

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

MERRILLVILLE COMMUNITY SCHOOL CORPORATION
LAKE COUNTY, INDIANA

July 1, 2011 to June 30, 2013



FILED
05/14/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer/Assistant Superintendent of Schools	Hilda Damianick	07-01-11 to 12-31-14
Superintendent of Schools	Dr. Anthony Lux Dr. Mark B. Sperling	07-01-11 to 06-30-13 07-01-13 to 06-30-14
President of the School Board	Thomas Bainbridge Mark S. Lucas	07-01-11 to 06-30-12 07-01-12 to 12-31-14



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Merrillville Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School Corporation's preparation and fair presentation of the financial statement in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a 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 the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance 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, 2011 to June 30, 2013.

Opinion on Regulatory Basis of Accounting

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, 2011 to June 30, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 26, 2014, 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* in considering the School Corporation's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

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 records 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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.


Paul D. Joyce, CPA
State Examiner

March 26, 2014



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INDEPENDENT AUDITOR'S 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 MERRILLVILLE COMMUNITY
SCHOOL CORPORATION, LAKE COUNTY, INDIANA

We have audited, 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, the financial statement of the Merrillville Community School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement, and have issued our report thereon dated March 26, 2014, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2013-001 and 2013-002 to be material weaknesses.

INDEPENDENT AUDITOR'S 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2013-001 and 2013-002.

Merrillville Community School Corporation's Response to Findings

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

March 26, 2014

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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.

MERRILLVILLE COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2012 and 2013

	Cash and Investments 07-01-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13
General	\$ 8,889,378	\$ 42,403,573	\$ 42,961,267	\$ (1,764,410)	\$ 6,567,274	\$ 44,175,944	\$ 44,161,753	\$ (140,062)	\$ 6,441,403
Debt Service	1,124,598	32,514	197,168	(344,683)	615,261	227,181	350,690	(233,763)	257,989
Exempt Debt	(2,138,456)	31,683,961	19,543,382	-	10,002,123	20,071,870	19,995,193	-	10,078,800
Exempt Retirement/Severance Bond Debt Reserve	(58,940)	1,918,997	1,244,422	-	615,635	1,122,156	1,175,936	-	561,855
Capital Projects	4,266,082	10,047,171	5,786,942	-	8,526,311	6,638,700	9,516,234	-	5,648,777
School Transportation	128,267	7,007,753	4,493,037	135,536	2,778,519	4,714,613	4,525,721	-	2,967,411
School Bus Replacement	1,443,475	615,524	904,736	-	1,154,263	440,768	-	-	1,595,031
Rainy Day	4,000,000	-	-	-	4,000,000	-	-	-	4,000,000
Retirement/Severance Bond	4,233,509	59,114	219,938	-	4,072,685	766,433	306,504	-	4,532,614
Construction - Freshman Wing and Pierce	451,691	149	161,166	-	290,674	99	10,510	-	280,263
School Lunch	1,317,276	3,806,083	3,741,256	-	1,382,103	3,905,068	4,043,855	-	1,243,316
Textbook Rental	212,170	696,230	1,002,243	344,769	250,926	776,625	348,266	233,763	913,048
Repair and Replacement	34,820	-	34,820	-	-	-	-	-	-
Self-Insurance	3,302,498	8,675,106	6,761,015	-	5,216,589	6,563,284	6,979,761	-	4,800,112
Levy Excess	135,536	-	-	(135,536)	-	-	-	-	-
Educational License Plates	12,744	1,669	1,875	-	12,538	1,163	2,831	-	10,870
Alternative Education	(222,984)	57,562	199,840	333,938	(31,324)	66,694	135,461	91,908	(8,183)
Mash Program 2011/2012	-	5,611	19,743	-	(14,132)	14,389	257	-	-
Mash Program 2012/2013	-	-	-	-	-	11,444	15,199	-	(3,755)
Scholarships and Awards	78,263	-	750	-	77,513	-	-	-	77,513
Schrenker School	26	-	-	-	26	-	-	-	26
Pepsi Scholarship	1,000	-	-	-	1,000	-	-	-	1,000
Vesa Scholarship	2,415	-	-	-	2,415	-	-	-	2,415
Raczka Stochel	21,763	-	-	-	21,763	-	1,000	-	20,763
Merrillville Education Foundation	17,490	26,021	23,531	-	19,980	18,350	18,780	-	19,550
MISC	13,880	13,880	1,250	-	26,510	8,080	3,750	(23,777)	7,063
Small Learning Communities	930	357,712	364,683	-	(6,041)	385,613	361,575	-	17,997
Djurich Scholars	6,550	-	-	-	6,550	-	-	-	6,550
Dollars for Scholars	25,374	-	-	-	25,374	-	-	-	25,374
Miscellaneous Programs	1,033	-	-	-	1,033	-	-	-	1,033
COSEBOC	-	-	-	-	-	20,000	5,802	-	14,198
Wellness Program	28,337	315	-	-	28,652	522	-	-	29,174
Anderson Foundation	-	-	-	-	-	1,000	-	-	1,000
Central Office Pepsi Account	884	116	116	-	884	72	-	-	956
Transportation Pepsi Account	250	526	349	-	427	130	390	-	167
Reception Donation	-	-	-	-	-	11,360	11,360	-	-
Teacher Quality Improvement Program	5,201	-	-	-	5,201	-	-	-	5,201
Education Technology	(43,948)	269,882	225,934	-	-	-	-	-	-
Adult and Continuing Education	(824,791)	-	-	824,791	-	-	-	-	-
Adult Education	(276,674)	256,909	409,737	406,478	(23,024)	278,620	363,024	71,931	(35,497)
DARE	2,541	13,500	898	171	15,314	-	8,994	-	6,320
Non-English Speaking Programs P.L. 273-1999	939	-	736	-	203	-	-	-	203

