATION</u>				
Pass-Through Indiana Family and Social Services Administration Disability Insurance/SSI Cluster Social Security - Disability Insurance	96.001	Case Service - Health/Medical	<u>112</u>	<u>210</u>
Total federal awards expended			<u>\$ 29,174,744</u>	<u>\$ 37,891,777</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 cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of 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, 2009 and 2010:

Program Title	Federal CFDA Number	2009	2010
Adult Education – Basic Grants to States	84.002	\$ 81,752	\$ 82,701

III. Noncash Assistance

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

Program Title	Federal CFDA Number	2009	2010
School Breakfast Program	10.553	\$ 83,053	\$ 94,885
National School Lunch Program	10.555	242,864	246,783

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?	yes

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

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

Identification of Major Programs:

_____ Name of Federal Program or Cluster _____

Title I, Part A Cluster
Special Education Cluster
State Fiscal Stabilization Fund Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$2,011,996

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 2010–1, ALLOWABLE COSTS FOR SUPPLEMENTAL EDUCATIONAL SERVICES (SES)
CONTRACTS, TITLE I, PART A CLUSTER

Federal Agency: U.S. Department of Education
Federal Programs: Title I Grants to Local Educational Agencies
CFDA Numbers: 84.010
Award Numbers: 08-4690, 09-4690, 10-4690
Pass-Through Entity: Indiana Department of Education

The School Corporation entered into contractual agreements for supplemental educational services for the contract period of December 23, 2009 to August 31, 2010. Twelve (12) different consultants were contracted to provide the supplemental educational services. The claims presented for audit for the payments to these consultants totaled \$1,432,844.

The Addendum to Contract attached to all of the contracts abstracted the payment process for the contract which included the rate per session, session length in minutes, number of weekly sessions, total number of sessions, and total cost. One of the vendor contracts showed the rate per two hour session was \$50.13 which calculates to an hourly rate of \$25.065. The invoices provided for audit for the vendor had the hourly rate at \$50.13. The total amount paid to the vendor during the 2009-2010 school year totaled \$679,940.34 of which half of the amount paid (\$339,970.17) is an overpayment.

These payments were not allowed per the grant requirements and are considered questioned costs.

EDGAR § 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 (8) states:

'Contract' means a mutually binding legal relationship obligating the seller to furnish the supplies or services (including construction) and the buyer to pay for them. It includes all types of commitments that obligate the government to an expenditure of appropriated funds and that, except as otherwise authorized, are in writing. In addition to bilateral instruments, contracts include (but are not limited to): awards and notices of awards; job orders or task orders issued under basic ordering agreements; letter contracts; orders, such as purchase orders, under which the contract becomes effective by written acceptance or performance; and, bilateral contract modifications . . ."

We recommended that the School Corporation should only pay for Supplemental Educational Services according to properly executed contracts.

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

FINDING 2010-2, CASH MANAGEMENT - TITLE I, PART A CLUSTER

Federal Agency: U.S. Department of Education
Federal Programs: ARRA - Title I Grants to Local Educational Agencies Recovery Act
CFDA Numbers: 84.389
Award Numbers: 10-4690
Pass-Through Entity: Indiana Department of Education

The School Corporation was awarded \$6,017,643.31 in American Recovery and Reinvestment Act (ARRA) Title I funds. The funds were passed through from the Indiana Department of Education. The School Corporation had excessive cash balances for these grants for all months of fiscal year 2009-2010. Excess cash balances ranged from \$303,342.84 to \$925,757.39.

Per the State's "Quarterly Project Expenditure Report" for Title I, excessive cash balances were defined as a cash balance at the end of any month that is greater than 10% of that month's expenditures. An amended cash request form must be submitted to reduce the next month's distribution in order to alleviate an excessive cash balance. Cash balances for each month should be zero (0) or as near zero as possible to receive next month's distribution.

