

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

GARY COMMUNITY SCHOOL CORPORATION  
LAKE COUNTY, INDIANA

July 1, 2010 to June 30, 2012



**FILED**  
03/18/2013

This report was reissued on  
5-8-13 to make a correction to  
the Schedule of Expenditures of  
Federal Awards.



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### SCHEDULE OF OFFICIALS

| <u>Office</u>                    | <u>Official</u>             | <u>Term</u>          |
|----------------------------------|-----------------------------|----------------------|
| Treasurer                        | Alesia Y. Pritchett         | 07-01-10 to 06-29-12 |
|                                  | (Vacant)                    | 06-30-12 to 07-04-12 |
|                                  | Dr. Cheryl Pruitt (Interim) | 07-05-12 to 09-24-12 |
|                                  | Dr. Nikita White            | 09-25-12 to 06-30-13 |
| Superintendent<br>of Schools     | Dr. Myrtle V. Campbell      | 07-01-10 to 06-29-12 |
|                                  | (Vacant)                    | 06-30-12 to 06-30-12 |
|                                  | Dr. Cheryl Pruitt           | 07-01-12 to 06-30-13 |
| President of the<br>School Board | Kenneth A. Stalling         | 07-01-10 to 06-30-11 |
|                                  | Darren Washington           | 07-01-11 to 12-31-12 |
|                                  | Rosie G. Washington         | 01-01-13 to 12-31-13 |



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INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

The accompanying financial statement has been prepared assuming that the School Corporation will continue as a going concern. As discussed in Note 10 to the financial statement, the School Corporation has been experiencing a significant decline in enrollment and a declining tax collection rate which have led to severely declining cash and investment balances of the main operating (General, Transportation, and Capital Projects) funds of the School Corporation. Further aggravating the financial condition of the School Corporation was the takeover of one of the School Corporation's high schools by the Indiana Department of Education, which has significantly reduced the School Corporation's state support. The deficit cash and

INDEPENDENT AUDITOR'S REPORT  
(Continued)

investment balances, declining state support due to the enrollment reductions and high school takeover, and declining tax collections raises substantial doubt about the School Corporation's ability to continue as a going concern. The School Corporation's plans in regards to these matters are also discussed in Note 10. The financial statement does not include any adjustments that might result from the outcome of this uncertainty.

In accordance with Government Auditing Standards, we have also issued a report dated January 24, 2013, 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.

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

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

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

January 24, 2013



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

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

We have audited the financial statement of the Gary Community School Corporation (School Corporation), for the period of July 1, 2010 to June 30, 2012, and have issued our report thereon dated January 24, 2013. Wherein we noted several issues that raise substantial doubt about the School Corporation's ability to continue as a going concern. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis.

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

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

Compliance and Other Matters

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

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

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

STATE BOARD OF ACCOUNTS

January 24, 2013

## FINANCIAL STATEMENT

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

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

|  | Cash and Investments<br>07-01-10 |                       | Other Financing<br>Sources (Uses) |                     | Cash and Investments<br>06-30-11 |                       | Other Financing<br>Sources (Uses) |                  | Cash and Investments<br>06-30-12 |               |
|--|----------------------------------|-----------------------|-----------------------------------|---------------------|----------------------------------|-----------------------|-----------------------------------|------------------|----------------------------------|---------------|
|  | Receipts                         | Disbursements         | Receipts                          | Disbursements       | Receipts                         | Disbursements         | Receipts                          | Disbursements    | Receipts                         | Disbursements |
| General  | \$ 5,811,455                     | \$ 101,810,455        | \$ 106,605,896                    | \$ (15,175)         | \$ 1,000,839                     | \$ 94,138,754         | \$ 98,176,952                     | \$ 186,997       | \$ (2,850,362)                   |               |
| Debt Service   | 51,776                           | 3,625,932             | 4,112,163                         | 297,479             | (136,976)                        | 2,618,801             | 4,020,216                         | 1,543,211        | 4,820                            |               |
| Exempt Debt  | -                                | 2,555,245             | 1,818,978                         | (531,504)           | 204,763                          | 3,750,884             | 3,574,438                         | 371,102          | 752,311                          |               |
| Capital Projects   | 1,527,648                        | 8,677,501             | 10,991,384                        | 1,232,128           | 445,893                          | 12,460,724            | 15,588,957                        | 59,815           | (2,622,525)                      |               |
| School Transportation  | 1,200,090                        | 13,140,535            | 14,340,625                        | -                   | -                                | 18,389,652            | 25,912,222                        | -                | (7,522,570)                      |               |
| Rainy Day  | 78,436                           | -                     | -                                 | -                   | 78,436                           | -                     | -                                 | (78,436)         | -                                |               |
| Construction   | 899,081                          | 3,750                 | 681,763                           | -                   | 221,068                          | 950                   | 15,147                            | -                | 206,871                          |               |
| School Lunch   | 2,320,528                        | 4,316,289             | 5,026,836                         | -                   | 1,609,981                        | 5,852,450             | 6,036,691                         | (200,000)        | 1,225,740                        |               |
| Textbook Rental  | 6,554,715                        | 1,487,775             | 1,430,823                         | 51,777              | 6,663,444                        | 3,717,951             | 5,354,220                         | -                | 5,027,175                        |               |
| Self-Insurance   | 15,934,126                       | 5,709,747             | 13,513,858                        | (2,267,053)         | 5,862,962                        | 14,093,970            | 9,889,240                         | (1,822,431)      | 8,245,261                        |               |
| Levy Excess  | -                                | 131,341               | -                                 | (131,341)           | -                                | -                     | -                                 | -                | -                                |               |
| Alternative Education  | 9,784                            | -                     | -                                 | -                   | 9,784                            | 21,390                | 9,390                             | -                | 21,784                           |               |
| Early Intervention Grant   | -                                | -                     | -                                 | -                   | -                                | 80,368                | -                                 | -                | 80,368                           |               |
| Extra-Curricular Activities  | 14,685                           | 7,091                 | 1,928                             | -                   | 19,848                           | 2,518                 | 9,332                             | -                | 13,034                           |               |
| Construction, Remodeling, and Equipping Buildings                    | 12,217                           | -                     | -                                 | -                   | 12,217                           | -                     | -                                 | -                | 12,217                           |               |
| Special Education United Way   | 19,985                           | 12,801                | 1,073                             | -                   | 31,713                           | 10,870                | 4,603                             | -                | 37,980                           |               |
| Gifted/Talented  | 48,852                           | 79,055                | 110,357                           | -                   | 17,550                           | 67,122                | 75,079                            | -                | 9,593                            |               |
| Medicaid Reimbursement   | -                                | 79,148                | 79,148                            | -                   | -                                | 47,847                | 50,929                            | 3,712            | 630                              |               |
| Non-English Speaking Programs P.L. 273-1999                          | 11,795                           | -                     | 3,219                             | -                   | 8,576                            | 1,317                 | 2,808                             | -                | 7,085                            |               |
| Technology Grants [IC 20-40-15]                                      | 9,657                            | 2,630                 | 727,522                           | 1,013,000           | 297,765                          | 2,137                 | 89,621                            | -                | 210,281                          |               |
| WGVE Broadcast   | 62,634                           | 110,940               | 94,450                            | -                   | 79,124                           | 107,395               | 147,611                           | -                | 38,908                           |               |
| Title I School Improvement   | 51,615                           | 265,005               | 316,620                           | -                   | -                                | 465,500               | 513,123                           | -                | (47,623)                         |               |
| School Improvement   | -                                | -                     | -                                 | -                   | -                                | 3,018,074             | 3,079,897                         | -                | (61,823)                         |               |
| School Improvement - Bailly & Lew Wallace                            | -                                | -                     | -                                 | -                   | -                                | -                     | 32,322                            | -                | (32,322)                         |               |
| Title I  | 829,301                          | 10,428,436            | 11,334,269                        | 76,532              | -                                | 9,212,964             | 9,421,366                         | -                | (208,402)                        |               |
| Impact Aid   | 50,297                           | 27,740                | 33,777                            | -                   | 44,260                           | 2,021                 | 13,515                            | -                | 32,766                           |               |
| Special Education Improvement  | 176,800                          | 2,925,665             | 3,066,681                         | -                   | 35,784                           | 3,186,435             | 3,879,353                         | -                | (657,134)                        |               |
| Special Education Preschool Grant                                    | 5,628                            | 130,995               | 136,623                           | -                   | -                                | 164,357               | 200,105                           | -                | (35,748)                         |               |
| Adult Education and Family Literacy, Title II                        | 21,046                           | 170,703               | 184,071                           | -                   | 7,678                            | 132,927               | 158,730                           | -                | (18,125)                         |               |
| Adult Education Administration Support                               | -                                | 230,256               | 223,194                           | (7)                 | 7,055                            | 45,475                | 52,530                            | -                | -                                |               |
| Adult Education Vouchers   | -                                | 28,620                | 7,626                             | -                   | 20,994                           | 72,664                | 86,757                            | -                | 6,901                            |               |
| Safe & Drug Free Schools   | 118,273                          | 160,766               | 509,039                           | 230,000             | -                                | 178,095               | 615,470                           | 470,000          | 32,625                           |               |
| Title II - Dwight D. Eisenhower - Science and Math Technology Grants | -                                | 12,000                | -                                 | -                   | 9,750                            | -                     | -                                 | -                | 2,250                            |               |
| UTEP   | 8,236                            | -                     | 903                               | -                   | 7,333                            | -                     | -                                 | -                | 7,333                            |               |
| Carl D. Perkins  | 89,944                           | 509,783               | 593,205                           | -                   | 6,522                            | 588,566               | 610,557                           | -                | (15,469)                         |               |
| Medicaid Reimbursement - Federal                                     | -                                | 220,353               | 226,140                           | 14,572              | 8,785                            | 127,726               | 67,737                            | (3,366)          | 65,408                           |               |
| Improving Teaching Quality, No Child Left, Title II, Part A          | 281,979                          | 1,199,195             | 1,247,689                         | (230,000)           | 3,485                            | 2,137,947             | 1,671,694                         | (470,000)        | (262)                            |               |
| ITQ, Enhanced Education Through Technology, Title II, Part D         | 90,651                           | 2,750                 | 93,401                            | -                   | -                                | -                     | -                                 | -                | -                                |               |
| Title III, Language Instruction                                      | -                                | -                     | -                                 | -                   | -                                | 2,881                 | 2,881                             | -                | -                                |               |
| Deep River   | 926                              | -                     | -                                 | -                   | 926                              | -                     | -                                 | -                | 926                              |               |
| Technology   | 1,295,746                        | 706,259               | 2,002,005                         | -                   | -                                | 757,406               | 795,104                           | -                | (37,698)                         |               |
| Vision Athena  | 8,635                            | -                     | -                                 | -                   | 8,635                            | -                     | -                                 | -                | 8,635                            |               |
| QZAB/Restrooms   | 121,056                          | -                     | 121,056                           | -                   | -                                | -                     | -                                 | -                | -                                |               |
| Special Education Main Grant Carryover                               | 25,401                           | -                     | 25,401                            | -                   | -                                | -                     | -                                 | -                | -                                |               |
| Common School  | 257,377                          | -                     | 240,752                           | -                   | 16,625                           | -                     | 4,891                             | -                | 11,734                           |               |
| Stimulus Title I - Grants to LEAs                                    | 717,339                          | 1,960,143             | 2,647,792                         | -                   | 29,690                           | 3,044,740             | 3,076,642                         | -                | (2,212)                          |               |
| Stimulus Special Education - Part B                                  | 544,314                          | 608,099               | 1,152,413                         | -                   | -                                | 1,874,649             | 1,874,649                         | -                | -                                |               |
| Stimulus Special Education - Part B - Preschool                      | 33,690                           | 2,500                 | 9,490                             | -                   | 26,700                           | 67,545                | 94,245                            | -                | -                                |               |
| Education Technology Stimulus  | 195,021                          | 17,500                | 168,759                           | -                   | 43,762                           | 136,918               | 180,680                           | -                | -                                |               |
| New Technology Grants  | -                                | -                     | -                                 | -                   | -                                | 125,000               | 125,000                           | -                | -                                |               |
| Education Jobs   | -                                | 1,493,900             | 1,454,219                         | -                   | 39,681                           | 2,326,119             | 2,365,800                         | -                | -                                |               |
| Employee FICA  | 37                               | 5,988,337             | 5,988,337                         | -                   | 37                               | 4,554,622             | 4,554,622                         | (37)             | -                                |               |
| Employee Pensions  | 75,354                           | 372,717               | 357,566                           | -                   | 90,505                           | 319,104               | 322,414                           | -                | 87,195                           |               |
| Savings Bonds  | 388                              | 3,762                 | 4,150                             | -                   | -                                | -                     | -                                 | -                | -                                |               |
| Employee Insurance   | (2,320,757)                      | 10,370,429            | 10,444,721                        | 2,273,850           | (121,199)                        | 2,080,852             | 1,904,347                         | 448              | 55,754                           |               |
| FIT  | -                                | 11,323,178            | 11,323,178                        | -                   | -                                | 10,382,326            | 10,382,326                        | -                | -                                |               |
| State Tax  | -                                | 2,930,645             | 2,930,645                         | -                   | -                                | 2,635,002             | 2,635,002                         | -                | -                                |               |
| Annuities  | (2,165)                          | 4,414,840             | 4,431,702                         | -                   | (19,027)                         | 4,105,848             | 4,088,946                         | -                | (2,125)                          |               |
| Garnishments   | (705)                            | 1,145,769             | 1,145,683                         | -                   | (619)                            | 1,115,946             | 1,115,803                         | -                | (476)                            |               |
| Union Dues   | 39,711                           | 1,285,051             | 1,306,169                         | -                   | 18,593                           | 1,055,165             | 1,049,812                         | -                | 23,946                           |               |
| Withholdings (Misc Deductions)                                       | -                                | 10,637                | 10,572                            | -                   | 65                               | 11,669                | 11,598                            | (65)             | 71                               |               |
| Credit Union   | -                                | 3,753,309             | 3,753,309                         | -                   | -                                | 3,479,993             | 3,479,993                         | -                | 30                               |               |
| Provident Life Insurance   | -                                | 119,063               | 119,063                           | -                   | -                                | 116,095               | 116,095                           | -                | -                                |               |
| Short-Term Disability  | -                                | 352,775               | 334,573                           | -                   | 18,202                           | 316,643               | 334,788                           | -                | 57                               |               |
| Retirees Life Insurance  | 1,414                            | 577,904               | 534,962                           | -                   | 44,356                           | 488,943               | 498,633                           | 448              | 35,114                           |               |
| <b>Totals</b>  | <b>\$ 37,284,016</b>             | <b>\$ 205,499,319</b> | <b>\$ 228,029,528</b>             | <b>\$ 2,014,258</b> | <b>\$ 16,768,065</b>             | <b>\$ 213,695,317</b> | <b>\$ 228,374,853</b>             | <b>\$ 61,398</b> | <b>\$ 2,149,927</b>              |               |

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

GARY COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

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

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

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

*B. Basis of Accounting*

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

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

*C. Cash and Investments*

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

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

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

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

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

GARY COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

Temporary loans which include money received from a loan obtained to pay current expenses prior to the receipt of revenue from taxes levied for that purpose. These loans, sometimes designated tax anticipation warrants, must be repaid from the next semiannual distribution of local property taxes levied for such fund.

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

Other receipts which include amounts received from various sources which include return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

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

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

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

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

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

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

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

GARY COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*F. Other Financing Sources and Uses*

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses include the following:

Proceeds of long-term debt which includes money received in relation to the issuance of bonds or other long-term debt issues.

Sale of capital assets which includes money received when land, buildings, or equipment owned by the School Corporation is sold.

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

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

*G. Fund Accounting*

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

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

GARY COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 4. Deposits and Investments**

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

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

**Note 5. Risk Management**

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

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

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

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

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

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

GARY COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Funding Policy and Annual Pension Cost*

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

**B. *Teacher's Retirement Fund***

*Plan Description*

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

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

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

*Funding Policy and Annual Pension Cost*

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

**Note 7. *Cash Balance Deficits***

The financial statement contains funds with deficits in cash. This is a result of decreases in state funding due to decreases in student enrollment, low tax collection rates, and funds being set up for reimbursable grants. The reimbursements for grant expenditures made by the School Corporation were not received by June 30, 2012.