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

MERRILLVILLE COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2012 and 2013
(Continued)

	Cash and Investments 07-01-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13
Non-English Speaking Programs 2011/2012	-	16,182	24,877	-	(8,695)	2,000	(6,695)	-	-
Non-English Speaking Programs 2012/2013	-	-	-	-	-	19,748	17,539	-	2,209
School Technology	115,403	29,034	783	-	143,654	40,628	-	-	184,282
Daycare	(63,101)	509,095	594,409	148,120	(295)	251,157	238,819	-	12,043
Early Learners	3,060	-	-	-	3,060	-	-	-	3,060
Insurance Reserve	1,075,004	-	-	-	1,075,004	-	-	-	1,075,004
Graphic Arts	(1,607)	13,218	15,789	-	(4,178)	19,253	16,910	-	(1,835)
DARE 2009/2010	171	-	-	(171)	-	-	-	-	-
Title I	(3,643)	43,096	39,453	-	-	-	-	-	-
Title I Part D 2010/2011	(138,417)	157,470	19,053	-	-	-	-	-	-
Title I Part D 2011/2012	-	327,980	460,277	-	(132,297)	287,595	155,298	-	-
Title I Part D 2012/2013	-	-	-	-	-	314,645	402,164	-	(87,519)
Title I Basic 2010/2011	(272,531)	719,086	446,555	-	-	-	-	-	-
Title I Basic 2011/2012	-	546,977	852,742	10	(305,755)	481,069	210,314	35,000	-
Title I Basic 2012/2013	-	-	-	-	-	781,405	1,113,533	35,000	(297,128)
Title I Basic 2009/2010	10	-	-	(10)	-	-	-	-	-
Assistive Technology	-	67,733	67,733	-	-	-	-	-	-
Title IV Part A 2005/2006	44	4,289	4,333	-	-	-	-	-	-
Title IV Part A 2008/2009	4,128	-	-	-	4,128	-	-	-	4,128
Title IV Part A 2009/2010	(3,913)	-	1,087	5,000	-	-	-	-	-
Title II Part A 2006/2007	(9,736)	-	-	9,736	-	-	-	-	-
PBIS Grant 2011/2012	-	32,000	32,000	-	-	-	-	-	-
PBIS Grant 2012/2013	-	-	11,048	-	(11,048)	21,000	9,952	-	-
PBIS Grant 2013/2014	-	-	-	-	-	-	1,282	-	(1,282)
Improving Teaching Quality, No Child Left, Title II, Part A	(51,622)	164,038	113,397	-	(981)	981	-	-	-
Title IV Part A 2011/2012	-	-	10,514	-	(10,514)	70,209	30,405	(35,000)	(5,710)
Title IV Part A 2012/2013	-	-	-	-	-	35,000	2,711	(35,000)	(2,711)
Title IV Part A 2008/2009	(37,581)	-	-	37,581	-	-	-	-	-
Title IV Part A 2009/2010	(98,126)	89,880	(5,174)	3,072	-	-	-	-	-
Title III, Language Instruction 2010/2011	(28,860)	31,640	2,780	-	-	-	-	-	-
Title III, Language Instruction 2011/2012	-	-	20,156	-	(20,156)	27,496	7,340	-	-
Title III, Language Instruction 2012/2013	-	-	-	-	-	9,259	29,078	-	(19,819)
Title I - Grants to LEAs	(170,085)	255,075	84,990	-	-	-	-	-	-
Special Education - Part B	(36,601)	486,712	452,271	2,160	-	-	-	-	-
Title I - Part D, Subpart 2	10,211	72,576	82,787	-	-	-	-	-	-
Qualified Zone Academy Bond	-	-	-	-	-	16,000	-	-	16,000
Education Jobs	-	1,263,817	1,282,488	-	(18,671)	44,855	26,184	-	-
Payroll Clearing	752,265	10,719,622	11,021,118	-	450,769	11,271,005	11,329,023	-	392,751
Totals	\$ 27,237,600	\$ 123,499,398	\$ 103,936,300	\$ 6,552	\$ 46,807,250	\$ 103,913,483	\$ 105,926,703	\$ -	\$ 44,794,030