Failure to minimize the cash on hand balances indicate noncompliance with cash management requirements established by federal agencies. For the ARRA funding, the maintenance of excess cash balances caused the School Corporation to remit interest earnings to the U.S. Department of Education.

EDGAR § 80.20 states in part: ". . . (b) The financial management systems of other grantees and subgrantees must meet the following standards:

(7) Cash management. Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

Effective July 1, 2010, the Indiana Department of Education modified the grant process for their subrecipients. School Corporations will no longer be requesting grant advances; instead, school corporations will be required to spend the funds necessitating reimbursements on funds already spent.

We recommended School Corporation Officials follow the new guidelines established by the Indiana Department of Education, requiring Title I funds to be reimbursed after the funds have been properly spent.

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

FINDING 2010-3, CASH MANAGEMENT, SPECIAL EDUCATION CLUSTER

Federal Agency: U.S. Department of Education

Federal Programs: ARRA - Special Education - Grants to States and ARRA - Special Education -
Preschool

CFDA Numbers: 84.391 and 84.392

Award Numbers: 33310-019-SN01 and 44410-019-SN01

Pass-Through Entity: Indiana Department of Education

The School Corporation was awarded \$3,230,825 and \$119,770 in American Recovery and Reinvestment Act (ARRA) Special Education and Special Education Preschool funds, respectively. The funds were passed through from the Indiana Department of Education. Starting in July 2009, the state distributed one twelfth (1/12) of their allocation each month. The School Corporation had excessive cash balances for these grants for all months of fiscal year 2009-2010. Cash balances ranged from \$269,235 to \$1,096,431 for ARRA Special Education and \$9,981 to \$49,726 for ARRA Special Education Preschool.

Per the State's "Quarterly Project Expenditure Report" for Special Education, excessive cash balances were defined as a cash balance at the end of any month that is greater than 10% of that month's expenditures. An amended cash request form must be submitted to Robin J. Parker, Indiana Department of Education, to reduce the next month's distribution in order to alleviate an excessive cash balance. Cash balances for each month should be zero (0) or as near zero as possible to receive next month's distribution.

School Corporation Officials in December 2009 requested that their distribution for the ARRA funds be reduced to zero until further notice. Even though the School Corporation did not receive Special Education ARRA distributions in 2010, excessive cash balances were still on hand each month since the School Corporation did not disburse the funds.

Failure to minimize the cash on hand balances indicates noncompliance with cash management requirements established by federal agencies. For the ARRA funding, the maintenance of excess cash balances caused the School Corporation to remit interest earnings to the U.S. Department of Education.

EDGAR § 80.20 states in part: ". . . (b) The financial management systems of other grantees and subgrantees must meet the following standards:

(7) Cash management. Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

Effective July 1, 2010, the Indiana Department of Education modified the grant process for their subrecipients. School Corporations will no longer be requesting grant advances; instead, School Corporations will be required to spend the funds necessitating reimbursements on funds already spent.

We recommended School Corporation Officials follow the new guidelines established by the Indiana Department of Education, requiring Title I funds to be reimbursed after the funds have been properly spent.

**GARY COMMUNITY
SCHOOL CORPORATION**



**A NEW DIRECTION: Focus on Accountability and
Continuous School Improvement**
(219) 881-5424 • Fax (219) 886-6418
ALESIA Y. PRITCHETT, CPA
apritchett@garycsc.k12.in.us

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2008-1

Original SBA Audit Report Number:	2008-1
Fiscal Year:	2006-2008
Auditee Contact Person:	George Comer
Title of Contact Person:	Asst. Superintendent of Curriculum Instruction
Phone Number:	(219) 881-5407
Status of Finding:	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.

A handwritten signature in cursive script that reads "Alesia Pritchett".