GARY COMMUNITY SCHOOL CORPORATION  
 NOTES TO FINANCIAL STATEMENT  
 (Continued)

**Note 8. Holding Corporation**

The School Corporation has entered into capital leases with the Gary Community School 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 2010-2011 and 2011-2012 totaled \$1,382,500 and \$1,383,000, respectively.

**Note 9. Subsequent Events**

On December 13, 2012, the School Corporation was issued a Judgment Funding Bond in the amount of \$5.7 million for the purposes of paying outstanding debt due to vendors. In addition, on January 3, 2013, the School Building Corporation issued Mortgage Bonds to acquire two school sites from the School Corporation in the amount of \$20,000,000. The net proceeds received by the School Corporation was \$18,000,000.

**Note 10. Current and Future Financial Considerations**

The School Corporation has been experiencing a significant decline in enrollment. 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 overage 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.

In addition, the Indiana Department of Education took over one of the School Corporation's high schools for 2012-2013 which further reduced the state support for the last six months of 2012 by approximately \$4.5 million.

Furthermore, the School Corporation has experienced a declining property tax collection rate for the Transportation, Capital Projects and Debt Service Funds in that only approximately 40 percent of the 2012 expected tax collections were received.

At June 30, 2012, the School Corporation's overall cash and investment balance was \$2,149,927 with the General, Capital Projects, and Transportation Funds cash and investment balances at a negative \$2,850,362, \$2,622,525, and \$7,522,570, respectively.

The estimated cash balance as of December 31, 2012, of all funds was determined to be approximately negative \$12,221,420, as determined below:

|   |    |                            |
|---|----|----------------------------|
| Actual cash balance at December 31, 2012    | \$ | (3,737,150)                |
| Current Receivables                         |    | 2,750,000                  |
| Current Liabilities                         |    | <u>(11,234,270)</u>        |
| Estimated cash balance at December 31, 2012 | \$ | <u><u>(12,221,420)</u></u> |

GARY COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL STATEMENT  
(Continued)

On January 3, 2013, the School Corporation received \$18,000,000 from the sale of two elementary school buildings to the Gary Community School Building Corporation. The sale proceeds are for capital improvements, to fund the budget, and for debt service, if necessary. The 2013 estimated monthly basic grant distribution from the State of Indiana Department of Education for the General Fund is \$5,200,000. The monthly gross payroll, employer related taxes, pension benefits and health insurance for General Fund alone is estimated at \$5,800,000 a month. This amount does not include any vendor disbursements for items such as utilities and office supplies used monthly for operations of the School Corporation.

In order to bring the budget into balance and increase available cash on hand, the School Corporation will employ several reduction methods for the upcoming year, including but not limited to: a zero based budgeting philosophy, reduction in force in all employee categories, renegotiation of bargaining unit agreements, and the pursuit of energy efficient options to reduce utility costs.

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the School Corporation. It is presented as intended by the School Corporation.

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

|   | General             | Debt<br>Service     | Exempt<br>Debt    | Capital<br>Projects | School<br>Transportation | Rainy<br>Day     | Construction      | School<br>Lunch     | Textbook<br>Rental  |
|---|---------------------|---------------------|-------------------|---------------------|--------------------------|------------------|-------------------|---------------------|---------------------|
| Cash and investments - beginning  | \$ 5,811,455        | \$ 51,776           | \$ -              | \$ 1,527,648        | \$ 1,200,090             | \$ 78,436        | \$ 899,081        | \$ 2,320,528        | \$ 6,554,715        |
| Receipts:   |                     |                     |                   |                     |                          |                  |                   |                     |                     |
| Local sources   | 2,021,679           | 912,693             | 991,806           | 3,145,902           | 3,259,065                | -                | -                 | 532,876             | 63,472              |
| Intermediate sources  | 536,605             | -                   | -                 | -                   | -                        | -                | -                 | -                   | -                   |
| State sources   | 98,560,362          | 1,648,350           | 489,365           | 1,643,047           | -                        | -                | -                 | 12,387              | 1,424,303           |
| Federal sources   | 691,809             | 137                 | 89                | 509                 | 529                      | -                | -                 | 3,770,376           | -                   |
| Temporary loans   | -                   | 706,238             | 1,073,985         | 3,705,122           | 3,832,354                | -                | -                 | -                   | -                   |
| Interfund loans   | -                   | 358,514             | -                 | 182,921             | 6,048,587                | -                | -                 | -                   | -                   |
| Other   | -                   | -                   | -                 | -                   | -                        | -                | 3,750             | 650                 | -                   |
| Total receipts  | <u>101,810,455</u>  | <u>3,625,932</u>    | <u>2,555,245</u>  | <u>8,677,501</u>    | <u>13,140,535</u>        | <u>-</u>         | <u>3,750</u>      | <u>4,316,289</u>    | <u>1,487,775</u>    |
| Disbursements:  |                     |                     |                   |                     |                          |                  |                   |                     |                     |
| Current:  |                     |                     |                   |                     |                          |                  |                   |                     |                     |
| Instruction   | 67,125,168          | -                   | -                 | -                   | -                        | -                | -                 | -                   | -                   |
| Support services  | 36,365,802          | 927,050             | -                 | 3,902,852           | 8,869,597                | -                | -                 | 670                 | 1,430,823           |
| Noninstructional services   | 154,404             | -                   | -                 | -                   | 324,483                  | -                | -                 | 5,026,166           | -                   |
| Facilities acquisition and construction   | 5,132               | -                   | -                 | 4,042,967           | -                        | -                | 681,763           | -                   | -                   |
| Debt services   | 2,955,390           | 2,908,288           | 1,433,697         | 2,862,644           | 2,029,089                | -                | -                 | -                   | -                   |
| Nonprogrammed charges   | -                   | -                   | -                 | -                   | -                        | -                | -                 | -                   | -                   |
| Interfund loans   | -                   | 276,825             | 385,281           | 182,921             | 3,117,456                | -                | -                 | -                   | -                   |
| Total disbursements   | <u>106,605,896</u>  | <u>4,112,163</u>    | <u>1,818,978</u>  | <u>10,991,384</u>   | <u>14,340,625</u>        | <u>-</u>         | <u>681,763</u>    | <u>5,026,836</u>    | <u>1,430,823</u>    |
| Excess (deficiency) of receipts over disbursements  | <u>(4,795,441)</u>  | <u>(486,231)</u>    | <u>736,267</u>    | <u>(2,313,883)</u>  | <u>(1,200,090)</u>       | <u>-</u>         | <u>(678,013)</u>  | <u>(710,547)</u>    | <u>56,952</u>       |
| Other financing sources (uses):   |                     |                     |                   |                     |                          |                  |                   |                     |                     |
| Proceeds of long-term debt  | -                   | -                   | -                 | -                   | -                        | -                | -                 | -                   | -                   |
| Sale of capital assets  | 6,189               | -                   | -                 | 918,537             | -                        | -                | -                 | -                   | -                   |
| Transfers in  | 147,463             | 349,255             | -                 | 313,591             | -                        | -                | -                 | -                   | 51,777              |
| Transfers out   | (168,827)           | (51,776)            | (531,504)         | -                   | -                        | -                | -                 | -                   | -                   |
| Total other financing sources (uses)  | <u>(15,175)</u>     | <u>297,479</u>      | <u>(531,504)</u>  | <u>1,232,128</u>    | <u>-</u>                 | <u>-</u>         | <u>-</u>          | <u>-</u>            | <u>51,777</u>       |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>(4,810,616)</u>  | <u>(188,752)</u>    | <u>204,763</u>    | <u>(1,081,755)</u>  | <u>(1,200,090)</u>       | <u>-</u>         | <u>(678,013)</u>  | <u>(710,547)</u>    | <u>108,729</u>      |
| Cash and investments - ending   | <u>\$ 1,000,839</u> | <u>\$ (136,976)</u> | <u>\$ 204,763</u> | <u>\$ 445,893</u>   | <u>\$ -</u>              | <u>\$ 78,436</u> | <u>\$ 221,068</u> | <u>\$ 1,609,981</u> | <u>\$ 6,663,444</u> |

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

|   | Self-<br>Insurance | Levy<br>Excess | Alternative<br>Education | Early<br>Intervention<br>Grant | Extra-<br>Curricular<br>Activities | Construction<br>Remodeling<br>and<br>Equipping<br>Buildings | Special<br>Education<br>United Way | Gifted/<br>Talented | Medicaid<br>Reimbursement |
|---|--------------------|----------------|--------------------------|--------------------------------|------------------------------------|---|------------------------------------|---------------------|---------------------------|
| Cash and investments - beginning  | \$ 15,934,126      | \$ -           | \$ 9,784                 | \$ -                           | \$ 14,685                          | \$ 12,217   | \$ 19,985                          | \$ 48,852           | \$ -                      |
| Receipts:   |                    |                |                          |                                |                                    |   |                                    |                     |                           |
| Local sources   | 1,086,745          | 131,341        | -                        | -                              | -                                  | -   | 12,801                             | -                   | -                         |
| Intermediate sources  | -                  | -              | -                        | -                              | 7,091                              | -   | -                                  | -                   | -                         |
| State sources   | -                  | -              | -                        | -                              | -                                  | -   | -                                  | 79,055              | 79,148                    |
| Federal sources   | -                  | -              | -                        | -                              | -                                  | -   | -                                  | -                   | -                         |
| Temporary loans   | -                  | -              | -                        | -                              | -                                  | -   | -                                  | -                   | -                         |
| Interfund loans   | 4,164,952          | -              | -                        | -                              | -                                  | -   | -                                  | -                   | -                         |
| Other   | 458,050            | -              | -                        | -                              | -                                  | -   | -                                  | -                   | -                         |
| Total receipts  | 5,709,747          | 131,341        | -                        | -                              | 7,091                              | -   | 12,801                             | 79,055              | 79,148                    |
| Disbursements:  |                    |                |                          |                                |                                    |   |                                    |                     |                           |
| Current:  |                    |                |                          |                                |                                    |   |                                    |                     |                           |
| Instruction   | -                  | -              | -                        | -                              | -                                  | -   | 1,073                              | 109,968             | -                         |
| Support services  | 1,128,186          | -              | -                        | -                              | 1,928                              | -   | -                                  | 389                 | 79,148                    |
| Noninstructional services   | -                  | -              | -                        | -                              | -                                  | -   | -                                  | -                   | -                         |
| Facilities acquisition and construction   | -                  | -              | -                        | -                              | -                                  | -   | -                                  | -                   | -                         |
| Debt services   | -                  | -              | -                        | -                              | -                                  | -   | -                                  | -                   | -                         |
| Nonprogrammed charges   | 1,599,427          | -              | -                        | -                              | -                                  | -   | -                                  | -                   | -                         |
| Interfund loans   | 10,786,245         | -              | -                        | -                              | -                                  | -   | -                                  | -                   | -                         |
| Total disbursements   | 13,513,858         | -              | -                        | -                              | 1,928                              | -   | 1,073                              | 110,357             | 79,148                    |
| Excess (deficiency) of receipts over<br>disbursements   | (7,804,111)        | 131,341        | -                        | -                              | 5,163                              | -   | 11,728                             | (31,302)            | -                         |
| Other financing sources (uses):   |                    |                |                          |                                |                                    |   |                                    |                     |                           |
| Proceeds of long-term debt  | -                  | -              | -                        | -                              | -                                  | -   | -                                  | -                   | -                         |
| Sale of capital assets  | -                  | -              | -                        | -                              | -                                  | -   | -                                  | -                   | -                         |
| Transfers in  | 116,571            | -              | -                        | -                              | -                                  | -   | -                                  | -                   | -                         |
| Transfers out   | (2,383,624)        | (131,341)      | -                        | -                              | -                                  | -   | -                                  | -                   | -                         |
| Total other financing sources (uses)  | (2,267,053)        | (131,341)      | -                        | -                              | -                                  | -   | -                                  | -                   | -                         |
| Excess (deficiency) of receipts and other<br>financing sources over disbursements<br>and other financing uses | (10,071,164)       | -              | -                        | -                              | 5,163                              | -   | 11,728                             | (31,302)            | -                         |
| Cash and investments - ending   | \$ 5,862,962       | \$ -           | \$ 9,784                 | \$ -                           | \$ 19,848                          | \$ 12,217   | \$ 31,713                          | \$ 17,550           | \$ -                      |

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

|   | Non-English<br>Speaking<br>Programs<br>P.L. 273-1999 | Technology<br>Grants<br>[IC 20-40-15] | WGVE<br>Broadcast | Title I<br>School<br>Improvement | School<br>Improvement | School<br>Improvement -<br>Bailey &<br>Lew Wallace | Title I    | Impact<br>Aid |
|---|--|---------------------------------------|-------------------|----------------------------------|-----------------------|--|------------|---------------|
| Cash and investments - beginning  | \$ 11,795  | \$ 9,657                              | \$ 62,634         | \$ 51,615                        | \$ -                  | \$ -   | \$ 829,301 | \$ 50,297     |
| Receipts:   |  |                                       |                   |                                  |                       |  |            |               |
| Local sources   | -  | -                                     | 110,940           | -                                | -                     | -  | -          | -             |
| Intermediate sources  | -  | -                                     | -                 | -                                | -                     | -  | -          | -             |
| State sources   | -  | 2,630                                 | -                 | -                                | -                     | -  | -          | -             |
| Federal sources   | -  | -                                     | -                 | 213,086                          | -                     | -  | 9,674,503  | 27,740        |
| Temporary loans   | -  | -                                     | -                 | -                                | -                     | -  | -          | -             |
| Interfund loans   | -  | -                                     | -                 | 51,919                           | -                     | -  | 753,933    | -             |
| Other   | -  | -                                     | -                 | -                                | -                     | -  | -          | -             |
| Total receipts  | -  | 2,630                                 | 110,940           | 265,005                          | -                     | -  | 10,428,436 | 27,740        |
| Disbursements:  |  |                                       |                   |                                  |                       |  |            |               |
| Current:  |  |                                       |                   |                                  |                       |  |            |               |
| Instruction   | 3,095  | -                                     | 94,450            | -                                | -                     | -  | 9,303,492  | 8,071         |
| Support services  | -  | 727,522                               | -                 | 313,214                          | -                     | -  | 1,777,586  | 25,706        |
| Noninstructional services   | 124  | -                                     | -                 | -                                | -                     | -  | 228,701    | -             |
| Facilities acquisition and construction   | -  | -                                     | -                 | -                                | -                     | -  | -          | -             |
| Debt services   | -  | -                                     | -                 | -                                | -                     | -  | -          | -             |
| Nonprogrammed charges   | -  | -                                     | -                 | -                                | -                     | -  | -          | -             |
| Interfund loans   | -  | -                                     | -                 | 3,406                            | -                     | -  | 24,490     | -             |
| Total disbursements   | 3,219  | 727,522                               | 94,450            | 316,620                          | -                     | -  | 11,334,269 | 33,777        |
| Excess (deficiency) of receipts over disbursements  | (3,219)  | (724,892)                             | 16,490            | (51,615)                         | -                     | -  | (905,833)  | (6,037)       |
| Other financing sources (uses):   |  |                                       |                   |                                  |                       |  |            |               |
| Proceeds of long-term debt  | -  | 1,013,000                             | -                 | -                                | -                     | -  | -          | -             |
| Sale of capital assets  | -  | -                                     | -                 | -                                | -                     | -  | 76,532     | -             |
| Transfers in  | -  | -                                     | -                 | -                                | -                     | -  | -          | -             |
| Transfers out   | -  | -                                     | -                 | -                                | -                     | -  | -          | -             |
| Total other financing sources (uses)  | -  | 1,013,000                             | -                 | -                                | -                     | -  | 76,532     | -             |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (3,219)  | 288,108                               | 16,490            | (51,615)                         | -                     | -  | (829,301)  | (6,037)       |
| Cash and investments - ending   | \$ 8,576   | \$ 297,765                            | \$ 79,124         | \$ -                             | \$ -                  | \$ -   | \$ -       | \$ 44,260     |