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

MERRILLVILLE 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 Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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.

MERRILLVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

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, and self-insurance payments.

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:

MERRILLVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

MERRILLVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Funding Policy and Annual Pension Cost

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

MERRILLVILLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

B. Teachers' Retirement Fund

Plan Description

The Indiana Teachers' 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. Negative Receipts and Disbursements

The financial statement contains some receipts and/or disbursements which appear as negative entries. This is a result of the correction of errors from prior periods. The errors made in the prior period were corrected by reversing the original entry. Since the original entry and the correction were made in separate periods, a negative disbursement was shown in the current period.

Note 8. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. The deficits in the Adult Education, Daycare, Alternative Education, and Graphics Art funds are the result of expenditures exceeding revenues for which a transfer from the General fund is made at year end. The remaining funds with a cash deficit are the result of grant expenditures for which reimbursements had not been received prior to June 30, 2012, and June 30, 2013.

MERRILLVILLE COMMUNITY SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENT
 (Continued)

Note 9. Restatement

For the year ended June 30, 2012, certain changes have been made to the beginning balance of the financial statement to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of the restated beginning balance.

<u>Fund Name</u>	<u>Balance as of June 30, 2011</u>	<u>Prior Period Adjustment</u>	<u>Balance as of July 1, 2011</u>
Payroll Clearing	<u>\$ -</u>	<u>\$ 752,265</u>	<u>\$ 752,265</u>

Note 10. Holding Corporation

The School Corporation has entered into a capital lease with Merrillville Multi-School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the fiscal years ended June 30, 2012 and 2013, totaled \$19,272,000 and \$19,804,500, respectively.

Note 11. Subsequent Event

On July 9, 2013, the School Corporation closed on Quality Zone Academy Bonds (QZAB) in the amount of \$1,617,900 with an interest rate of .10 percent. However, on June 21, 2013, prior to the closing, the School Corporation received 1 percent as good faith funds in the amount of \$16,000, which is reflected in the current financial statement.

Note 12. Other Postemployment Benefits

The School Corporation provides to eligible retirees and their spouses that are under the old health insurance benefit plan medical, dental, and vision benefits. These benefits pose a liability to the School Corporation for this year and in future years. Information regarding the benefits can be obtained by contacting the School Corporation.