Submitted By: Alesia Pritchett, Treasurer
November 2, 2010

**GARY COMMUNITY
SCHOOL CORPORATION**



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ALESIA Y. PRITCHETT, DIRECTOR
apritchett@garyesc.k12.in.us

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

CORRECTIVE ACTION PLAN

Section III – Federal Award Findings and Questioned Costs

FINDING 2010-1 ALLOWABLE COSTS FOR SUPPLEMENTAL EDUCATIONAL SERVICES (SES) CONTRACTS, TITLE I, PART A CLUSTER

Federal Agency:	U.S. Department of Education
Federal Program:	Title I Grants to Local Educational Agencies
CFDA Number:	84.010
Federal Award Nos.:	08-4690-09-4690, 10-4690
Pass-Through Entity:	Indiana Department of Education
Auditee Contact Person:	Dr. Cordia Moore
Title of Contact Person:	Director of Federal Programs
Phone Number:	(219) 881-4064

Description of action to be taken:

In order to correct the findings so noted in the 2010-1 allowable cost for Supplemental Educational Services (SES) Contracts, Title 1, Part A Cluster, the following actions/steps will take place in order to prevent future infractions regarding SES contracts:

Based on the prior audit citation, revisions to the SES contracts resulted in a change in language from “hourly rate” to “amount per session” in one section of the contract. Additionally, columns labeled “length of session” and “number of sessions” were added to the contract. One vendor increased the length of the sessions from one hour to two hours as well as reduced the total number of sessions offered to assure meeting the minimal number of tutoring hours mandated by the IDOE (Example – instead of 30 sessions at one hour per session, this vendor serves students for 15 sessions at 2 hours per session.) This vendor did not increase the dollar amount in the “amount per session” column on the contract to coincide with the increased length of each session. However, invoices submitted by the vendor – reviewed by the SES administrator and approved by the Program Administrator – document that the accurate rate of \$ 50.13 per hour was paid. Attached please find a copy of an actual invoice verifying that payments were made based on the \$ 50.13 hourly rate. Additionally, the district invested in a technology based Open Sesame management system as a monitoring procedure and safeguard to ensure that vendors are paid appropriately and do not exceed the district authorized allocation. The allocation for this vendor was established by district administrator using the \$ 50.13 hourly rate.

In the future a checklist will be developed and used during the Contract Review and Training workshop held with vendors to point out any modifications in the contract language and/or format and to provide guidance to vendors on accurately completing the contract. Each contract will be checked for accuracy by the SES Administrator and reviewed and approved by the Program Administrator prior to submission to the Superintendent and Board of School Trustees. This review process will assure that contracts are accurately completed and properly executed.

FINDING 2010-2 CASH MANAGEMENT – TITLE I, PART A CLUSTER

Federal Agency:	U.S. Department of Education
Federal Program:	ARRA - Title I Grants to Local Educational Agencies Recovery Act
CFDA Number:	84.389
Federal Award No.:	10-4690
Pass-Through Entity:	Indiana Department of Education
Auditee Contact Person:	Marie Adkins
Title of Contact Person:	Interim Supervisor of Finance/Special Projects
Phone Number:	(219) 881-5477

Description of action to be taken:

Business Services was aware of the cash management issue at the onset of the disbursement rules for ARRA funds. The Cash Request form was not issued at the commencement of the Title I AARA Fund nor was it part of the original online application. The distribution of funds was originally established whereby districts would receive fifty percent (50%) of the award in the first year through equal installments of one-twelfth per month.

As stated in the citation, effective July 1, 2010 all school corporations will be required to spend the funds necessitating reimbursements on funds already spent. The district is adhering to the new guidelines established by the Indiana Department of Education.

FINDING 2010-3 CASH MANAGEMENT – SPECIAL EDUCATION CLUSTER

Federal Agency: U.S. Department of Education
Federal Program: ARRA – Special Education – Grants to States and ARRA- Special Education – Preschool
CFDA Number: 84.391 and 84.392
Federal Award No.: 33310-019-SN01 and 44410-019-SN01
Pass-Through Entity: Indiana Department of Education
Auditee Contact Person: Marie Adkins
Title of Contact Person: Interim Supervisor of Finance/Special Projects
Phone Number: (219) 881-5477

Description of action to be taken:

Business Services was aware of the cash management issue at the onset of the disbursement rules for ARRA funds. The Cash Request forms were not issued at the commencement of the ARRA – Special Education Grants to States and ARRA- Special Education Preschool nor were they part of the original online application. The distribution of funds was originally established whereby districts would receive fifty percent (50%) of the award in the first year through equal installments of one-twelfth per month.