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

|   | Special<br>Education<br>Improvement | Special<br>Education<br>Preschool Grant | Adult<br>Education<br>and Family<br>Literacy,<br>Title II | Adult<br>Education<br>Administration<br>Support | Adult<br>Education<br>Vouchers | Safe &<br>Drug Free<br>Schools | Title II -<br>Dwight D.<br>Eisenhower<br>Science and<br>Math Technology<br>Grants | UTEP            |
|---|-------------------------------------|---|---|---|--------------------------------|--------------------------------|---|-----------------|
| Cash and investments - beginning  | \$ 176,800                          | \$ 5,628                                | \$ 21,046   | \$ -  | \$ -                           | \$ 118,273                     | \$ -  | \$ 8,236        |
| Receipts:   |                                     |   |   |   |                                |                                |   |                 |
| Local sources   | -                                   | -                                       | -   | -   | -                              | -                              | -   | -               |
| Intermediate sources  | -                                   | -                                       | -   | -   | -                              | -                              | -   | -               |
| State sources   | -                                   | -                                       | -   | -   | -                              | -                              | -   | -               |
| Federal sources   | 2,495,950                           | 109,634                                 | 105,420   | 100,116   | 28,620                         | -                              | 9,000   | -               |
| Temporary loans   | -                                   | -                                       | -   | -   | -                              | -                              | -   | -               |
| Interfund loans   | 429,715                             | 21,361                                  | 65,283  | 130,140   | -                              | 160,766                        | 3,000   | -               |
| Other   | -                                   | -                                       | -   | -   | -                              | -                              | -   | -               |
| Total receipts  | <u>2,925,665</u>                    | <u>130,995</u>                          | <u>170,703</u>  | <u>230,256</u>                                  | <u>28,620</u>                  | <u>160,766</u>                 | <u>12,000</u>   | <u>-</u>        |
| Disbursements:  |                                     |   |   |   |                                |                                |   |                 |
| Current:  |                                     |   |   |   |                                |                                |   |                 |
| Instruction   | 3,000,078                           | 131,670                                 | 151,402   | 111,788   | 7,626                          | -                              | -   | -               |
| Support services  | 66,603                              | 3,013                                   | 4,831   | -   | -                              | 509,039                        | 6,750   | 903             |
| Noninstructional services   | -                                   | -                                       | -   | -   | -                              | -                              | -   | -               |
| Facilities acquisition and construction   | -                                   | -                                       | -   | -   | -                              | -                              | -   | -               |
| Debt services   | -                                   | -                                       | -   | -   | -                              | -                              | -   | -               |
| Nonprogrammed charges   | -                                   | -                                       | -   | -   | -                              | -                              | -   | -               |
| Interfund loans   | -                                   | 1,940                                   | 27,838  | 111,406   | -                              | -                              | 3,000   | -               |
| Total disbursements   | <u>3,066,681</u>                    | <u>136,623</u>                          | <u>184,071</u>  | <u>223,194</u>                                  | <u>7,626</u>                   | <u>509,039</u>                 | <u>9,750</u>  | <u>903</u>      |
| Excess (deficiency) of receipts over disbursements  | <u>(141,016)</u>                    | <u>(5,628)</u>                          | <u>(13,368)</u>   | <u>7,062</u>                                    | <u>20,994</u>                  | <u>(348,273)</u>               | <u>2,250</u>  | <u>(903)</u>    |
| Other financing sources (uses):   |                                     |   |   |   |                                |                                |   |                 |
| Proceeds of long-term debt  | -                                   | -                                       | -   | -   | -                              | -                              | -   | -               |
| Sale of capital assets  | -                                   | -                                       | -   | -   | -                              | -                              | -   | -               |
| Transfers in  | -                                   | -                                       | -   | -   | -                              | 230,000                        | -   | -               |
| Transfers out   | -                                   | -                                       | -   | (7)   | -                              | -                              | -   | -               |
| Total other financing sources (uses)  | <u>-</u>                            | <u>-</u>                                | <u>-</u>  | <u>(7)</u>                                      | <u>-</u>                       | <u>230,000</u>                 | <u>-</u>  | <u>-</u>        |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>(141,016)</u>                    | <u>(5,628)</u>                          | <u>(13,368)</u>   | <u>7,055</u>                                    | <u>20,994</u>                  | <u>(118,273)</u>               | <u>2,250</u>  | <u>(903)</u>    |
| Cash and investments - ending   | <u>\$ 35,784</u>                    | <u>\$ -</u>                             | <u>\$ 7,678</u>   | <u>\$ 7,055</u>                                 | <u>\$ 20,994</u>               | <u>\$ -</u>                    | <u>\$ 2,250</u>   | <u>\$ 7,333</u> |

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

|   | Carl D.<br>Perkins | Medicaid<br>Reimbursement -<br>Federal | Improving<br>Teaching<br>Quality,<br>No Child<br>Left,<br>Title II, Part A | ITQ<br>Enhanced<br>Education<br>Through<br>Technology,<br>Title II, Part D | Title III,<br>Language<br>Instruction | Deep<br>River | Technology   | Vision<br>Athena |
|---|--------------------|--|--|--|---------------------------------------|---------------|--------------|------------------|
| Cash and investments - beginning  | \$ 89,944          | \$ -                                   | \$ 281,979   | \$ 90,651  | \$ -                                  | \$ 926        | \$ 1,295,746 | \$ 8,635         |
| Receipts:   |                    |  |  |  |                                       |               |              |                  |
| Local sources   | -                  | -                                      | -  | -  | -                                     | -             | -            | -                |
| Intermediate sources  | -                  | -                                      | -  | -  | -                                     | -             | -            | -                |
| State sources   | -                  | -                                      | -  | -  | -                                     | -             | 596,900      | -                |
| Federal sources   | 468,997            | 220,353                                | 892,446  | 2,750  | -                                     | -             | -            | -                |
| Temporary loans   | -                  | -                                      | -  | -  | -                                     | -             | -            | -                |
| Interfund loans   | 40,786             | -                                      | 306,749  | -  | -                                     | -             | 109,359      | -                |
| Other   | -                  | -                                      | -  | -  | -                                     | -             | -            | -                |
| Total receipts  | 509,783            | 220,353                                | 1,199,195  | 2,750  | -                                     | -             | 706,259      | -                |
| Disbursements:  |                    |  |  |  |                                       |               |              |                  |
| Current:  |                    |  |  |  |                                       |               |              |                  |
| Instruction   | 535,376            | -                                      | 881,701  | -  | -                                     | -             | 322,064      | -                |
| Support services  | 27,440             | 226,140                                | 363,407  | 93,401   | -                                     | -             | 1,679,941    | -                |
| Noninstructional services   | -                  | -                                      | -  | -  | -                                     | -             | -            | -                |
| Facilities acquisition and construction   | -                  | -                                      | 2,581  | -  | -                                     | -             | -            | -                |
| Debt services   | -                  | -                                      | -  | -  | -                                     | -             | -            | -                |
| Nonprogrammed charges   | -                  | -                                      | -  | -  | -                                     | -             | -            | -                |
| Interfund loans   | 30,389             | -                                      | -  | -  | -                                     | -             | -            | -                |
| Total disbursements   | 593,205            | 226,140                                | 1,247,689  | 93,401   | -                                     | -             | 2,002,005    | -                |
| Excess (deficiency) of receipts over disbursements  | (83,422)           | (5,787)                                | (48,494)   | (90,651)   | -                                     | -             | (1,295,746)  | -                |
| Other financing sources (uses):   |                    |  |  |  |                                       |               |              |                  |
| Proceeds of long-term debt  | -                  | -                                      | -  | -  | -                                     | -             | -            | -                |
| Sale of capital assets  | -                  | -                                      | -  | -  | -                                     | -             | -            | -                |
| Transfers in  | -                  | 14,572                                 | -  | -  | -                                     | -             | -            | -                |
| Transfers out   | -                  | -                                      | (230,000)  | -  | -                                     | -             | -            | -                |
| Total other financing sources (uses)  | -                  | 14,572                                 | (230,000)  | -  | -                                     | -             | -            | -                |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (83,422)           | 8,785                                  | (278,494)  | (90,651)   | -                                     | -             | (1,295,746)  | -                |
| Cash and investments - ending   | \$ 6,522           | \$ 8,785                               | \$ 3,485   | \$ -   | \$ -                                  | \$ 926        | \$ -         | \$ 8,635         |

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

|   | QZAB/<br>Restrooms | Special Education<br>Main Grant<br>Carryover | Common<br>School | Stimulus<br>Title I -<br>Grants<br>to LEAs | Stimulus<br>Special<br>Education -<br>Part B | Stimulus<br>Special<br>Education -<br>Part B -<br>Preschool | Education<br>Technology<br>Stimulus | New<br>Technology<br>Grants |
|---|--------------------|--|------------------|--|--|---|-------------------------------------|-----------------------------|
| Cash and investments - beginning  | \$ 121,056         | \$ 25,401                                    | \$ 257,377       | \$ 717,339                                 | \$ 544,314                                   | \$ 33,690   | \$ 195,021                          | \$ -                        |
| Receipts:   |                    |  |                  |  |  |   |                                     |                             |
| Local sources   | -                  | -  | -                | -  | -  | -   | -                                   | -                           |
| Intermediate sources  | -                  | -  | -                | -  | -  | -   | -                                   | -                           |
| State sources   | -                  | -  | -                | -  | -  | -   | -                                   | -                           |
| Federal sources   | -                  | -  | -                | 967,020                                    | 10,000                                       | 2,500   | 17,500                              | -                           |
| Temporary loans   | -                  | -  | -                | -  | -  | -   | -                                   | -                           |
| Interfund loans   | -                  | -  | -                | 993,123                                    | 598,099                                      | -   | -                                   | -                           |
| Other   | -                  | -  | -                | -  | -  | -   | -                                   | -                           |
| Total receipts  | -                  | -  | -                | 1,960,143                                  | 608,099                                      | 2,500   | 17,500                              | -                           |
| Disbursements:  |                    |  |                  |  |  |   |                                     |                             |
| Current:  |                    |  |                  |  |  |   |                                     |                             |
| Instruction   | -                  | 23,792                                       | -                | 1,601,171                                  | 1,129,506                                    | 7,392   | -                                   | -                           |
| Support services  | 121,056            | 1,609  | 240,752          | 976,199                                    | 22,907                                       | 2,098   | 168,759                             | -                           |
| Noninstructional services   | -                  | -  | -                | 70,422                                     | -  | -   | -                                   | -                           |
| Facilities acquisition and construction   | -                  | -  | -                | -  | -  | -   | -                                   | -                           |
| Debt services   | -                  | -  | -                | -  | -  | -   | -                                   | -                           |
| Nonprogrammed charges   | -                  | -  | -                | -  | -  | -   | -                                   | -                           |
| Interfund loans   | -                  | -  | -                | -  | -  | -   | -                                   | -                           |
| Total disbursements   | 121,056            | 25,401                                       | 240,752          | 2,647,792                                  | 1,152,413                                    | 9,490   | 168,759                             | -                           |
| Excess (deficiency) of receipts over disbursements  | (121,056)          | (25,401)                                     | (240,752)        | (687,649)                                  | (544,314)                                    | (6,990)   | (151,259)                           | -                           |
| 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 | (121,056)          | (25,401)                                     | (240,752)        | (687,649)                                  | (544,314)                                    | (6,990)   | (151,259)                           | -                           |
| Cash and investments - ending   | \$ -               | \$ -   | \$ 16,625        | \$ 29,690                                  | \$ -   | \$ 26,700   | \$ 43,762                           | \$ -                        |

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

|   | Education<br>Jobs | Employee<br>FICA | Employee<br>Pensions | Savings<br>Bonds | Employee<br>Insurance | FIT        | State Tax | Annuities   |
|---|-------------------|------------------|----------------------|------------------|-----------------------|------------|-----------|-------------|
| Cash and investments - beginning  | \$ -              | \$ 37            | \$ 75,354            | \$ 388           | \$ (2,320,757)        | \$ -       | \$ -      | \$ (2,165)  |
| Receipts:   |                   |                  |                      |                  |                       |            |           |             |
| Local sources   | -                 | -                | -                    | -                | -                     | -          | -         | -           |
| Intermediate sources  | -                 | -                | -                    | -                | -                     | -          | -         | -           |
| State sources   | -                 | -                | -                    | -                | -                     | -          | -         | -           |
| Federal sources   | 961,910           | -                | -                    | -                | -                     | -          | -         | -           |
| Temporary loans   | -                 | -                | -                    | -                | -                     | -          | -         | -           |
| Interfund loans   | 531,990           | -                | -                    | -                | -                     | -          | -         | -           |
| Other   | -                 | 5,988,337        | 372,717              | 3,762            | 10,370,429            | 11,323,178 | 2,930,645 | 4,414,840   |
| Total receipts  | 1,493,900         | 5,988,337        | 372,717              | 3,762            | 10,370,429            | 11,323,178 | 2,930,645 | 4,414,840   |
| Disbursements:  |                   |                  |                      |                  |                       |            |           |             |
| Current:  |                   |                  |                      |                  |                       |            |           |             |
| Instruction   | 730,986           | -                | -                    | -                | -                     | -          | -         | -           |
| Support services  | 723,233           | -                | -                    | -                | -                     | -          | -         | -           |
| Noninstructional services   | -                 | -                | -                    | -                | -                     | -          | -         | -           |
| Facilities acquisition and construction   | -                 | -                | -                    | -                | -                     | -          | -         | -           |
| Debt services   | -                 | -                | -                    | -                | -                     | -          | -         | -           |
| Nonprogrammed charges   | -                 | 5,988,337        | 357,566              | 4,150            | 10,444,721            | 11,323,178 | 2,930,645 | 4,431,702   |
| Interfund loans   | -                 | -                | -                    | -                | -                     | -          | -         | -           |
| Total disbursements   | 1,454,219         | 5,988,337        | 357,566              | 4,150            | 10,444,721            | 11,323,178 | 2,930,645 | 4,431,702   |
| Excess (deficiency) of receipts over disbursements  | 39,681            | -                | 15,151               | (388)            | (74,292)              | -          | -         | (16,862)    |
| Other financing sources (uses):   |                   |                  |                      |                  |                       |            |           |             |
| Proceeds of long-term debt  | -                 | -                | -                    | -                | -                     | -          | -         | -           |
| Sale of capital assets  | -                 | -                | -                    | -                | -                     | -          | -         | -           |
| Transfers in  | -                 | -                | -                    | -                | 2,273,863             | -          | -         | -           |
| Transfers out   | -                 | -                | -                    | -                | (13)                  | -          | -         | -           |
| Total other financing sources (uses)  | -                 | -                | -                    | -                | 2,273,850             | -          | -         | -           |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 39,681            | -                | 15,151               | (388)            | 2,199,558             | -          | -         | (16,862)    |
| Cash and investments - ending   | \$ 39,681         | \$ 37            | \$ 90,505            | \$ -             | \$ (121,199)          | \$ -       | \$ -      | \$ (19,027) |

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

|   | Garnishments | Union Dues | Withholdings<br>(Misc Deductions) | Credit Union | Provident Life<br>Insurance | Short-Term<br>Disability | Retirees Life<br>Insurance | Totals        |
|---|--------------|------------|-----------------------------------|--------------|-----------------------------|--------------------------|----------------------------|---------------|
| Cash and investments - beginning  | \$ (705)     | \$ 39,711  | \$ -                              | \$ -         | \$ -                        | \$ -                     | \$ 1,414                   | \$ 37,284,016 |
| Receipts:   |              |            |                                   |              |                             |                          |                            |               |
| Local sources   | -            | -          | -                                 | -            | -                           | -                        | -                          | 12,269,320    |
| Intermediate sources  | -            | -          | -                                 | -            | -                           | -                        | -                          | 543,696       |
| State sources   | -            | -          | -                                 | -            | -                           | -                        | -                          | 104,535,547   |
| Federal sources   | -            | -          | -                                 | -            | -                           | -                        | -                          | 20,770,994    |
| Temporary loans   | -            | -          | -                                 | -            | -                           | -                        | -                          | 9,317,699     |
| Interfund loans   | -            | -          | -                                 | -            | -                           | -                        | -                          | 14,951,197    |
| Other   | 1,145,769    | 1,285,051  | 10,637                            | 3,753,309    | 119,063                     | 352,775                  | 577,904                    | 43,110,866    |
| Total receipts  | 1,145,769    | 1,285,051  | 10,637                            | 3,753,309    | 119,063                     | 352,775                  | 577,904                    | 205,499,319   |
| Disbursements:  |              |            |                                   |              |                             |                          |                            |               |
| Current:  |              |            |                                   |              |                             |                          |                            |               |
| Instruction   | -            | -          | -                                 | -            | -                           | -                        | -                          | 85,279,869    |
| Support services  | -            | -          | -                                 | -            | -                           | -                        | -                          | 60,788,554    |
| Noninstructional services   | -            | -          | -                                 | -            | -                           | -                        | -                          | 5,804,300     |
| Facilities acquisition and construction   | -            | -          | -                                 | -            | -                           | -                        | -                          | 4,732,443     |
| Debt services   | -            | -          | -                                 | -            | -                           | -                        | -                          | 12,189,108    |
| Nonprogrammed charges   | 1,145,683    | 1,306,169  | 10,572                            | 3,753,309    | 119,063                     | 334,573                  | 534,962                    | 44,284,057    |
| Interfund loans   | -            | -          | -                                 | -            | -                           | -                        | -                          | 14,951,197    |
| Total disbursements   | 1,145,683    | 1,306,169  | 10,572                            | 3,753,309    | 119,063                     | 334,573                  | 534,962                    | 228,029,528   |
| Excess (deficiency) of receipts over disbursements  | 86           | (21,118)   | 65                                | -            | -                           | 18,202                   | 42,942                     | (22,530,209)  |
| Other financing sources (uses):   |              |            |                                   |              |                             |                          |                            |               |
| Proceeds of long-term debt  | -            | -          | -                                 | -            | -                           | -                        | -                          | 1,013,000     |
| Sale of capital assets  | -            | -          | -                                 | -            | -                           | -                        | -                          | 1,001,258     |
| Transfers in  | -            | -          | -                                 | -            | -                           | -                        | -                          | 3,497,092     |
| Transfers out   | -            | -          | -                                 | -            | -                           | -                        | -                          | (3,497,092)   |
| Total other financing sources (uses)  | -            | -          | -                                 | -            | -                           | -                        | -                          | 2,014,258     |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 86           | (21,118)   | 65                                | -            | -                           | 18,202                   | 42,942                     | (20,515,951)  |
| Cash and investments - ending   | \$ (619)     | \$ 18,593  | \$ 65                             | \$ -         | \$ -                        | \$ 18,202                | \$ 44,356                  | \$ 16,768,065 |