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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.

MERRILLVILLE 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 Service	Exempt Debt	Exempt Retirement/Severance Bond Debt Reserve	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/Severance Bond	Construction - Freshman Wing and Pierce
Cash and investments - beginning	\$ 8,889,378	\$ 1,124,598	\$ (2,138,456)	\$ (58,940)	\$ 4,266,082	\$ 128,267	\$ 1,443,475	\$ 4,000,000	\$ 4,233,509	\$ 451,691
Receipts:										
Local sources	447,142	32,514	31,683,961	1,918,997	10,044,236	6,962,942	615,524	-	59,114	149
Intermediate sources	313,220	-	-	-	-	-	-	-	-	-
State sources	41,576,463	-	-	-	-	-	-	-	-	-
Federal sources	66,748	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	2,935	44,811	-	-	-	-
Total receipts	42,403,573	32,514	31,683,961	1,918,997	10,047,171	7,007,753	615,524	-	59,114	149
Disbursements:										
Current:										
Instruction	30,249,687	-	-	-	-	-	-	-	598	-
Support services	12,073,789	-	-	-	3,354,211	4,493,037	904,736	-	210,239	-
Noninstructional services	637,791	-	-	-	-	-	-	-	9,101	-
Facilities acquisition and construction	-	-	-	-	2,432,731	-	-	-	-	161,166
Debt services	-	197,168	19,543,382	1,244,422	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	42,961,267	197,168	19,543,382	1,244,422	5,786,942	4,493,037	904,736	-	219,938	161,166
Excess (deficiency) of receipts over disbursements	(557,694)	(164,654)	12,140,579	674,575	4,260,229	2,514,716	(289,212)	-	(160,824)	(161,017)
Other financing sources (uses):										
Sale of capital assets	6,466	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	4,000,000	135,536	-	-	-	-
Transfers out	(1,770,876)	(344,683)	-	-	(4,000,000)	-	-	-	-	-
Total other financing sources (uses)	(1,764,410)	(344,683)	-	-	-	135,536	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,322,104)	(509,337)	12,140,579	674,575	4,260,229	2,650,252	(289,212)	-	(160,824)	(161,017)
Cash and investments - ending	\$ 6,567,274	\$ 615,261	\$ 10,002,123	\$ 615,635	\$ 8,526,311	\$ 2,778,519	\$ 1,154,263	\$ 4,000,000	\$ 4,072,685	\$ 290,674

MERRILLVILLE 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)

	School Lunch	Textbook Rental	Repair and Replacement	Self- Insurance	Levy Excess	Educational License Plates	Alternative Education	Mash Program 2011/2012	Scholarships and Awards	Schrenker School
Cash and investments - beginning	\$ 1,317,276	\$ 212,170	\$ 34,820	\$ 3,302,498	\$ 135,536	\$ 12,744	\$ (222,984)	\$ -	\$ 78,263	\$ 26
Receipts:										
Local sources	1,326,507	370,153	-	8,675,106	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	1,669	-	-	-	-
State sources	27,073	326,077	-	-	-	-	57,562	5,611	-	-
Federal sources	2,450,343	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	2,160	-	-	-	-	-	-	-	-	-
Total receipts	3,806,083	696,230	-	8,675,106	-	1,669	57,562	5,611	-	-
Disbursements:										
Current:										
Instruction	-	-	-	-	-	1,875	199,840	-	750	-
Support services	3,682	1,002,243	34,820	302,104	-	-	-	19,743	-	-
Noninstructional services	3,737,574	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	6,458,911	-	-	-	-	-	-
Total disbursements	3,741,256	1,002,243	34,820	6,761,015	-	1,875	199,840	19,743	750	-
Excess (deficiency) of receipts over disbursements	64,827	(306,013)	(34,820)	1,914,091	-	(206)	(142,278)	(14,132)	(750)	-
Other financing sources (uses):										
Sale of capital assets	-	86	-	-	-	-	-	-	-	-
Transfers in	-	344,683	-	-	-	-	333,938	-	-	-
Transfers out	-	-	-	-	(135,536)	-	-	-	-	-
Total other financing sources (uses)	-	344,769	-	-	(135,536)	-	333,938	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	64,827	38,756	(34,820)	1,914,091	(135,536)	(206)	191,660	(14,132)	(750)	-
Cash and investments - ending	\$ 1,382,103	\$ 250,926	\$ -	\$ 5,216,589	\$ -	\$ 12,538	\$ (31,324)	\$ (14,132)	\$ 77,513	\$ 26