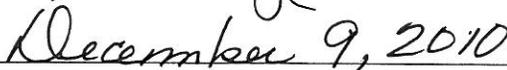
The rules for the disbursement of funds were changed in the latter part of 2009. At that time, Business Services requested for disbursements to be discontinued for both funds. We did not resume our request for funding until July 2010.

As stated in the citation, effective July 1, 2010 all school corporations will be required to spend the funds necessitating reimbursements on funds already spent. The district is adhering to the new guidelines established by the Indiana Department of Education.

Signed



Date



Gary Community School Corporation
Gary Community School Corporation
620 East 10th Place
Gary IN 46402
1-219-881-4075

181573

Remit To:

~~XXXXXXXXXX~~
~~XXXXXXXXXX~~ 2
~~XXXXXXXXXX~~
~~XXXXXXXXXX~~
TIN

PO #: tpr004-S
Invoice #: tpr004-S

Invoice Detail

For Month Ending 4/30/2010
Site: Williams Elementary School
School: Williams

5/17/10
AS

Dr. Cordia L. Moore

5-18-10

Signature of Director of Federal Programs

Printed Name

Date



MONTHLY STUDENT ATTENDANCE LOG

SCHOOL: Daniel Hale Williams Elementary

TUTOR'S PRINTED NAME: Inora

TUTOR'S SIGNATURE: Inora

STUDENT'S FULL NAME:

TIME STARTED: 3:00 PM

TIME ENDED: 5:00 PM

DATE: 4 / 5 / 10 STUDENT SIGNATURE: SPRING BREAK

DATE: 4 / 7 / 10 STUDENT SIGNATURE: SPRING BREAK

DATE: 4 / 12 / 10 STUDENT SIGNATURE:

DATE: 4 / 14 / 10 STUDENT SIGNATURE:

DATE: 4 / 19 / 10 STUDENT SIGNATURE: ABSENT

DATE: 4 / 21 / 10 STUDENT SIGNATURE:

DATE: 4 22 / 10 STUDENT SIGNATURE:

DATE: 4 28 / 10 STUDENT SIGNATURE:

DATE: / / STUDENT SIGNATURE: _____

6 Total number of monthly sessions

5 Total number of sessions during the month that the student was present

1 Total number of sessions during the month that the student was absent

GARY COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on January 12, 2011, with Alesia Y. Pritchett, Treasurer; Dr. Myrtle V. Campbell, Superintendent of Schools; Kenneth A. Stalling, President of the School Board; Nellie F. Moore, School Board member; George Comer, Assistant Superintendent of Schools; and Charles F. Williams, Internal Auditor. The official response has been made a part of this report and may be found on pages 84 through 91.

**GARY COMMUNITY
SCHOOL CORPORATION**

620 East 10th Place – Gary, IN 46402



FOCUSING ON THE FUTURE:

Creating 21st Century Schools

(219) 881-5401 • Fax (219) 881-4102

DR. MYRTLE V. CAMPBELL, Superintendent

mvcampbell@garycsc.k12.in.us

January 25, 2011

Indiana State Board of Accounts
Bruce Hartman, State Examiner
302 West Washington Street - Room E418
Indianapolis, IN 46204-2765

RE: 2008-2010 AUDIT RESPONSES

Dear Mr. Hartman:

**AUDIT RESULTS AND COMMENTS
CORRECTIVE ACTION PLAN**

Overdrawn Cash Balance Agency Fund

The out of balances were cumulative over several years commencing with the year of 2000 through 2008. The corrective action taken to mitigate future instances of this nature is addressed in the attached memo.