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

|   | General               | Debt<br>Service    | Exempt<br>Debt    | Capital<br>Projects   | School<br>Transportation | Rainy<br>Day    | Construction      | School<br>Lunch     | Textbook<br>Rental  |
|---|-----------------------|--------------------|-------------------|-----------------------|--------------------------|-----------------|-------------------|---------------------|---------------------|
| Cash and investments - beginning  | \$ 1,000,839          | \$ (136,976)       | \$ 204,763        | \$ 445,893            | \$ -                     | \$ 78,436       | \$ 221,068        | \$ 1,609,981        | \$ 6,663,444        |
| Receipts:   |                       |                    |                   |                       |                          |                 |                   |                     |                     |
| Local sources   | 970,845               | 1,651,119          | 2,231,659         | 6,928,495             | 7,552,595                | -               | -                 | 424,478             | 26,215              |
| Intermediate sources  | 742,368               | -                  | -                 | -                     | -                        | -               | -                 | -                   | -                   |
| State sources   | 87,270,393            | -                  | -                 | -                     | -                        | -               | -                 | 10,869              | 691,736             |
| Federal sources   | 481,396               | 126                | 47                | 663                   | 686                      | -               | -                 | 5,416,533           | -                   |
| Temporary loans   | 4,673,752             | 967,556            | 1,519,178         | 3,493,526             | 4,091,245                | -               | -                 | -                   | -                   |
| Interfund loans   | -                     | -                  | -                 | 2,038,040             | 6,745,126                | -               | -                 | -                   | 3,000,000           |
| Other   | -                     | -                  | -                 | -                     | -                        | -               | 950               | 570                 | -                   |
| Total receipts  | <u>94,138,754</u>     | <u>2,618,801</u>   | <u>3,750,884</u>  | <u>12,460,724</u>     | <u>18,389,652</u>        | <u>-</u>        | <u>950</u>        | <u>5,852,450</u>    | <u>3,717,951</u>    |
| Disbursements:  |                       |                    |                   |                       |                          |                 |                   |                     |                     |
| Current:  |                       |                    |                   |                       |                          |                 |                   |                     |                     |
| Instruction   | 58,742,424            | -                  | -                 | -                     | -                        | -               | -                 | -                   | -                   |
| Support services  | 37,687,878            | (40,505)           | -                 | 3,784,141             | 10,125,273               | -               | -                 | 45,697              | 2,354,220           |
| Noninstructional services   | 145,019               | -                  | -                 | -                     | 323,647                  | -               | -                 | 5,990,994           | -                   |
| Facilities acquisition and construction   | -                     | -                  | -                 | 4,170,852             | -                        | -               | 15,147            | -                   | -                   |
| Debt services   | 1,601,631             | 3,702,207          | 3,574,438         | 5,595,924             | 5,787,046                | -               | -                 | -                   | -                   |
| Nonprogrammed charges   | -                     | -                  | -                 | -                     | -                        | -               | -                 | -                   | -                   |
| Interfund loans   | -                     | 358,514            | -                 | 2,038,040             | 9,676,256                | -               | -                 | -                   | 3,000,000           |
| Total disbursements   | <u>98,176,952</u>     | <u>4,020,216</u>   | <u>3,574,438</u>  | <u>15,588,957</u>     | <u>25,912,222</u>        | <u>-</u>        | <u>15,147</u>     | <u>6,036,691</u>    | <u>5,354,220</u>    |
| Excess (deficiency) of receipts over disbursements  | <u>(4,038,198)</u>    | <u>(1,401,415)</u> | <u>176,446</u>    | <u>(3,128,233)</u>    | <u>(7,522,570)</u>       | <u>-</u>        | <u>(14,197)</u>   | <u>(184,241)</u>    | <u>(1,636,269)</u>  |
| Other financing sources (uses):   |                       |                    |                   |                       |                          |                 |                   |                     |                     |
| Proceeds of long-term debt  | -                     | -                  | -                 | -                     | -                        | -               | -                 | -                   | -                   |
| Sale of capital assets  | 1,583                 | -                  | -                 | 59,815                | -                        | -               | -                 | -                   | -                   |
| Transfers in  | 278,544               | 1,543,211          | 371,102           | -                     | -                        | 6               | -                 | -                   | -                   |
| Transfers out   | (93,130)              | -                  | -                 | -                     | -                        | (78,442)        | -                 | (200,000)           | -                   |
| Total other financing sources (uses)  | <u>186,997</u>        | <u>1,543,211</u>   | <u>371,102</u>    | <u>59,815</u>         | <u>-</u>                 | <u>(78,436)</u> | <u>-</u>          | <u>(200,000)</u>    | <u>-</u>            |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>(3,851,201)</u>    | <u>141,796</u>     | <u>547,548</u>    | <u>(3,068,418)</u>    | <u>(7,522,570)</u>       | <u>(78,436)</u> | <u>(14,197)</u>   | <u>(384,241)</u>    | <u>(1,636,269)</u>  |
| Cash and investments - ending   | <u>\$ (2,850,362)</u> | <u>\$ 4,820</u>    | <u>\$ 752,311</u> | <u>\$ (2,622,525)</u> | <u>\$ (7,522,570)</u>    | <u>\$ -</u>     | <u>\$ 206,871</u> | <u>\$ 1,225,740</u> | <u>\$ 5,027,175</u> |

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

|   | Self-<br>Insurance | Levy<br>Excess | Alternative<br>Education | Early<br>Intervention<br>Grant | Extra-<br>Curricular<br>Activities | Construction<br>Remodeling<br>and<br>Equipping<br>Buildings | Special<br>Education<br>United Way | Gifted/<br>Talented | Medicaid<br>Reimbursement |
|---|--------------------|----------------|--------------------------|--------------------------------|------------------------------------|---|------------------------------------|---------------------|---------------------------|
| Cash and investments - beginning  | \$ 5,862,962       | \$ -           | \$ 9,784                 | \$ -                           | \$ 19,848                          | \$ 12,217   | \$ 31,713                          | \$ 17,550           | \$ -                      |
| Receipts:   |                    |                |                          |                                |                                    |   |                                    |                     |                           |
| Local sources   | 978,239            | -              | -                        | -                              | -                                  | -   | 10,870                             | -                   | -                         |
| Intermediate sources  | -                  | -              | -                        | -                              | 2,518                              | -   | -                                  | -                   | -                         |
| State sources   | -                  | -              | 21,390                   | 80,368                         | -                                  | -   | -                                  | 67,122              | 47,847                    |
| Federal sources   | -                  | -              | -                        | -                              | -                                  | -   | -                                  | -                   | -                         |
| Temporary loans   | -                  | -              | -                        | -                              | -                                  | -   | -                                  | -                   | -                         |
| Interfund loans   | 13,115,731         | -              | -                        | -                              | -                                  | -   | -                                  | -                   | -                         |
| Other   | -                  | -              | -                        | -                              | -                                  | -   | -                                  | -                   | -                         |
| Total receipts  | 14,093,970         | -              | 21,390                   | 80,368                         | 2,518                              | -   | 10,870                             | 67,122              | 47,847                    |
| Disbursements:  |                    |                |                          |                                |                                    |   |                                    |                     |                           |
| Current:  |                    |                |                          |                                |                                    |   |                                    |                     |                           |
| Instruction   | -                  | -              | 9,390                    | -                              | 5,433                              | -   | 4,603                              | 75,079              | -                         |
| Support services  | 1,299,301          | -              | -                        | -                              | 3,883                              | -   | -                                  | -                   | 50,929                    |
| Noninstructional services   | -                  | -              | -                        | -                              | 16                                 | -   | -                                  | -                   | -                         |
| Facilities acquisition and construction   | -                  | -              | -                        | -                              | -                                  | -   | -                                  | -                   | -                         |
| Debt services   | -                  | -              | -                        | -                              | -                                  | -   | -                                  | -                   | -                         |
| Nonprogrammed charges   | 2,806,770          | -              | -                        | -                              | -                                  | -   | -                                  | -                   | -                         |
| Interfund loans   | 5,783,169          | -              | -                        | -                              | -                                  | -   | -                                  | -                   | -                         |
| Total disbursements   | 9,889,240          | -              | 9,390                    | -                              | 9,332                              | -   | 4,603                              | 75,079              | 50,929                    |
| Excess (deficiency) of receipts over disbursements  | 4,204,730          | -              | 12,000                   | 80,368                         | (6,814)                            | -   | 6,267                              | (7,957)             | (3,082)                   |
| Other financing sources (uses):   |                    |                |                          |                                |                                    |   |                                    |                     |                           |
| Proceeds of long-term debt  | -                  | -              | -                        | -                              | -                                  | -   | -                                  | -                   | -                         |
| Sale of capital assets  | -                  | -              | -                        | -                              | -                                  | -   | -                                  | -                   | -                         |
| Transfers in  | 91,883             | -              | -                        | -                              | -                                  | -   | -                                  | -                   | 3,712                     |
| Transfers out   | (1,914,314)        | -              | -                        | -                              | -                                  | -   | -                                  | -                   | -                         |
| Total other financing sources (uses)  | (1,822,431)        | -              | -                        | -                              | -                                  | -   | -                                  | -                   | 3,712                     |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 2,382,299          | -              | 12,000                   | 80,368                         | (6,814)                            | -   | 6,267                              | (7,957)             | 630                       |
| Cash and investments - ending   | \$ 8,245,261       | \$ -           | \$ 21,784                | \$ 80,368                      | \$ 13,034                          | \$ 12,217   | \$ 37,980                          | \$ 9,593            | \$ 630                    |

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

|   | Non-English<br>Speaking<br>Programs<br>P.L. 273-1999 | Technology<br>Grants<br>[IC 20-40-15] | WGVE<br>Broadcast | Title I<br>School<br>Improvement | School<br>Improvement | School<br>Improvement -<br>Bailey &<br>Lew Wallace | Title I      | Impact<br>Aid |
|---|--|---------------------------------------|-------------------|----------------------------------|-----------------------|--|--------------|---------------|
| Cash and investments - beginning  | \$ 8,576   | \$ 297,765                            | \$ 79,124         | \$ -                             | \$ -                  | \$ -   | \$ -         | \$ 44,260     |
| Receipts:   |  |                                       |                   |                                  |                       |  |              |               |
| Local sources   | -  | -                                     | 107,395           | -                                | -                     | -  | 891          | -             |
| Intermediate sources  | -  | -                                     | -                 | -                                | -                     | -  | -            | -             |
| State sources   | 1,317  | 2,137                                 | -                 | -                                | -                     | -  | -            | -             |
| Federal sources   | -  | -                                     | -                 | 465,500                          | 3,018,074             | -  | 9,212,073    | 2,021         |
| Temporary loans   | -  | -                                     | -                 | -                                | -                     | -  | -            | -             |
| Interfund loans   | -  | -                                     | -                 | -                                | -                     | -  | -            | -             |
| Other   | -  | -                                     | -                 | -                                | -                     | -  | -            | -             |
| Total receipts  | 1,317  | 2,137                                 | 107,395           | 465,500                          | 3,018,074             | -  | 9,212,964    | 2,021         |
| Disbursements:  |  |                                       |                   |                                  |                       |  |              |               |
| Current:  |  |                                       |                   |                                  |                       |  |              |               |
| Instruction   | 2,808  | -                                     | 147,611           | -                                | 1,297,137             | -  | 6,229,520    | 793           |
| Support services  | -  | 89,621                                | -                 | 464,611                          | 1,749,405             | 32,322   | 2,167,228    | 12,722        |
| Noninstructional services   | -  | -                                     | -                 | -                                | 33,355                | -  | 295,175      | -             |
| Facilities acquisition and construction   | -  | -                                     | -                 | -                                | -                     | -  | -            | -             |
| Debt services   | -  | -                                     | -                 | -                                | -                     | -  | -            | -             |
| Nonprogrammed charges   | -  | -                                     | -                 | -                                | -                     | -  | -            | -             |
| Interfund loans   | -  | -                                     | -                 | 48,512                           | -                     | -  | 729,443      | -             |
| Total disbursements   | 2,808  | 89,621                                | 147,611           | 513,123                          | 3,079,897             | 32,322   | 9,421,366    | 13,515        |
| Excess (deficiency) of receipts over disbursements  | (1,491)  | (87,484)                              | (40,216)          | (47,623)                         | (61,823)              | (32,322)   | (208,402)    | (11,494)      |
| 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 | (1,491)  | (87,484)                              | (40,216)          | (47,623)                         | (61,823)              | (32,322)   | (208,402)    | (11,494)      |
| Cash and investments - ending   | \$ 7,085   | \$ 210,281                            | \$ 38,908         | \$ (47,623)                      | \$ (61,823)           | \$ (32,322)  | \$ (208,402) | \$ 32,766     |