MERRILLVILLE 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)

	Pepsi Scholarship	Vesa Scholarship	Raczka Stochel	Merrillville Education Foundation	MISC	Small Learning Communities	Djurich Scholars	Dollars for Scholars	Miscellaneous Programs	Wellness Program
Cash and investments - beginning	\$ 1,000	\$ 2,415	\$ 21,763	\$ 17,490	\$ 13,880	\$ 930	\$ 6,550	\$ 25,374	\$ 1,033	\$ 28,337
Receipts:										
Local sources	-	-	-	26,021	13,880	357,712	-	-	-	315
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	26,021	13,880	357,712	-	-	-	315
Disbursements:										
Current:										
Instruction	-	-	-	23,531	1,250	222	-	-	-	-
Support services	-	-	-	-	-	364,461	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	23,531	1,250	364,683	-	-	-	-
Excess (deficiency) of receipts over disbursements	-	-	-	2,490	12,630	(6,971)	-	-	-	315
Other financing sources (uses):										
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	-	-	-	2,490	12,630	(6,971)	-	-	-	315
Cash and investments - ending	\$ 1,000	\$ 2,415	\$ 21,763	\$ 19,980	\$ 26,510	\$ (6,041)	\$ 6,550	\$ 25,374	\$ 1,033	\$ 28,652

MERRILLVILLE 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)

	Central Office Pepsi Account	Transportation Pepsi Account	Teacher Quality Improvement Program	Education Technology	Adult and Continuing Education	Adult Education	DARE	Non-English Speaking Programs P.L. 273-1999	Non-English Speaking Programs 2011/2012	School Technology
Cash and investments - beginning	\$ 884	\$ 250	\$ 5,201	\$ (43,948)	\$ (824,791)	\$ (276,674)	\$ 2,541	\$ 939	\$ -	\$ 115,403
Receipts:										
Local sources	116	526	-	-	-	223,228	1,000	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	269,882	-	33,681	12,500	-	16,182	29,034
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	116	526	-	269,882	-	256,909	13,500	-	16,182	29,034
Disbursements:										
Current:										
Instruction	-	-	-	-	-	409,100	898	736	24,877	-
Support services	116	349	-	225,934	-	637	-	-	-	783
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	116	349	-	225,934	-	409,737	898	736	24,877	783
Excess (deficiency) of receipts over disbursements	-	177	-	43,948	-	(152,828)	12,602	(736)	(8,695)	28,251
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	824,791	406,478	171	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	824,791	406,478	171	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	177	-	43,948	824,791	253,650	12,773	(736)	(8,695)	28,251
Cash and investments - ending	\$ 884	\$ 427	\$ 5,201	\$ -	\$ -	\$ (23,024)	\$ 15,314	\$ 203	\$ (8,695)	\$ 143,654

MERRILLVILLE 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)