Academic Honors Diploma

In order to forestall these kinds of errors from occurring during the next audit, we are proposing that we use same source data and that we collect names, Student Test Number (STN) and have the principal sign off that the information is correct. In addition we will print the graduate report to make sure that we have no conflicting information.

Transportation Contract

All master contracts for the district will be filed in a central location (Legal Office).

School Board Member Travel and Credit Card Claims

The corporation will review the Policy 625 as it relates to high index cities and gratuities. We have started to list the names of attendees and will investigate the required itemization mention in the citation.

Payroll Voucher Certification

As noted in the citation the board does approve the gross payroll amounts at each board meeting through a public vote. The Board's President and Secretary sign off on the minutes. This has been the acceptable process for payroll approval in the past 13 years. However, we will start using the additional form for approval as noted in the audit finding.

Controls over Capital Assets

The corporation will commence tagging all items that are shipped to the warehouse prior to distribution. However, we have not received any items within the last year through our central warehouse. We have implemented a shorter turnaround time of two weeks in following-up on missing information from all schools and departments.

Administration will be recommending a change in the School Corporation's capital asset threshold at \$5,000 for all items with exception of computer equipment per the State Board of Accounts recommendation. We will recommend that computer equipment be capitalized when the amount is \$500 or more.

Textbook Rental Collections

To mitigate these occurrences, schools will be required to submit the Daily Fee Payment Report (student subsidiary detail) as an attachment to the F-13 Report which is used for the remittance of Textbook Rental Funds. The Internal Auditor and Supervisor of Secretary will audit the details to ensure that funds receipted are being posted to the student's account.

Textbook Rental Credit Balances

Treasurers will be receive training , through in service workshops on how to properly issue refunds to parents whose status has changed from paid to free/reduced. As a follow-up, the Management Information Department has produced a Free/Reduced Students Payments Made Report to capture the population of students entitled to refunds. The report will be generated in November and March of each fiscal year. All applicable refunds outstanding will be issued by the Accounting Department.

Textbook Rental Reimbursement Claim to State

The official detail free and reduced student listing that is used in filing the Textbook Reimbursement Claim will be attached to the office file for audit purposes.

Sincerely,



Dr. Myrtle V. Campbell, Superintendent

**GARY COMMUNITY
SCHOOL CORPORATION**



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

INSURANCE & REAL ESTATE
620 East 10th Place – Gary, IN 46404

(219) 881-5464
SUSAN G. CHERRY, Supervisor
scherry@garycsc.k12.in.us

MEMORANDUM

TO: All Employees
FROM: Susan Cherry, ^{ice} Supervisor of Corporate Insurance & R.E.
DATE: October 17, 2008
SUBJECT: Collection of Insurance Deductions

This memo serves as official notification effective Pay Period 22, paid on October 24, 2008, if you do not receive a paycheck/direct deposit and are not on an official leave of absence, the following procedure will be followed:

- Any missed insurance deductions will be deducted from your next paycheck/direct deposit.
- If you miss two paychecks/direct deposit, both pay periods of missed deductions will be deducted from your following paycheck/direct deposit.
- After three pay periods of missed deductions:
 1. You will receive a letter from the Insurance Department of the amount owed.
 2. You will have until the end of that calendar month to pay your premiums.
 3. If you do not pay the amount due by the due date as indicated on the letter from the Insurance Department, your insurance coverage will be dropped.
- Upon payment in full of the past due balance, your insurance will be reinstated retroactive 30 days.

Please contact me if you have any questions.

Approved: Barbara Domer
Barbara Domer, Manager of Payroll Services

Approved: Alesia Pritchett
Alesia Pritchett, Executive Director of Business Services

Approved: Robert M. Beach
Dr. Robert Beach, Chief Financial Officer.