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

|   | Special<br>Education<br>Improvement | Special<br>Education<br>Preschool Grant | Adult<br>Education<br>and Family<br>Literacy,<br>Title II | Adult<br>Education<br>Administration<br>Support | Adult<br>Education<br>Vouchers | Safe &<br>Drug Free<br>Schools | Title II -<br>Dwight D.<br>Eisenhower<br>Science and<br>Math Technology<br>Grants | UTEP            |
|---|-------------------------------------|---|---|---|--------------------------------|--------------------------------|---|-----------------|
| Cash and investments - beginning  | \$ 35,784                           | \$ -                                    | \$ 7,678  | \$ 7,055  | \$ 20,994                      | \$ -                           | \$ 2,250  | \$ 7,333        |
| Receipts:   |                                     |   |   |   |                                |                                |   |                 |
| Local sources   | -                                   | -                                       | -   | -   | -                              | -                              | -   | -               |
| Intermediate sources  | -                                   | -                                       | -   | -   | -                              | -                              | -   | -               |
| State sources   | -                                   | -                                       | -   | -   | -                              | -                              | -   | -               |
| Federal sources   | 3,186,435                           | 164,357                                 | 132,927   | 45,475  | 72,664                         | 178,095                        | -   | -               |
| Temporary loans   | -                                   | -                                       | -   | -   | -                              | -                              | -   | -               |
| Interfund loans   | -                                   | -                                       | -   | -   | -                              | -                              | -   | -               |
| Other   | -                                   | -                                       | -   | -   | -                              | -                              | -   | -               |
| Total receipts  | <u>3,186,435</u>                    | <u>164,357</u>                          | <u>132,927</u>  | <u>45,475</u>                                   | <u>72,664</u>                  | <u>178,095</u>                 | <u>-</u>  | <u>-</u>        |
| Disbursements:  |                                     |   |   |   |                                |                                |   |                 |
| Current:  |                                     |   |   |   |                                |                                |   |                 |
| Instruction   | 3,404,091                           | 178,519                                 | 120,523   | (15,368)  | 86,757                         | 35,537                         | -   | -               |
| Support services  | 45,547                              | 2,165                                   | 761   | -   | -                              | 419,167                        | -   | -               |
| Noninstructional services   | -                                   | -                                       | -   | -   | -                              | -                              | -   | -               |
| Facilities acquisition and construction   | -                                   | -                                       | -   | -   | -                              | -                              | -   | -               |
| Debt services   | -                                   | -                                       | -   | -   | -                              | -                              | -   | -               |
| Nonprogrammed charges   | -                                   | -                                       | -   | -   | -                              | -                              | -   | -               |
| Interfund loans   | 429,715                             | 19,421                                  | 37,446  | 67,898  | -                              | 160,766                        | -   | -               |
| Total disbursements   | <u>3,879,353</u>                    | <u>200,105</u>                          | <u>158,730</u>  | <u>52,530</u>                                   | <u>86,757</u>                  | <u>615,470</u>                 | <u>-</u>  | <u>-</u>        |
| Excess (deficiency) of receipts over disbursements  | <u>(692,918)</u>                    | <u>(35,748)</u>                         | <u>(25,803)</u>   | <u>(7,055)</u>                                  | <u>(14,093)</u>                | <u>(437,375)</u>               | <u>-</u>  | <u>-</u>        |
| Other financing sources (uses):   |                                     |   |   |   |                                |                                |   |                 |
| Proceeds of long-term debt  | -                                   | -                                       | -   | -   | -                              | -                              | -   | -               |
| Sale of capital assets  | -                                   | -                                       | -   | -   | -                              | -                              | -   | -               |
| Transfers in  | -                                   | -                                       | -   | -   | -                              | 470,000                        | -   | -               |
| Transfers out   | -                                   | -                                       | -   | -   | -                              | -                              | -   | -               |
| Total other financing sources (uses)  | <u>-</u>                            | <u>-</u>                                | <u>-</u>  | <u>-</u>  | <u>-</u>                       | <u>470,000</u>                 | <u>-</u>  | <u>-</u>        |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>(692,918)</u>                    | <u>(35,748)</u>                         | <u>(25,803)</u>   | <u>(7,055)</u>                                  | <u>(14,093)</u>                | <u>32,625</u>                  | <u>-</u>  | <u>-</u>        |
| Cash and investments - ending   | <u>\$ (657,134)</u>                 | <u>\$ (35,748)</u>                      | <u>\$ (18,125)</u>  | <u>\$ -</u>                                     | <u>\$ 6,901</u>                | <u>\$ 32,625</u>               | <u>\$ 2,250</u>   | <u>\$ 7,333</u> |

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

|   | Carl D.<br>Perkins | Medicaid<br>Reimbursement -<br>Federal | Improving<br>Teaching<br>Quality,<br>No Child<br>Left,<br>Title II, Part A | ITQ<br>Enhanced<br>Education<br>Through<br>Technology,<br>Title II, Part D | Title III,<br>Language<br>Instruction | Deep<br>River | Technology         | Vision<br>Athena |
|---|--------------------|--|--|--|---------------------------------------|---------------|--------------------|------------------|
| Cash and investments - beginning  | \$ 6,522           | \$ 8,785                               | \$ 3,485   | \$ -   | \$ -                                  | \$ 926        | \$ -               | \$ 8,635         |
| Receipts:   |                    |  |  |  |                                       |               |                    |                  |
| Local sources   | -                  | -                                      | -  | -  | -                                     | -             | -                  | -                |
| Intermediate sources  | -                  | -                                      | -  | -  | -                                     | -             | -                  | -                |
| State sources   | -                  | -                                      | -  | -  | -                                     | -             | 757,406            | -                |
| Federal sources   | 588,566            | 127,726                                | 2,137,947  | -  | 2,881                                 | -             | -                  | -                |
| Temporary loans   | -                  | -                                      | -  | -  | -                                     | -             | -                  | -                |
| Interfund loans   | -                  | -                                      | -  | -  | -                                     | -             | -                  | -                |
| Other   | -                  | -                                      | -  | -  | -                                     | -             | -                  | -                |
| Total receipts  | <u>588,566</u>     | <u>127,726</u>                         | <u>2,137,947</u>   | <u>-</u>   | <u>2,881</u>                          | <u>-</u>      | <u>757,406</u>     | <u>-</u>         |
| Disbursements:  |                    |  |  |  |                                       |               |                    |                  |
| Current:  |                    |  |  |  |                                       |               |                    |                  |
| Instruction   | 556,126            | -                                      | 1,071,350  | -  | -                                     | -             | 210,324            | -                |
| Support services  | 44,034             | 67,737                                 | 293,595  | -  | 2,881                                 | -             | 475,421            | -                |
| Noninstructional services   | -                  | -                                      | -  | -  | -                                     | -             | -                  | -                |
| Facilities acquisition and construction   | -                  | -                                      | -  | -  | -                                     | -             | -                  | -                |
| Debt services   | -                  | -                                      | -  | -  | -                                     | -             | -                  | -                |
| Nonprogrammed charges   | -                  | -                                      | -  | -  | -                                     | -             | -                  | -                |
| Interfund loans   | 10,397             | -                                      | 306,749  | -  | -                                     | -             | 109,359            | -                |
| Total disbursements   | <u>610,557</u>     | <u>67,737</u>                          | <u>1,671,694</u>   | <u>-</u>   | <u>2,881</u>                          | <u>-</u>      | <u>795,104</u>     | <u>-</u>         |
| Excess (deficiency) of receipts over disbursements  | <u>(21,991)</u>    | <u>59,989</u>                          | <u>466,253</u>   | <u>-</u>   | <u>-</u>                              | <u>-</u>      | <u>(37,698)</u>    | <u>-</u>         |
| Other financing sources (uses):   |                    |  |  |  |                                       |               |                    |                  |
| Proceeds of long-term debt  | -                  | -                                      | -  | -  | -                                     | -             | -                  | -                |
| Sale of capital assets  | -                  | -                                      | -  | -  | -                                     | -             | -                  | -                |
| Transfers in  | -                  | -                                      | -  | -  | -                                     | -             | -                  | -                |
| Transfers out   | -                  | (3,366)                                | (470,000)  | -  | -                                     | -             | -                  | -                |
| Total other financing sources (uses)  | <u>-</u>           | <u>(3,366)</u>                         | <u>(470,000)</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>(21,991)</u>    | <u>56,623</u>                          | <u>(3,747)</u>   | <u>-</u>   | <u>-</u>                              | <u>-</u>      | <u>(37,698)</u>    | <u>-</u>         |
| Cash and investments - ending   | <u>\$ (15,469)</u> | <u>\$ 65,408</u>                       | <u>\$ (262)</u>  | <u>\$ -</u>  | <u>\$ -</u>                           | <u>\$ 926</u> | <u>\$ (37,698)</u> | <u>\$ 8,635</u>  |

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

|   | QZAB/<br>Restrooms | Special Education<br>Main Grant<br>Carryover | Common<br>School | Stimulus<br>Title I -<br>Grants<br>to LEAs | Stimulus<br>Special<br>Education -<br>Part B | Stimulus<br>Special<br>Education -<br>Part B -<br>Preschool | Education<br>Technology<br>Stimulus | New<br>Technology<br>Grants |
|---|--------------------|--|------------------|--|--|---|-------------------------------------|-----------------------------|
| Cash and investments - beginning  | \$ -               | \$ -   | \$ 16,625        | \$ 29,690                                  | \$ -   | \$ 26,700   | \$ 43,762                           | \$ -                        |
| Receipts:   |                    |  |                  |  |  |   |                                     |                             |
| Local sources   | -                  | -  | -                | -  | -  | -   | -                                   | -                           |
| Intermediate sources  | -                  | -  | -                | -  | -  | -   | -                                   | -                           |
| State sources   | -                  | -  | -                | -  | -  | -   | -                                   | -                           |
| Federal sources   | -                  | -  | -                | 3,044,740                                  | 1,874,649                                    | 67,545  | 136,918                             | 125,000                     |
| Temporary loans   | -                  | -  | -                | -  | -  | -   | -                                   | -                           |
| Interfund loans   | -                  | -  | -                | -  | -  | -   | -                                   | -                           |
| Other   | -                  | -  | -                | -  | -  | -   | -                                   | -                           |
| Total receipts  | -                  | -  | -                | 3,044,740                                  | 1,874,649                                    | 67,545  | 136,918                             | 125,000                     |
| Disbursements:  |                    |  |                  |  |  |   |                                     |                             |
| Current:  |                    |  |                  |  |  |   |                                     |                             |
| Instruction   | -                  | -  | -                | 1,717,798                                  | 1,271,081                                    | 92,873  | -                                   | -                           |
| Support services  | -                  | -  | 4,891            | 339,589                                    | 5,469  | 1,372   | 180,680                             | 125,000                     |
| Noninstructional services   | -                  | -  | -                | 26,132                                     | -  | -   | -                                   | -                           |
| Facilities acquisition and construction   | -                  | -  | -                | -  | -  | -   | -                                   | -                           |
| Debt services   | -                  | -  | -                | -  | -  | -   | -                                   | -                           |
| Nonprogrammed charges   | -                  | -  | -                | -  | -  | -   | -                                   | -                           |
| Interfund loans   | -                  | -  | -                | 993,123                                    | 598,099                                      | -   | -                                   | -                           |
| Total disbursements   | -                  | -  | 4,891            | 3,076,642                                  | 1,874,649                                    | 94,245  | 180,680                             | 125,000                     |
| Excess (deficiency) of receipts over disbursements  | -                  | -  | (4,891)          | (31,902)                                   | -  | (26,700)  | (43,762)                            | -                           |
| 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 | -                  | -  | (4,891)          | (31,902)                                   | -  | (26,700)  | (43,762)                            | -                           |
| Cash and investments - ending   | \$ -               | \$ -   | \$ 11,734        | \$ (2,212)                                 | \$ -   | \$ -  | \$ -                                | \$ -                        |

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

|   | Education<br>Jobs | Employee<br>FICA | Employee<br>Pensions | Savings<br>Bonds | Employee<br>Insurance | FIT        | State Tax | Annuities   |
|---|-------------------|------------------|----------------------|------------------|-----------------------|------------|-----------|-------------|
| Cash and investments - beginning  | \$ 39,681         | \$ 37            | \$ 90,505            | \$ -             | \$ (121,199)          | \$ -       | \$ -      | \$ (19,027) |
| Receipts:   |                   |                  |                      |                  |                       |            |           |             |
| Local sources   | -                 | -                | -                    | -                | -                     | -          | -         | -           |
| Intermediate sources  | -                 | -                | -                    | -                | -                     | -          | -         | -           |
| State sources   | -                 | -                | -                    | -                | -                     | -          | -         | -           |
| Federal sources   | 2,326,119         | -                | -                    | -                | -                     | -          | -         | -           |
| Temporary loans   | -                 | -                | -                    | -                | -                     | -          | -         | -           |
| Interfund loans   | -                 | -                | -                    | -                | -                     | -          | -         | -           |
| Other   | -                 | 4,554,622        | 319,104              | -                | 2,080,852             | 10,382,326 | 2,635,002 | 4,105,848   |
| Total receipts  | 2,326,119         | 4,554,622        | 319,104              | -                | 2,080,852             | 10,382,326 | 2,635,002 | 4,105,848   |
| Disbursements:  |                   |                  |                      |                  |                       |            |           |             |
| Current:  |                   |                  |                      |                  |                       |            |           |             |
| Instruction   | 1,140,055         | -                | -                    | -                | -                     | -          | -         | -           |
| Support services  | 693,755           | -                | -                    | -                | -                     | -          | -         | -           |
| Noninstructional services   | -                 | -                | -                    | -                | -                     | -          | -         | -           |
| Facilities acquisition and construction   | -                 | -                | -                    | -                | -                     | -          | -         | -           |
| Debt services   | -                 | -                | -                    | -                | -                     | -          | -         | -           |
| Nonprogrammed charges   | -                 | 4,554,622        | 322,414              | -                | 1,904,347             | 10,382,326 | 2,635,002 | 4,088,946   |
| Interfund loans   | 531,990           | -                | -                    | -                | -                     | -          | -         | -           |
| Total disbursements   | 2,365,800         | 4,554,622        | 322,414              | -                | 1,904,347             | 10,382,326 | 2,635,002 | 4,088,946   |
| Excess (deficiency) of receipts over disbursements  | (39,681)          | -                | (3,310)              | -                | 176,505               | -          | -         | 16,902      |
| Other financing sources (uses):   |                   |                  |                      |                  |                       |            |           |             |
| Proceeds of long-term debt  | -                 | -                | -                    | -                | -                     | -          | -         | -           |
| Sale of capital assets  | -                 | -                | -                    | -                | -                     | -          | -         | -           |
| Transfers in  | -                 | -                | -                    | -                | 448                   | -          | -         | -           |
| Transfers out   | -                 | (37)             | -                    | -                | -                     | -          | -         | -           |
| Total other financing sources (uses)  | -                 | (37)             | -                    | -                | 448                   | -          | -         | -           |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (39,681)          | (37)             | (3,310)              | -                | 176,953               | -          | -         | 16,902      |
| Cash and investments - ending   | \$ -              | \$ -             | \$ 87,195            | \$ -             | \$ 55,754             | \$ -       | \$ -      | \$ (2,125)  |

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

|   | Garnishments | Union Dues | Withholdings<br>(Misc Deductions) | Credit Union | Provident Life<br>Insurance | Short-Term<br>Disability | Retirees Life<br>Insurance | Totals        |
|---|--------------|------------|-----------------------------------|--------------|-----------------------------|--------------------------|----------------------------|---------------|
| Cash and investments - beginning  | \$ (619)     | \$ 18,593  | \$ 65                             | \$ -         | \$ -                        | \$ 18,202                | \$ 44,356                  | \$ 16,768,065 |
| Receipts:   |              |            |                                   |              |                             |                          |                            |               |
| Local sources   | -            | -          | -                                 | -            | -                           | -                        | -                          | 20,882,801    |
| Intermediate sources  | -            | -          | -                                 | -            | -                           | -                        | -                          | 744,886       |
| State sources   | -            | -          | -                                 | -            | -                           | -                        | -                          | 88,950,585    |
| Federal sources   | -            | -          | -                                 | -            | -                           | -                        | -                          | 32,809,163    |
| Temporary loans   | -            | -          | -                                 | -            | -                           | -                        | -                          | 14,745,257    |
| Interfund loans   | -            | -          | -                                 | -            | -                           | -                        | -                          | 24,898,897    |
| Other   | 1,115,946    | 1,055,165  | 11,669                            | 3,479,993    | 116,095                     | 316,643                  | 488,943                    | 30,663,728    |
| Total receipts  | 1,115,946    | 1,055,165  | 11,669                            | 3,479,993    | 116,095                     | 316,643                  | 488,943                    | 213,695,317   |
| Disbursements:  |              |            |                                   |              |                             |                          |                            |               |
| Current:  |              |            |                                   |              |                             |                          |                            |               |
| Instruction   | -            | -          | -                                 | -            | -                           | -                        | -                          | 76,384,464    |
| Support services  | -            | -          | -                                 | -            | -                           | -                        | -                          | 62,528,790    |
| Noninstructional services   | -            | -          | -                                 | -            | -                           | -                        | -                          | 6,814,338     |
| Facilities acquisition and construction   | -            | -          | -                                 | -            | -                           | -                        | -                          | 4,185,999     |
| Debt services   | -            | -          | -                                 | -            | -                           | -                        | -                          | 20,261,246    |
| Nonprogrammed charges   | 1,115,803    | 1,049,812  | 11,598                            | 3,479,963    | 116,095                     | 334,788                  | 498,633                    | 33,301,119    |
| Interfund loans   | -            | -          | -                                 | -            | -                           | -                        | -                          | 24,898,897    |
| Total disbursements   | 1,115,803    | 1,049,812  | 11,598                            | 3,479,963    | 116,095                     | 334,788                  | 498,633                    | 228,374,853   |
| Excess (deficiency) of receipts over disbursements  | 143          | 5,353      | 71                                | 30           | -                           | (18,145)                 | (9,690)                    | (14,679,536)  |
| Other financing sources (uses):   |              |            |                                   |              |                             |                          |                            |               |
| Proceeds of long-term debt  | -            | -          | -                                 | -            | -                           | -                        | -                          | -             |
| Sale of capital assets  | -            | -          | -                                 | -            | -                           | -                        | -                          | 61,398        |
| Transfers in  | -            | -          | -                                 | -            | -                           | -                        | 448                        | 2,759,354     |
| Transfers out   | -            | -          | (65)                              | -            | -                           | -                        | -                          | (2,759,354)   |
| Total other financing sources (uses)  | -            | -          | (65)                              | -            | -                           | -                        | 448                        | 61,398        |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 143          | 5,353      | 6                                 | 30           | -                           | (18,145)                 | (9,242)                    | (14,618,138)  |
| Cash and investments - ending   | \$ (476)     | \$ 23,946  | \$ 71                             | \$ 30        | \$ -                        | \$ 57                    | \$ 35,114                  | \$ 2,149,927  |