	Daycare	Early Learners	Insurance Reserve	Graphic Arts	DARE 2009/2010	Title I	Title I Part D 2010/2011	Title I Part D 2011/2012	Title I Basic 2010/2011	Title I Basic 2011/2012
Cash and investments - beginning	\$ (63,101)	\$ 3,060	\$ 1,075,004	\$ (1,607)	\$ 171	\$ (3,643)	\$ (138,417)	\$ -	\$ (272,531)	\$ -
Receipts:										
Local sources	509,095	-	-	13,218	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	43,096	157,470	327,980	719,086	546,977
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	509,095	-	-	13,218	-	43,096	157,470	327,980	719,086	546,977
Disbursements:										
Current:										
Instruction	593,609	-	-	15,789	-	28,453	23,148	440,777	371,973	703,956
Support services	800	-	-	-	-	11,000	(4,095)	19,500	66,106	145,061
Noninstructional services	-	-	-	-	-	-	-	-	8,476	3,725
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	594,409	-	-	15,789	-	39,453	19,053	460,277	446,555	852,742
Excess (deficiency) of receipts over disbursements	(85,314)	-	-	(2,571)	-	3,643	138,417	(132,297)	272,531	(305,765)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	148,120	-	-	-	-	-	-	-	10	10
Transfers out	-	-	-	-	(171)	-	-	-	(10)	-
Total other financing sources (uses)	148,120	-	-	-	(171)	-	-	-	-	10
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	62,806	-	-	(2,571)	(171)	3,643	138,417	(132,297)	272,531	(305,755)
Cash and investments - ending	\$ (295)	\$ 3,060	\$ 1,075,004	\$ (4,178)	\$ -	\$ -	\$ -	\$ (132,297)	\$ -	\$ (305,755)

MERRILLVILLE 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)

	Title I Basic 2009/2010	Assistive Technology	Title IV Part A 2005/2006	Title IV Part A 2008/2009	Title IV Part A 2009/2010	Title II Part A 2006/2007	PBIS Grant 2011/2012	PBIS Grant 2012/2013	Improving Teaching Quality, No Child Left, Title II, Part A	Title IV Part A 2011/2012
Cash and investments - beginning	\$ 10	\$ -	\$ 44	\$ 4,128	\$ (3,913)	\$ (9,736)	\$ -	\$ -	\$ (51,622)	\$ -
Receipts:										
Local sources	-	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	67,733	4,289	-	-	-	32,000	-	164,038	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	-	67,733	4,289	-	-	-	32,000	-	164,038	-
Disbursements:										
Current:										
Instruction	-	67,733	1,957	-	1,087	-	32,000	11,048	113,397	10,514
Support services	-	-	2,376	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	67,733	4,333	-	1,087	-	32,000	11,048	113,397	10,514
Excess (deficiency) of receipts over disbursements	-	-	(44)	-	(1,087)	-	-	(11,048)	50,641	(10,514)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	5,000	9,736	-	-	-	-
Transfers out	(10)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(10)	-	-	-	5,000	9,736	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(10)	-	(44)	-	3,913	9,736	-	(11,048)	50,641	(10,514)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 4,128	\$ -	\$ -	\$ -	\$ (11,048)	\$ (981)	\$ (10,514)

MERRILLVILLE 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)

	Title IV Part A 2008/2009	Title IV Part A 2009/2010	Title III, Language Instruction 2010/2011	Title III, Language Instruction 2011/2012	Title I - Grants to LEAs	Special Education - Part B	Title I - Part D, Subpart 2	Education Jobs	Payroll Clearing	Totals
Cash and investments - beginning	\$ (37,581)	\$ (98,126)	\$ (28,860)	\$ -	\$ (170,085)	\$ (36,601)	\$ 10,211	\$ -	\$ 752,265	\$ 27,237,600
Receipts:										
Local sources	-	-	-	-	-	486,712	-	-	-	63,768,168
Intermediate sources	-	-	-	-	-	-	-	-	-	314,889
State sources	-	-	-	-	-	-	-	-	-	42,354,065
Federal sources	-	89,880	31,640	-	255,075	-	72,576	1,263,817	-	6,292,748
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	10,719,622	10,769,528
Total receipts	-	89,880	31,640	-	255,075	486,712	72,576	1,263,817	10,719,622	123,499,398
Disbursements:										
Current:										
Instruction	-	(5,174)	2,780	20,156	35,545	452,271	77,989	1,203,658	-	35,116,030
Support services	-	-	-	-	49,445	-	4,798	78,830	-	23,364,705
Noninstructional services	-	-	-	-	-	-	-	-	-	4,396,667
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	2,593,897
Debt services	-	-	-	-	-	-	-	-	-	20,984,972
Nonprogrammed charges	-	-	-	-	-	-	-	-	11,021,118	17,480,029
Total disbursements	-	(5,174)	2,780	20,156	84,990	452,271	82,787	1,282,488	11,021,118	103,936,300
Excess (deficiency) of receipts over disbursements	-	95,054	28,860	(20,156)	170,085	34,441	(10,211)	(18,671)	(301,496)	19,563,098
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	6,552
Transfers in	37,581	8,072	-	-	-	2,160	-	-	-	6,256,286
Transfers out	-	(5,000)	-	-	-	-	-	-	-	(6,256,286)
Total other financing sources (uses)	37,581	3,072	-	-	-	2,160	-	-	-	6,552
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	37,581	98,126	28,860	(20,156)	170,085	36,601	(10,211)	(18,671)	(301,496)	19,569,650
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (20,156)	\$ -	\$ -	\$ -	\$ (18,671)	\$ 450,769	\$ 46,807,250