Approved: Mary Steele-Agee
Dr. Mary Steele-Agee, Superintendent

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SCHOOL CORPORATION**

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DR. MYRTLE V. CAMPBELL, Superintendent

mvcampbell@garyesc.k12.in.us

January 25, 2011

Indiana State Board of Accounts
Bruce Hartman, State Examiner
302 West Washington Street - Room E418
Indianapolis, IN 46204-2765

RE: 2008-2010 AUDIT RESPONSES

Dear Mr. Hartman:

**RE: AUDIT RESULTS: EXTRA-CURRICULAR ACCOUNTS
CORRECTIVE ACTION PLAN**

Internal Controls over Extra Curricular Accounts Receipts, Disbursements, and Balances (Applies to all Extra Curricular Accounts)

- 1) Treasurers will be informed not to use a number more than once through an in service workshop. If a problem occurs when printing a receipt or check, that number will be voided in the system, but not reused. Also RDS will be requested to remove the capability of allowing the treasurer to correct errors and reissue numbers.
- 2) The GCSC will request that a feature be added to the RDS software that prohibits treasurers from using prior dates.
- 3) There is no correction to be made on this procedure. This is the same as if you return an item you purchased with a credit card; it shows a negative credit to return the funds.
- 4) Treasurers will receive training, through in service workshops on how to properly record beginning balances. When a new account is started, the beginning balance will be recorded as zero.
- 5) The GCSC will request that a feature be added to software to prevent treasurers from using prior dates.

Records Not Provided For Audit (Applies to Bethune Early Childhood Development Center)

Extra curricular treasurers have been informed, through in house seminars, of the importance of keeping adequate documentation and records. The financial records at Bethune will be stored in the vault.

Field Trip Fund (Applies to Bethune Early Childhood Development Center)

Bethune has been instructed to disburse funds collected from students for field trips from the extra curricular field trip fund along with obtaining the proper invoice from the bus company or GCSC Transportation Department. Bethune will be required to reimburse the GCSC Transportation fund (Fund 41) an amount equal to or greater than the amount cited in the audit finding.

Summary Collection Form (Applies to Bethune Early Childhood Development Center and the Gary Area Career)

Extra curricular treasurers have been informed, through in house seminars, about the use of the SA-8 collection form. Bethune will be required to use the SA-8 form as noted in the audit finding. Non use of the SA-8 form for the Career Center is a new finding for this audit period. The Career Center will discontinue using an internal form and use the SA-8 form along with the "Z" tape for accountability purposes.

Untimely Deposits (Applies to Bailly Preparatory Academy, Beveridge and Marquette Elementary Schools)

Extra curricular treasurers have been informed, through in house seminars, of the importance of making timely deposits. The principal at Bailly will review the monthly report (SA5-1) with a direct focus on deposits in transit that are over a month old.

Notations will be made when treasurers are out ill or away from their desks on deposit pickup days so that untimely deposits may be minimized.

Interest Fund Sources And Uses (Applies to Beveridge Elementary School and West Side Leadership Academy)

This finding is a result of conflicting information on the check closing out the bank account of Pyle Elementary School.

Disbursements Lacking Adequate Supporting Documentation (Applies to Bethune Early Childhood Development Center, Ivanhoe Elementary School, McCullough Academy for Girls, Watson Academy for Boys, Lew Wallace STEM Academy, Roosevelt Career/Tech Academy

Bethune Early Childhood Development Center

The Supervisor of Secretaries will begin to make a review of all schools to determine that all supporting documentation is on file. This review will be for the accounting period beginning 7/1/10.

Ivanhoe Elementary

This school is now closed.

McCullough Academy For Girls

- 1) This situation appears to be isolated but claims will be reviewed and posted to the correct fund.
- 2) As a result of an internal audit performed in April 2010, the number of persons attending field trips is being documented.
- 3) The vending staff fund is dissolved. This will no longer be an audit finding.