GARY COMMUNITY SCHOOL CORPORATION  
 SCHEDULE OF LEASES AND DEBT  
 JUNE 30, 2012

| Lessor                                     | Purpose   | Annual<br>Lease<br>Payment | Lease<br>Beginning<br>Date | Lease<br>Ending<br>Date |
|--|---|----------------------------|----------------------------|-------------------------|
| Governmental activities:                   |   |                            |                            |                         |
| Gary Community School Building Corporation | 2004 \$20,510,000 Glen Park Academy and Marquette Elementary School Buildings | \$ 1,384,000               | 05-02-03                   | 01-15-29                |
| Gary Community School Building Corporation | 2010 \$10,000,000 Locke Elementary School                                     | <u>698,000</u>             | 03-09-10                   | 12-31-28                |
| Total of annual lease payments             |   | <u>\$ 2,082,000</u>        |                            |                         |

| Type                         | Description of Debt<br>Purpose                             | Ending<br>Principal<br>Balance | Principal and<br>Interest Due<br>Within One<br>Year |
|------------------------------|--|--------------------------------|---|
| Governmental activities:     |  |                                |   |
| Common school fund loans     | Technology and collection shortfalls                       | \$ 20,904,232                  | \$ 2,463,372  |
| Qualified Zone Academy Bonds | District wide improvements and Career Center roof projects | 631,674                        | 321,674   |
| General obligation bonds     | School improvements  | 7,595,000                      | 649,353   |
| Tax anticipation warrants    |  | <u>10,222,533</u>              | <u>10,402,962</u>                                   |
| Totals                       |  | <u>\$ 39,353,439</u>           | <u>\$ 13,837,361</u>                                |

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF CAPITAL ASSETS  
JUNE 30, 2012

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>Ending<br/>Balance</u> |
|-----------------------------------|---------------------------|
| Governmental activities:          |                           |
| Land                              | \$ 1,691,563              |
| Buildings                         | 114,263,320               |
| Machinery, equipment and vehicles | <u>55,530,095</u>         |
| Total capital assets              | <u>\$ 171,484,978</u>     |

GARY COMMUNITY SCHOOL CORPORATION  
OTHER REPORTS

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

Banneker Honors Achievement Center  
Roosevelt College and Career Academy and Lew Wallace STEM Academy

GARY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

**FINANCIAL CONCERNS**

At June 30, 2012, the School Corporation's overall cash and investment balance was \$2,149,927 with the General, Capital Projects, and School Transportation Fund cash and investment balances at a negative \$2,850,362, \$2,622,525, and \$7,522,570, respectively.

A subsequent analysis of the financial activity from July to December 2012, determined the overall cash and investment balance as of December 31, 2012, to be negative \$3,737,150 as determined below:

|   |                          |
|---|--------------------------|
| Ledger Balance as of December 31, 2012  | \$ 7,877,252.84          |
| Nov/Dec 2012 Electronic Funds Transfers authorized from the bank account for debt repayment not yet posted to ledger as of 01-09-13 | <u>(11,614,403.06)</u>   |
| Adjusted Ledger Balance as of December 31, 2012   | <u>\$ (3,737,150.22)</u> |

To ensure the School Corporation's ability to cover the bi-weekly payrolls through December 31, 2012, and to not overdraw the bank account, the following measures were taken by the School Corporation:

1. Approximately \$4,700,000 of vendor checks were processed, approved, posted, and prepared without releasing those checks to the vendors.
2. Payroll taxes of \$3,997,533 due the Internal Revenue Service for the period October 19 to December 31, 2012 were not remitted until January 4, 2013.

Furthermore, the School Corporation had additional material liabilities which were not posted to the ledger as of December 31, 2012. After taking into consideration the Adjusted Ledger Balance noted above, the additional material liabilities, and material receivables, the estimated overall cash and investment balance as of December 31, 2012, were calculated to be negative \$12,221,420 as detailed below:

|   |                           |
|---|---------------------------|
| Adjusted Ledger Balance as of December 31, 2012                       | \$ (3,737,150.22)         |
| Estimated Current Receivables:  |                           |
| Title I and Special Education grant reimbursements                    | 2,750,000.00              |
| Estimated Current Liabilities:  |                           |
| Employer pension liability - July to December 2012                    | (2,474,278.26)            |
| Health Insurance Premiums - December 2012                             | (1,243,331.17)            |
| Chartwell's (food service program management) - July to December 2012 | (1,911,719.67)            |
| One Button (transportation contractor) thru Nov 2012                  | (1,410,292.82)            |
| Worker's Compensation - October to November 2012                      | (97,010.92)               |
| Tax Anticipation Warrant's remaining balance                          | (3,374,532.75)            |
| Debt Payment for 2009 GO Bonds (Due 01-15-13)                         | (323,351.27)              |
| Estimated 10% Penalty to IRS for untimely payment of payroll taxes    | <u>(399,753.28)</u>       |
| Total Estimated Current Liabilities                                   | <u>(11,234,270.14)</u>    |
| All Funds Calculated Fund Balance                                     | <u>\$ (12,221,420.36)</u> |

GARY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

On January 2, 2013, the School Corporation received \$18,000,000 from the sale of two elementary school buildings to the Gary Community School Building Corporation (Building Corporation). The lease proceeds were for capital improvements, to fund the operating budget, and for debt service, if necessary. The School Corporation entered into a capital lease with the Building Corporation. The lease is to repay the \$20,000,000 mortgage bonds issued by the Building Corporation for the purchase of the school buildings plus interest. The capital lease will be repaid from debt service property tax levies which are not exempt from the imposed property tax caps. Because this is considered non-exempt debt, tax rates for the capital projects and transportation fund could be reduced. In addition, the School Corporation has experienced a declining property tax collection rate, further exacerbating the financial condition of the School Corporation. The School Corporation has an obligation to repay all debt. If the tax collections are insufficient to support repayment, the School Corporation will be required to divert collections from another fund to repay the debt.

The 2013 estimated monthly basic grant distribution from the Indiana Department of Education for the General Fund is \$5,200,000. The monthly gross payroll, employer related taxes, pension benefits and health insurance for the General Fund alone is estimated at \$5,800,000 a month. This amount does not include any vendor disbursements for items such as utilities and office supplies used monthly for operations of the school corporation.

An explanatory paragraph was added to the Independent Auditors' Report which states the assumption that the School Corporation will continue as a going concern. The School officials need to continue to assess the financial situation of the School Corporation to ensure a sustainable resolution to the material deficit cash balances that have been determined.

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

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)

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)

**UNTIMELY PAYMENT OF CLAIMS**

1. Due to the financial concerns noted above, the School Corporation failed to remit payroll taxes to the Internal Revenue Service timely. The \$3,997,533 of payroll taxes withheld and employer match incurred from October 19, 2012 to December 31, 2012, was not paid until January 4, 2013. The Internal Revenue Service may assess additional penalties and interest for the late payment of taxes. An estimate of a 10 percent penalty was included in the calculation of the current liabilities amount reported in the comment "Financial Concerns."

GARY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

2. As of December 31, 2012, the School Corporation issued, but did not release, approximately \$4,700,000 in vendor checks due to the declining cash balances addressed in the "Financial Concerns" comment. The checks held were dated from July 11, 2012 to December 19, 2012, and were posted to the General, Capital Projects, Self-Insurance and various grant funds.
3. The 2012 second, third, and fourth quarter remittance to the Indiana Public Retirement System (INPRS) for the Teachers and Public Employees Retirement Funds for employer provided pension payments were not remitted timely. The second quarter \$1,593,277 remittance, which was due July 15, 2012, was not paid until October 8, 2012. The School Corporation was required to start remitting the pension contributions on a bi-weekly payroll basis in the third quarter. Employer pension contributions and employee withholdings from July to December, 2012 totaling \$2,603,236 had not been remitted to the INPRS as of January 4, 2013.
4. The School Corporation contracts with One Button to provide transportation services. The payment for invoices for services provided from May 2012 to September 2012 totaling \$1,806,547 was not released to One Button until after the School Corporation received the judgment bond proceeds on December 14, 2012. In addition, the invoices for October and November services totaling \$1,410,293 were still outstanding and not paid as of January 4, 2013.
5. The October and November 2012, \$1,850,674 health insurance premium payment to Anthem was not released to Anthem until after the School Corporation received the judgment bond proceeds on December 14, 2012. The December 2012 monthly health insurance premiums were not paid as of January 4, 2013.
6. The School Corporation contracts with the Compass Group USA, Inc. through its Chartwells Division for the management of the school's food service program. As of December 31, 2012, the School Corporation owed Chartwells \$1,378,629 for the September 2012 to December 2012 invoices.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges 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)

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

**OFFICIAL BONDS AND TREASURER APPOINTMENTS**

The School Corporation purchases a bond with a one fiscal year term for the Corporation Treasurer. The most current bond on file and recorded with the County Recorder, covered the former Corporation Treasurer from the period of September 3, 2011 thru September 3, 2012. The former Corporation Treasurer had resigned effective as of June 29, 2012.

GARY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

The School Board appointed Dr. Cheryl Pruitt, Superintendent of Schools, to fill the Corporation Treasurer position in the interim until the School Board appointed Dr. Nikita White as Corporation Treasurer on September 25, 2012. As of January 14, 2013, Dr. Cheryl Pruitt, Superintendent of Schools, continues to sign all checks.

An Official's Bond was not provided for audit, for Dr. Cheryl Pruitt, Superintendent of Schools, or Dr. Nikita White, Corporation Treasurer. As of January 14, 2013, the insurance agency advised the School Corporation that they have received applications for, but have not yet processed, bonds for five extra-curricular treasurers and the Corporation Treasurer.

Public Officials' Bonds are also purchased for each extra-curricular treasurer. Beginning with the fiscal year September 3, 2011 through September 3, 2012, the bonding company began issuing a "Verification Certificate" indicating that bond terms begin on September 3 of the applicable school year, and continue for an "indefinite term" or until cancelled. Because the bond term covers an indefinite term, the "Verification Certificates" are not accepted by the County Recorder's Office for recording. It is unclear when a bond term indicates it is issued for an "indefinite term" as to the coverage amount for any given one year period.

Indiana Code 20-26-4-1 states in part:

"(c) A governing body shall, at the time that officers are elected under subsection (b), appoint a treasurer of the governing body and of the school corporation who is a person, other than the superintendent of schools, who is not a member of the governing body. The treasurer may, with the approval of the governing body, appoint a deputy who must be a person, other than the superintendent of schools, who is not a member of the governing body and who has the same powers and duties as the treasurer, or lesser duties as provided by the governing body by rule.

(d) 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. . . ."

The treasurer of each extra-curricular account shall provide a faithful performance of duty bond for one year, the term of the office. The amount of the bond shall be fixed and approved by the school superintendent and principal approximating the total amount of anticipated funds which will come into the hands of the treasurer at any one time during the regular school year, IC 20-41-1-6. The State Board of Accounts is of the audit position bonds should be filed and recorded in the office of the county recorder and also with the school board. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

The State Board of Accounts is of the audit position a new bond should be obtained each year and continuation certificates should not be used in lieu of obtaining a new bond. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

GARY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

**MINUTES OF THE GOVERNING BOARD**

The action taken by the governing board is an integral part of the school corporation's internal control structure. All business transacted by the governing body must be recorded in the minutes of the meetings. The secretary of the governing body has the duty to keep the minutes, and the minutes of each meeting should be approved by the governing body and signed by the members attending. The minutes are to be available within a reasonable period of time after the meeting in accordance with Indiana Code 5-14-1.5-4(c).

The governing board conducts regular meetings twice a month and special meetings as needed. Upon the start of the audit on August 21, 2012, officials were asked to provide the minutes of the governing board for audit use from July 1, 2010 through current.

The officials provided the minutes of the governing board meetings conducted for the period of July 1, 2010 until January 24, 2012.

The remaining minutes of the meetings of the governing board were provided for audit as follows:

| <u>Date Minutes<br/>Were Provided</u> | <u>Months Provided</u>                            |
|---------------------------------------|---|
| October 24, 2012                      | February through May, 2012                        |
| December 3, 2012                      | June through August 20, 2012                      |
| January 4, 2013                       | August 28, September, October 9, November 5, 2012 |

Furthermore, a review of the minutes noted that some meeting minutes were not subsequently approved by the governing board for up to eight months after the meetings were held.

The School Corporation should ensure that minutes of the meetings are available within a reasonable period of time after the meetings, not only to comply with Indiana Statutes, but to be able to provide timely supporting documentation that the governing board is effectively and efficiently acting upon pertinent financial information that has a direct and material effect on the financial statements, notes, and the Schedule of Expenditures of Federal Awards.

Indiana Code 5-14-1.5-4(c) states: "The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

**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 School Corporation did not provide documentation to support the costs for textbooks and consumables reported on the textbook reimbursement claim. The textbook reimbursement claim for the 2011-2012 school year was submitted to the Indiana Department of Education on November 2, 2011.

For the 2010-2011 and 2011-2012 school years, the School Corporation claimed 9,276 and 8,895 students met the poverty guidelines, respectively, on the request for reimbursement of textbook rental costs. The School Corporation provided listings of free and reduced student counts as of October 4, 2010 and 2011, supported 8,075 and 7,360 poverty level students respectively, which resulted in differences of 1,201 and 1,535, respectively.

GARY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

Similar issues have been reported in prior audit reports.

As of June 30, 2012, the School Corporation reported \$5,027,175 as the Cash and Investment balance of the Textbook Rental Fund. Receipts contributing to the cash balance are as follows:

1. For the 2010-2011 school year, the School Corporation received \$1,424,303 from the Indiana Department of Education for textbook rental assistance. The School Corporation also transferred \$51,777 into the Textbook Rental Fund from the Debt Service Fund. The transfer, as permitted by state statute, was to make up for the difference in the amount claimed for reimbursement of textbooks from the Indiana Department of Education and the amount received from the State. Finally, the Textbook Rental Fund received \$63,472 from student collections.
2. For the 2011-2012 school year, the School Corporation received \$691,736 from the Indiana Department of Education for textbook rental assistance and student collections totaled \$26,215. The remaining \$3,000,000 receipted to this fund was repayments of temporary loans made to the School Transportation and Capital Projects funds.

Indiana Code 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;

(2) the costs incurred by the school corporation in providing:

(A) textbooks (including textbooks used in special education and high ability classes) to these students;

(B) workbooks, digital content, and consumable textbooks (including workbooks, consumable textbooks, and other consumable instructional materials that are used in special education and high ability classes) that are used by students for not more than one (1) school year;

(C) instead of the purchase of textbooks, developmentally appropriate material for instruction in kindergarten through the grade 3 level, laboratories, and children's literature programs; and

(D) curricular materials (as defined in IC 20-20-5.5-1);

(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. The information shall be provided to the department upon request."

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)

GARY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

**PAYROLL ISSUES**

*Board Approval for Salaries and Wages*

Most employees of the School Corporation were covered by collective bargaining agreements. The collective bargaining agreements for teachers and paraprofessionals expired December 31, 2007, but the School Corporation continued to operate under the terms of those agreements. The agreements for secretarial and food service also expired on December 31, 2007, but included the following language, "This agreement shall remain in full force and effect unless modified by the parties." The agreement for maintenance employees was effective from January 1, 1997 through December 31, 1999, but stated, "and is to remain in effect until a new agreement is approved."

Pay schedules included in the agreements were not current as raises had been granted since the end of the term of the agreement. The Human Resources Department prepared and maintained electronic pay schedules to record salaries after pay increases. Because the bargaining agreements were not current, it was difficult to substantiate that the salaries and wages paid to some staff were in compliance with board approved rates.

For those employees not covered by collective bargaining agreements, the only documentation as to the salaries and wages to be paid were schedules maintained electronically by Human Resources. For some positions, it was unclear when the wages were approved by the School Board. Such positions included security, miscellaneous hourly positions, such as substitutes (including teachers, custodians, secretaries, lunch matrons, etc.), retired administrators, intervention specialists (paid from federal grant funds) and middle management, which covers employees of the human resources and payroll departments.

The board of school trustees has the authority to classify and determine salary schedules for non-instructional employees provided such schedules do not violate any State or federal wage and hour statutes. (Accounting and Uniform Compliance Guidelines for Indiana Public School Corporations, Chapter 8)

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 Indiana Public School Corporations, Chapter 9)

*Individual Contracts*

The School Corporation did not use the teacher contracts prescribed for use by state statute.

Some substitute teachers were paid at regular teacher rates of pay if they were considered "Long term temporary employees." The teacher was not provided with a "Temporary Teacher Contract," which would have included the rate of pay, and been signed by the employee and members of the School Board. The bargaining agreement did not cover the rate of pay for long-term temporary employees.

Teachers were paid additional compensation for various activities which included providing students with after school assistance in core academic areas. The additional compensation was supported by "Supplementary Assignment" Sheets, which were completed by the employees and approved by the school principals, and division administrators. This form was used in lieu of a supplemental service teacher's contract.

GARY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 20-28-6-6 (a) states in part:

"(a) A temporary teacher's contract shall be used only for employing:

- (1) a teacher to serve in the absence of a teacher who has been granted a leave of absence by the school corporation for:
  - (A) engaging in defense service or in service auxiliary to defense service;
  - (B) professional study or advancement;
  - (C) exchange teaching;
  - (D) extended disability to which a licensed physician has attested; or
  - (E) serving in the general assembly; or
- (2) a new teacher for a position:
  - (A) that is funded by a grant outside the school funding formula for which funding is available only for a specified period or purpose; or
  - (B) vacated by a teacher who is under a regular contract and who temporarily accepts a teacher position that is funded by a grant outside the school funding formula for which funding is available only for a specified period or purpose."

Indiana Code 20-28-6-7 (b) states: "The supplemental service teacher's contract shall be used when a teacher provides professional service in evening school or summer school employment, except when a teacher or other individual is employed to supervise or conduct noncredit courses or activities."

*Records of Hours Worked*

Time cards and time sheets were used by the School Corporation to support hourly employee payroll amounts. Due to the timing for the submission of payroll documentation, lunch room personnel completed the time sheets prior to completing the work for the pay period. The payroll clerks then adjusted the time in the computerized time records to reflect actual time worked, but this was not always in agreement with the time sheets which were signed and certified by the employee and his or her supervisor. Also, a time card for a maintenance employee who punches an electronic time clock was incomplete and not reflective of the actual hours he was paid. He was paid for 80 regular hours worked, but his time card only documented 47 hours worked.

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employees' Service Record  
General Form 99B, Employee's Earnings Record  
General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 13)

GARY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Posting of Payroll Disbursements*

Payroll disbursements for lunch matrons, which directly applied to the school lunch program, were not posted to the School Lunch Fund. These disbursements were posted to and paid from the General Fund.

On November 30, 2011, a journal entry was made by the former Corporation Treasurer to transfer \$505,161.45 of paid and anticipated payroll expenditures for head custodian salaries for the 2011-2012 school year from the General Fund to the School Lunch fund. It is unclear how head custodial duties would apply 100 percent to the school lunch program. Additionally, the disbursements were transferred prior to being paid; the transfer made in 2011 included amounts expected to be paid for full time head custodial salaries and benefits for the 2011-2012 school year.

For the purposes of this manual and the prescribed accounting system for Indiana's public schools, the Expenditure Accounts are separated into classifications dependent upon the program area and purpose affected. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 5)

The School Lunch Fund, designated Fund Number 0800 in the prescribed accounting system when established in the school corporation account, is to be used to record all receipts from the sale of lunches, federal and state reimbursement, gifts and other receipts, as detailed in the chart of receipt accounts in Part 4. The School Lunch Fund will also be used to record all disbursements for personal service, food, supplies and equipment for the school lunch program, as detailed in Part 5. (Accounting and Uniform Compliance Guidelines for Indiana Public School Corporations, Chapter 3)

**CAPITAL ASSET RECORDS**

The School Corporation's Property Control Procedure Manual Section 10.3.1 states:

"Assets with an original cost of over \$50.00, including ancillary costs and with a useful life of one year or more, will be inventoried. These assets will be tagged, entered into the fixed asset records, tracked and accounted for over the assets useful life. This is the general rule. This applies to athletic, audio visual, cafeteria, clinical, computer, office, science, security equipment, copiers and furniture."

A review of capital asset additions for the audit period found items such as laptops, scanners, cameras, IPADS, security carts, etc. with values of over \$50.00 were not posted to the capital asset records.

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

**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.

GARY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

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 use controlled. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 8)

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)

***RECEIPTING OF LOCK FEES (Applies to Lew Wallace STEM Academy)***

Lock fees of \$3,243.61 were collected and retained in the extra-curricular account from July 1, 2010 to June 30, 2012. These locks were purchased from the School Corporation's General Fund in August 2007 totaling \$1,815.83. The lock fees should have been remitted to the School Corporation's General 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

GARY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

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: . . . Equipment Sale or Rental . . . (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

***TICKET SALE RECEIPTS AND DEPOSITS (Applies to Bethune Early Childhood Development Center)***

Based upon the date indicated on the ticket sale reports, receipts for basketball game collections were issued anywhere from 6 to 31 days after the date of the basketball game. This resulted in the collections from the basketball games being deposited in an untimely manner.

Furthermore, collections deposited from the basketball games generally exceeded the collections supported by Ticket Sale Reports (SA-4).

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

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)

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)

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

Compliance

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

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

As described in item 2012-01 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding allowable costs that are applicable to its Title I, Part A Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its other major federal programs for the period of July 1, 2010 to June 30, 2012. 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 2012-02 and 2012-03.

Internal Control Over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over

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

compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies, or material weaknesses and therefore, there is no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2012-01 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2012-02 and 2012-03 to be significant deficiencies.

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 the response.

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

STATE BOARD OF ACCOUNTS

January 24, 2013

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2011 and 2012

| Federal Grantor Agency/Pass-Through Entity<br>Cluster Title/Program Title/Project Title    | Federal<br>CFDA<br>Number | Pass-Through<br>Entity (or Other)<br>Identifying<br>Number | Total<br>Federal Awards<br>Expended<br>06-30-11 | Total<br>Federal Awards<br>Expended<br>06-30-12 |
|--|---------------------------|--|---|---|
| <b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>   |                           |  |   |   |
| Pass-Through Indiana Department of Education   |                           |  |   |   |
| Child Nutrition Cluster  |                           |  |   |   |
| School Breakfast Program   | 10.553                    |  | \$ 1,165,813                                    | \$ 2,028,395                                    |
| National School Lunch Program  | 10.555                    |  | 2,848,600                                       | 3,683,364                                       |
| Summer Food Service Program for Children   | 10.559                    |  | -   | 103,639   |
| Total for cluster  |                           |  | <u>4,014,413</u>                                | <u>5,815,398</u>                                |
| Child and Adult Care Food Program  | 10.558                    |  | -   | 47,111  |
| Total for federal grantor agency   |                           |  | <u>4,014,413</u>                                | <u>5,862,509</u>                                |
| <b><u>U.S. DEPARTMENT OF DEFENSE</u></b>   |                           |  |   |   |
| Direct Grant   |                           |  |   |   |
| Army Junior Reserve Officers' Training Corps (JROTC)                                       | 12.Unknown                |  | 221,879   | 240,876   |
| <b><u>U.S. DEPARTMENT OF LABOR</u></b>   |                           |  |   |   |
| Pass-Through Indiana Department of Workforce Development - Center for Workforce Innovation |                           |  |   |   |
| WIA Cluster  |                           |  |   |   |
| WIA Adult Program  | 17.258                    |  | 7,626   | 86,757  |
| <b><u>U.S. DEPARTMENT OF EDUCATION</u></b>   |                           |  |   |   |
| Direct Grant   |                           |  |   |   |
| Impact Aid Cluster   |                           |  |   |   |
| Impact Aid   | 84.041                    |  | 27,740  | 2,021   |
| Pass-Through Indiana Department of Education   |                           |  |   |   |
| Title I, Part A Cluster  |                           |  |   |   |
| Title I Grants to Local Educational Agencies   | 84.010                    |  |   |   |
| School Improvement   |                           | 10-4690  | 3,252,944                                       | -   |
|  |                           | 11-4690  | 7,326,692                                       | 2,693,730                                       |
|  |                           | 12-4690  | -   | 6,518,343                                       |
|  |                           | 10-4690  | 86,615  | -   |
|  |                           | 11-4690  | 226,599   | 133,634   |
|  |                           | 12-4690  | -   | 272,962   |
| Total for program  |                           |  | <u>10,892,850</u>                               | <u>9,618,669</u>                                |
| ARRA - Title I Grants to Local Educational Agencies, Recovery Act                          | 84.389                    | 10-4690  | 1,684,359                                       | 3,044,740                                       |
| Total for cluster  |                           |  | <u>12,577,209</u>                               | <u>12,663,409</u>                               |
| Special Education Cluster  |                           |  |   |   |
| Special Education - Grants to States   | 84.027                    |  |   |   |
| 45209-019-PY02   |                           |  | 25,401  | -   |
| 14210-019-PN01   |                           |  | 866,016   | 35,784  |
| 14211-019-PN01   |                           |  | 2,200,665                                       | 901,668   |
| 14212-019-PN01   |                           |  | -   | 1,843,291                                       |
| Total for program  |                           |  | <u>3,092,082</u>                                | <u>2,780,743</u>                                |
| Special Education - Preschool Grants   | 84.173                    |  |   |   |
| 45710-019-PN01   |                           |  | 13,447  | -   |
| 45711-019-PN01   |                           |  | 101,815   | 32,651  |
| 45712-019-PN01   |                           |  | -   | 131,706   |
| Total for program  |                           |  | <u>115,262</u>                                  | <u>164,357</u>                                  |
| ARRA - Special Education - Grants to States, Recovery Act                                  | 84.391                    | 33310-019-SN01   | 1,152,413                                       | 1,276,550                                       |
| ARRA - Special Education - Preschool Grants, Recovery Act                                  | 84.392                    | 44410-019-SN01   | 9,490   | 94,245  |
| Total for cluster  |                           |  | <u>4,369,247</u>                                | <u>4,315,895</u>                                |
| Educational Technology State Grants Cluster  |                           |  |   |   |
| Educational Technology State Grants  | 84.318                    | C1094690   | 81,024  | -   |
| ARRA - Educational Technology State Grants, Recovery Act                                   | 84.386                    | S386A090014  | 168,759   | 180,680   |
| Total for cluster  |                           |  | <u>249,783</u>                                  | <u>180,680</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, 2011 and 2012  
(Continued)

| Federal Grantor Agency/Pass-Through Entity<br>Cluster Title/Program Title/Project Title  | Federal<br>CFDA<br>Number | Pass-Through<br>Entity (or Other)<br>Identifying<br>Number | Total<br>Federal Awards<br>Expended<br>06-30-11 | Total<br>Federal Awards<br>Expended<br>06-30-12 |
|--|---------------------------|--|---|---|
| <u>U.S. DEPARTMENT OF EDUCATION (continued)</u>  |                           |  |   |   |
| Pass-Through Indiana Department of Education<br>School Improvement Grants Cluster<br>School Improvement Grants   | 84.377                    |  | -   | 2,268,431                                       |
| ARRA - School Improvement Grants, Recovery Grant   | 84.388                    |  | -   | 749,643   |
| Total for cluster  |                           |  | -   | 3,018,074                                       |
| Pass-Through Center of Excellence in Leadership of Learning (CELL), University of Indianapolis<br>State Fiscal Stabilization Fund Cluster<br>ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act | 84.397                    |  | -   | 125,000   |
| Total for cluster  |                           |  | -   | 125,000   |
| Pass-Through Indiana Department of Education<br>Adult Education - Basic Grants to States   | 84.002                    |  | 30,380  | -   |
|  |                           | FY2011-8013  | 96,086  | 51,364  |
|  |                           | FY2012-8013  | -   | 81,463  |
| Administration Support   |                           | FY 2010  | 2,391   | -   |
|  |                           | FY 2011  | 48,561  | 45,475  |
| Total for program  |                           |  | 177,418   | 178,302   |
| Career and Technical Education - Basic Grants to States  | 84.048                    |  | 237,911   | -   |
|  |                           | 11-4700-4690   | 307,869   | 200,971   |
|  |                           | 12-4700-4690   | -   | 363,082   |
| Total for program  |                           |  | 545,780   | 564,053   |
| Safe and Drug Free Schools and Communities - State Grants  | 84.186                    |  | 118,273   | -   |
|  |                           | 09-4690  | 390,766   | 337,329   |
|  |                           | FY 2012  | -   | 117,375   |
| Total for program  |                           |  | 509,039   | 454,704   |
| Pass-Through Northwest Indiana Education Service Center<br>English Language Acquisition Grants   | 84.365                    | 01111-093-PN01   | -   | 2,881   |
| Pass-Through Indiana Department of Education<br>Improving Teacher Quality State Grants   | 84.367                    |  | 511,494   | 3,485   |
|  |                           | 7/1/09 to 9/30/11  | 429,446   | 708,169   |
|  |                           | 7/1/10 to 9/30/12  | -   | 959,779   |
| Opportunity School   |                           | A58-1-11CI-120   | 6,750   | -   |
| Total for program  |                           |  | 947,690   | 1,671,433                                       |
| Education Jobs Fund  | 84.410                    | S410A100015  | 961,910   | 2,326,119                                       |
| Total for federal grantor agency   |                           |  | 20,365,816                                      | 25,502,571                                      |
| <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>  |                           |  |   |   |
| Pass-Through Indiana Department of Education<br>Medicaid Cluster<br>Medical Assistance Program   | 93.778                    |  | 220,353   | 127,726   |
| Total federal awards expended  |                           |  | \$ 24,830,087                                   | \$ 31,820,439                                   |

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

**Note 1. 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 statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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

**Note 2. Noncash Assistance**

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

| Program Title                 | Federal<br>CFDA<br>Number | 2011      | 2012       |
|-------------------------------|---------------------------|-----------|------------|
| School Breakfast Program      | 10.553                    | \$ 70,918 | \$ 105,139 |
| National School Lunch Program | 10.555                    | 173,119   | 190,087    |

GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I – Summary of Auditor's Results**

Financial Statement:

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

Federal Awards:

|  |  |
|--|--|
| Internal control over major programs:  |  |
| Material weaknesses identified?  | yes  |
| Significant deficiencies identified?   | yes  |
| Type of auditor's report issued on compliance for major programs:  | Unqualified for all programs, except qualified for Title I, Part A Cluster |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | yes  |

Identification of Major Programs:

| CFDA<br>Number | Name of Federal Program or Cluster     |
|----------------|--|
|                | Child Nutrition Cluster                |
|                | Title I, Part A Cluster                |
|                | School Improvement Grants Cluster      |
| 84.367         | Improving Teacher Quality State Grants |
| 84.410         | Education Jobs Fund                    |

Dollar threshold used to distinguish between Type A and Type B programs: \$1,699,516

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 2012-01 - ALLOWABLE COSTS RELATED TO PAYROLL**

Federal Agency: U.S. Department of Education  
Federal Program: Title I Grants to Local Educational Agencies; ARRA - Title I Grants to Local Educational Agencies, Recovery Act  
CFDA Number: 84.010, 84.389  
Federal Award Number and Year: 11-4690, 12-4690  
Pass-Through Entity: Indiana Department of Education

The School Corporation has not established effective controls to ensure that only allowable costs related to payroll activities are paid from Title I grant programs. Each school prepares a specific budget which denotes the staff positions and full time equivalency designations to be paid from Title I funds. Additionally, the Grant Director prepares a "Summary of Staff Paid from Federal Funds" (Summary) which includes the name of the staff member, their position, and the full time equivalency designation. However, management is not comparing the budget designated positions to the Summary to ensure staff assignments are in agreement to budgeted designations.

A comparison of the Title I budget to the Summary indicated several inconsistencies. For example, a Summary included a clerical position which was not included on the budget for that school. Another Summary indicated two full time parent assistant positions; however, the budget included only one parent assistant position.

To support disbursements of Title I Funds for payroll and related benefits, School Corporations are required to maintain Semi Annual Certification Activity Reports for Employees Working on a Single Cost Objective (Certifications). These Certifications are to be maintained for employees designated as 100 percent full time equivalent Title I Staff. In accordance with the federal guidelines, these Certifications are to be signed by the employee or the employee's supervisor.