Watson Academy for Boys

- 1) Payment for goods and services will not be made in advance.
- 2) The Supervisor of Secretaries will begin to make a review of all schools to determine that all supporting documentation is on file. This review will be for the accounting period beginning 7/1/10.
- 3) The Supervisor of Secretaries will begin to make a review of all schools to determine that all supporting documentation is on file. This review will be for the accounting period beginning 7/1/10.

Lew Wallace STEM Academy

Extra curricular treasurers have been informed, through in house seminars, of the importance of keeping adequate documentation and records. Lew Wallace will pay bills from invoices instead of billing statements.

Roosevelt Career /Tech Academy

- 1) Claims processing will be reviewed with treasurers in upcoming in house seminars. Treasurers with repeated findings in this area will receive written reprimands.

- 2) See response #1

- 3) See response # 2
- 4) See response # 3
- 5) Advances for band field trips will be discontinued.

Cancelled Warrants Not Provided For Audit (Applies to Bailly Preparatory Academy and Banneker Achievement Center)

As of 1/21/11, the GCSC will be setup to receive images of cancelled checks (warrants).

Building Rental (Applies to Watson Academy for Boys)

All funds have been remitted to the GCSC for building rental income received by Watson.

Special Donations Fund (Applies to Webster Elementary School)

- 1) Building rental revenue totaling \$750 will be forwarded to the GCSC.
- 2) The treasurer has been instructed that all refunds should be credited to the fund where the original disbursement was made.
- 3) The principal and treasurer have been requested to repay the GCSC \$304.44. This amount is to be paid equally by the principal and treasurer. This repayment will be credited to the student activity fund.

Reconciling Items (Applies to Dunbar Pulaski Middle School and Wirt High School)

- 1) Research of the \$400 reconciling item is being performed by Wal-Mart and Telecheck in order to resolve this situation.
- 2) On 1/26/11 funds will be refunded by GCSC to Pulaski for the \$500 NSF check.
- 3) \$218.77 will be subtracted from the school fund balance to properly reflect the cash balance on hand.

Grant Funds (Applies to Wirt/Emerson Visual and Performing Arts Academy)

The treasurer will remit all grant monies to the GCSC on a timely basis after receiving these funds from the appropriate source. This action will insure that all wages will be captured by the payroll system for tax purposes.

Textbook Rental Receipt Issuance (Applies to Wirt/Emerson Visual and Performing Arts Academy)

A new treasurer was assigned to Wirt/Emerson while the supervisor of secretaries was out ill. Upon return to work, the supervisor of secretaries made sure that all book rental revenue collected while she was absent was deposited. The new treasurer was also trained in text book rental procedures by the supervisor of secretaries.

Lock Fees (Applies to Lew Wallace STEM Academy)

\$2,000 will be transferred from the student activity fund to a Locker Fees Fund. The amount transferred will be used to purchase locks for the upcoming school year. All revenues received over \$2,000 will be transferred to the GCSC.

Transaction Recording (Applies to Roosevelt Career /Tech Academy)

The CD mentioned in the audit finding will be redeemed and placed in the student activity fund therefore negating the use of the Investment Register, General Form 350.

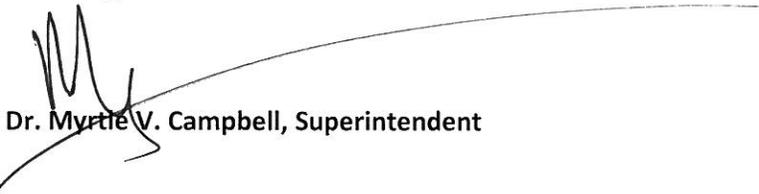
Receipt Composition (Applies to Roosevelt Career/Tech Academy)

There will be an increased focus in internal audits with regard to receipt composition testing.

Prescribed Form (Applies to Budget/Finance Trustee Fund)

The most current version of the SA-3 form has been ordered and will be used when the order arrives.

Sincerely,

A handwritten signature in black ink, appearing to be 'M. Campbell', written over a horizontal line that extends across the page.

Dr. Myrtle V. Campbell, Superintendent