To support disbursements of Title I Funds for payroll and related benefits for employees who are designated as less than one full time equivalent Title I staff, Time and Effort Logs (Logs) are to be maintained. The Logs are maintained by month, and require the employee to document the number of hours worked on each program and/or funding source. The monthly Logs are signed by the employee and the supervisor as required by federal guidelines.

The grant coordinators maintain checklists of schools and staff required to maintain Certifications and Logs. A comparison of the Certifications and Logs to the Payroll Distribution Reports for the applicable periods was not performed to ensure only staff certified as having worked on Title I activities have been paid from the Title I funds.

The Certifications and Time and Effort Logs maintained by the School Corporation were not consistent with the guidelines. For example, certifications were on file for some employees who were only partially paid with Title I Funds, while some employees designated as one full time equivalent prepared monthly Logs.

Furthermore, some employees were paid from Title I (414-2) Funds for which neither a Certification nor a Time and Effort Log was maintained to support the Title I expenditure resulting in questioned costs as follows:

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

| School             | Number of<br>Employees | Undocumented<br>Title I Cost -<br>Payroll Only | Undocumented<br>Title I Cost -<br>Fringe Benefits | Total<br>Undocumented<br>Title I Costs |
|--------------------|------------------------|--|---|--|
| Bethune Pre-School | 1                      | \$ 15,457.93                                   | \$ 3,150.16                                       | \$ 18,608.09                           |
| Bailly             | 1                      | 4,766.00                                       | 364.62  | 5,130.62                               |
| Beveridge          | 1                      | 2,997.68                                       | 544.08  | 3,541.76                               |
| Glen Park Academy  | 1                      | 1,888.38                                       | 342.74  | 2,231.12                               |
| Webster            | 4                      | 19,591.18                                      | 2,863.63  | 22,454.81                              |
| Williams           | 2                      | 24,154.17                                      | 4,384.11  | 28,538.28                              |
| Roosevelt          | 1                      | 3,147.68                                       | 744.22  | 3,891.90                               |
| Wirt               | 1                      | 12,662.19                                      | 2,244.74  | 14,906.93                              |
| New Tech Roosevelt | 1                      | <u>1,512.15</u>                                | <u>107.45</u>                                     | <u>1,619.60</u>                        |
| Totals             |                        | <u>\$ 86,177.36</u>                            | <u>\$ 14,745.75</u>                               | <u>\$ 100,923.11</u>                   |

OMB Circular A-133 section .300 (b) states:

"The auditee shall: Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

OMB Circular A-87 Appendix B states in part:

"8. Compensation for personal services.

a. General. Compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under Federal awards, including but not necessarily limited to wages, salaries, and fringe benefits. The costs of such compensation are allowable to the extent that they satisfy the specific requirements of this Circular, and that the total compensation for individual employees:

- (1) Is reasonable for the services rendered and conforms to the established policy of the governmental unit consistently applied to both Federal and non Federal activities;
- (2) Follows an appointment made in accordance with a governmental unit's laws and rules and meets merit system or other requirements required by Federal law, where applicable; and
- (3) Is determined and supported as provided in subsection h. . . .

h. Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation.

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

- (1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.
- (2) No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.
- (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.
- (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:
  - (a) More than one Federal award,
  - (b) A Federal award and a non Federal award,
  - (c) An indirect cost activity and a direct cost activity,
  - (d) Two or more indirect activities which are allocated using different allocation bases, or
  - (e) An unallowable activity and a direct or indirect cost activity.
- (5) Personnel activity reports or equivalent documentation must meet the following standards:
  - (a) They must reflect an after the fact distribution of the actual activity of each employee,
  - (b) They must account for the total activity for which each employee is compensated,
  - (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
  - (d) They must be signed by the employee."

We recommended that School Corporation officials enhance controls to allow for comparing payroll distribution reports to certifications and time and monitoring logs to ensure that only properly documented and allowable payroll costs are charged to the Title I federal grant funds.

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

**FINDING 2012-02 - CASH MANAGEMENT**

Federal Agency: U.S. Department of Education  
 Federal Program: Title I Grants to Local Educational Agencies; ARRA - Title I Grants to Local Educational Agencies, Recovery Act; School Improvement Grants; ARRA - School Improvement Grants, Recovery Act  
 CFDA Number: 84.010, 84.389, 84.377, 84.388, 84.367  
 Federal Award Number and Year: 11-4690, 12-4690, 7/1/09 to 9/30/11, 7/1/10 to 9/30/12  
 Pass-Through Entity: Indiana Department of Education

Amounts received by the School Corporation for the Title I, Part A Cluster, School Improvement Grants Cluster, and Improving Teacher Quality State Grants were based on bi-monthly reimbursement forms submitted to the Indiana Department of Education. The Indiana Department of Education informed the School Corporation that reimbursement requests are to be based on actual expenditures in accordance with 31 CFR 205.12(b)(5) which states: "Reimbursable funding means that a Federal Program Agency transfers Federal funds to a State after that State has already paid out funds for Federal assistance program purposes."

Since this is a reimbursement grant, the funds should be obligated and paid prior to the request for reimbursement being generated. However, a comparison of the grant funds cash balance after the receipt of the reimbursements indicated that the School Corporation did not completely disburse federal funds until anywhere from 4 to 160 days after the receipt of the reimbursement.

The School Corporation did not have a system of controls in place to ensure that reimbursement requests were completed for only the federal grant funds disbursed prior to the date the reimbursement was received.

Subsequent to June 30, 2012, the School Corporation drafted and posted checks to disburse Title I, Part A Cluster funds, and received reimbursements for these posted disbursements; however, the checks were held by officials due to the overall deteriorating financial condition of the School Corporation. The following details the amounts received as reimbursements, and the dollar amount of the checks held as of December 31, 2012:

| Federal Award<br>Federal Program/Fund | 12-4690                            |                    | 12-4690                |                      |        |
|---------------------------------------|------------------------------------|--------------------|------------------------|----------------------|--------|
|                                       | Title I School Improvement (402-2) |                    | Title I (414-2)        |                      |        |
| Month                                 | Reimbursement                      | Amount             |                        | Reimbursement        | Amount |
|                                       |                                    | Posted As Paid     | But Held               |                      |        |
| July                                  | \$ -                               | \$ -               | \$ 1,509,945.13        | \$ 73,816.80         |        |
| August                                | -                                  | -                  | 265,387.34             | 117,172.01           |        |
| September                             | 19,003.02                          | 5,236.00           | 119,939.45             | 38,289.25            |        |
| October                               | -                                  | -                  | 107,479.82             | 102,496.42           |        |
| November                              | -                                  | -                  | 229,338.24             | 1,378.00             |        |
| December                              | -                                  | -                  | 239,432.78             | 30,782.00            |        |
| Totals                                | <u>\$ 19,003.02</u>                | <u>\$ 5,236.00</u> | <u>\$ 2,471,522.76</u> | <u>\$ 363,934.48</u> |        |

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

34 CFR § 80.21 states in part:

"(a) *Scope*. This section prescribes the basic standard and the methods under which a Federal agency will make payments to grantees, and grantees will make payments to subgrantees and contractors.

(b) *Basic standard*. Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205.

(d) *Reimbursement*. Reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met . . ."

OMB Circular A-133, Subpart C, section .300 (b) states:

"The auditee shall: (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to adhere to cash management requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management develop and implement procedures and controls to ensure that reimbursement basis grant expenditures are actually paid prior to the date that the reimbursement is received.

***FINDING 2012-03 - REPORTING***

Federal Agency: U.S. Department of Education  
Federal Program: Improving Teacher Quality State Grants  
CFDA Number: 84.367  
Federal Award Number: 7/1/09 to 9/30/11  
Pass-Through Entity: Indiana Department of Education

The Indiana Department of Education requires the School Corporation to submit a Final Report of Expenditures for the Improving Teacher Quality State Grants. The Final Report of Expenditures for the period July 1, 2009 to September 30, 2011 was due to the Indiana of Department Education by December 31, 2011. As of October 2012, the School Corporation had failed to submit this required report. The School Corporation did not have an effective internal control structure in place to ensure that reports were filed as required.

34 CFR § 80.20 Standards for financial management systems, states in part:

"(b) The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant . . ."

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

OMB Circular A-133 section .300 (b) states:

"The auditee shall: Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The School Corporation was not in compliance with reporting requirements for this program nor did the School Corporation have an effective internal control structure to ensure that all required reports were filed. Failure to comply with these requirements could cause the School Corporation to be ineligible to receive future federal awards.

We recommended that School Corporation officials review and develop procedures to ensure that all required reports are prepared accurately and timely in accordance with the reporting requirements.



**FEDERAL PROGRAMS AND GRANTS  
AND STUDENT AND FAMILY SERVICES**  
620 East 10<sup>th</sup> Place – Gary, IN 46402

(219) 881-4064 – Fax (219) 881-4076  
Dr. Cordia P. Moore, Director  
cmoore@garycsc.k12.in.us

**GARY COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Section III – Federal Award Findings and Questioned Costs

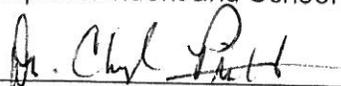
**FINDING 2010 – 1. ALLOWABLE COSTS FOR SUPPLEMENTAL EDUCATIONAL SERVICES (SES)  
CONTRACTS, TITLE I, PART A CLUSTER**

Federal Agency: US 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  
Auditee Contact Person: Dr. Cordia P. Moore  
Title of Contact Person: Director of Federal Programs and Grants  
Phone Number: 219-881-4064

Briefly describe action to be taken to correct finding.

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:

1. Providers will be requested in advance to provide necessary information for #4 of the Addendum To Contract.
2. Information provided will be reviewed and entered by the department Administrative Assistant and checked for accuracy.
3. Contracts will then be submitted to the Program Associate of SES for review and approval of accuracy.
4. Contracts will be submitted to Program Director for review and accuracy before submission to the Superintendent and School Board of Trustees.

Signed: 

Date: 11/27/12

**Fully corrected – Corrective Action steps taken.**

Based on the revisions resulting from the previous audit citation, language in the SES contract changed in one column from "hourly rate" to "amount per session". Additionally, a column "length of session" was added to the contract this year. One vendor increased the length of the session 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 decreased "length of service". 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 payment based on the \$50.13 hourly rate. Additionally, the district operates the technology based Open Sesame management system as a monitoring procedure and safeguard to ensure that vendors are paid appropriately and do not exceed the approved allocation. The total allocation for this vendor was established by the district using \$50.13 as the hourly rate. System safeguards will not allow the processing of an overpayment.

In the future, a checklist will be developed and used during contract review sessions held with vendors to point out any modifications in the contract language and/or format and to provide guidance in accurately completing the contract. Each contract will be reviewed by the Program Associate and reviewed 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.

### **STATUS OF SCHEDULE OF PRIOR AUDIT FINDINGS**

Fully Corrected - Corrective action steps taken

A checklist was developed for use during the contract review portion of the SES Vendor Orientation sessions to review key components of the contract. Contract Content was one of the areas discussed during the orientation. Additional action steps implemented include:

1. Providers were provided in-service prior to completing contracts to review the process and respond to any questions regarding accurately completing the information.
2. The Administrative assistant followed up with vendors, as needed, reviewing the data and providing support for those needing additional assistance.
3. Contracts were forwarded to the Program Associate for review for compliance, follow-up as necessary, and discussions with vendors to ensure that all components of the contract were accurately completed.
4. Contracts were submitted to the Director of Title I for review and final cross check prior to signing off and submitting contracts to the Superintendent and Board of School Trustees for board approval.

Signed: 11/27/12

Date: Dr. Cheryl Pruitt



**MARIE ADKINS, SUPERVISOR  
FINANCE/SPECIAL PROJECTS**  
mharlin@garycsc.k12.in.us

### SECTION III – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

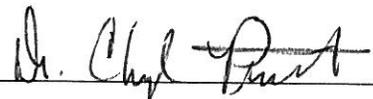
|                          |  |
|--------------------------|--|
| Federal Agency:          | U.S. Department of Education                                     |
| Federal Program:         | ARRA – Title I Grants to Local Educational Agencies Recovery Act |
| CFDA Number:             | 84.389   |
| Federal Award No.:       | 10-4690  |
| Pass-Through Entity:     | Indiana Department of Education                                  |
| Auditee Contact Person:  | Marie Adkins   |
| Title of Contact Person: | 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 ARRA 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.

Corrective action was taken.

Signed: 

Date: 11/27/12



**MARIE ADKINS, SUPERVISOR  
FINANCE/SPECIAL PROJECTS**  
mharlin@garycsc.k12.in.us

### SECTION III – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

#### 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: | 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.

Corrective action was taken.

Signed Dr. Cheryl Perrett

Date 11/27/12

**DR. NIKITA WHITE, CHIEF FINANCIAL OFFICER**  
[nrwhite@garycsc.k12.in.us](mailto:nrwhite@garycsc.k12.in.us)

January 16, 2013

Corrective Action Plan

Section III – Federal Award Findings and Questioned Costs

***FINDING 2012-01 ALLOWABLE COSTS RELATED TO PAYROLL***

Federal Agency: U.S. Department of Education  
Federal Program: Title I, Part A Cluster  
CFDA Number: 84.010, 84.389  
Federal Award Number and Year: 11-4690, 12-4690  
Pass-Through Entity: Indiana Department of Education

Description of action to be taken:

The School Corporation will enhance controls to allow for comparing payroll distribution reports to certifications and time and monitoring logs to ensure only properly documented and allowable payroll costs are charged to the Title I federal grant funds.

***FINDING 2012-02 CASH MANAGEMENT***

Federal Agency: U.S. Department of Education  
Federal Program: Title I, Part A Cluster; School Improvement Grants Cluster; Improving Teacher Quality State Grants  
CFDA Number: 84.010, 84.389, 84.377, 84.388, 84.367  
Federal Award Number and Year: 11-4690, 12-4690, 7/1/09 to 9/30/11, 7/1/10 to 9/30/12  
Pass-Through Entity: Indiana Department of Education

Description of action to be taken:

The School Corporation will develop and implement procedures and controls to ensure that when awards are funded on a reimbursement basis that the costs for which reimbursement was requested were paid prior to the date the reimbursement was received.

***FINDING 2012-03 REPORTING***

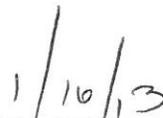
Federal Agency: U.S. Department of Education  
Federal Program: Improving Teacher Quality State Grants  
CFDA Number: 84.367  
Federal Award Number: 7/1/09 to 9/30/11  
Pass-Through Entity: Indiana Department of Education

Description of action to be taken:

The School Corporation will review and develop procedures to ensure that all required reports are prepared on a timely and accurate basis, in accordance with the reporting requirements.

Sincerely,

  
\_\_\_\_\_  
Dr. Nikita White, Chief Financial Officer

  
\_\_\_\_\_  
Date

GARY COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on January 24, 2013, with Dr. Nikita White, Treasurer; Dr. Cheryl Pruitt, Superintendent of Schools; Rosie G. Washington, President of the School Board; and Dr. Albert J. Holmes, Executive Director of Federal Grants. The Official Response has been made a part of this report and may be found on page 70.



"Doing what is best for students – today, tomorrow, everyday!"

---

**MARY McLEOD BETHUNE E.C.D.C.**

2367 East 21<sup>st</sup> Avenue  
Gary, IN 46407

**(219) 886-6542 • Fax (219)883-2231**

**Mrs. Ava Ligon, Principal**  
**aligon@garycsc.k12.in.us**

To: Dr. Nikita White, Chief Financial Officer  
Gary Community School Corporation

From: Mrs. Ava R. Ligon  
Mrs. Ava R. Ligon, Principal  
Bethune E.C.D.C.

Re: Corrective Action

Date: January 23, 2013

As requested during Bethune's Exit Audit Conference, please find the action we will take to correct the citation:

**Citation:** Collections deposited from the basketball games exceeded the collections supported by Ticket Sale Reports (SA-4). IC 20-41-1-9 states in part "...receipts shall be deposited without reasonable delay."

**Corrective Action Plan:** Money collected from our basketball games will be counted by our school treasurer the day after the basketball games. The deposit slips and money will be ready for deposit with Garda, on the next scheduled Garda pick up day. Our treasurer will advise the principal of the amount collected and provide a copy of the stamped/dated deposit receipt from Garda for the funds collected from Bethune E.C.D.C.

I am in receipt of a copy of this missive: Teresa G. Crocker Date 1/24/2013

(Bethune Treasurer)