MERRILLVILLE 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, 2013

	General	Debt Service	Exempt Debt	Exempt Retirement/ Severance Bond Debt Reserve	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond
Cash and investments - beginning	\$ 6,567,274	\$ 615,261	\$ 10,002,123	\$ 615,635	\$ 8,526,311	\$ 2,778,519	\$ 1,154,263	\$ 4,000,000	\$ 4,072,685
Receipts:									
Local sources	625,235	227,181	20,071,870	1,122,156	6,482,956	4,707,419	440,768	-	766,433
Intermediate sources	201,541	-	-	-	-	-	-	-	-
State sources	43,282,893	-	-	-	-	-	-	-	-
Federal sources	66,275	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	155,744	-	-	-	-
Other	-	-	-	-	-	7,194	-	-	-
Total receipts	44,175,944	227,181	20,071,870	1,122,156	6,638,700	4,714,613	440,768	-	766,433
Disbursements:									
Current:									
Instruction	31,462,807	-	-	-	-	-	-	-	2,713
Support services	12,053,339	-	-	-	4,553,343	4,525,721	-	-	301,648
Noninstructional services	645,607	-	-	-	-	-	-	-	2,143
Facilities acquisition and construction	-	-	-	-	4,962,891	-	-	-	-
Debt services	-	350,690	19,995,193	1,175,936	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	44,161,753	350,690	19,995,193	1,175,936	9,516,234	4,525,721	-	-	306,504
Excess (deficiency) of receipts over disbursements	14,191	(123,509)	76,677	(53,780)	(2,877,534)	188,892	440,768	-	459,929
Other financing sources (uses):									
Transfers in	23,777	-	-	-	-	-	-	-	-
Transfers out	(163,839)	(233,763)	-	-	-	-	-	-	-
Total other financing sources (uses)	(140,062)	(233,763)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(125,871)	(357,272)	76,677	(53,780)	(2,877,534)	188,892	440,768	-	459,929
Cash and investments - ending	\$ 6,441,403	\$ 257,989	\$ 10,078,800	\$ 561,855	\$ 5,648,777	\$ 2,967,411	\$ 1,595,031	\$ 4,000,000	\$ 4,532,614

MERRILLVILLE 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, 2013
 (Continued)

	Construction - Freshman Wing and Pierce	School Lunch	Textbook Rental	Self- Insurance	Educational License Plates	Alternative Education	Mash Program 2011/2012	Mash Program 2012/2013	Scholarships and Awards
Cash and investments - beginning	\$ 290,674	\$ 1,382,103	\$ 250,926	\$ 5,216,589	\$ 12,538	\$ (31,324)	\$ (14,132)	\$ -	\$ 77,513
Receipts:									
Local sources	99	1,152,267	446,166	6,563,284	-	-	-	-	-
Intermediate sources	-	-	-	-	1,163	-	-	-	-
State sources	-	27,402	330,459	-	-	66,694	14,389	11,444	-
Federal sources	-	2,723,209	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	2,190	-	-	-	-	-	-	-
Total receipts	99	3,905,068	776,625	6,563,284	1,163	66,694	14,389	11,444	-
Disbursements:									
Current:									
Instruction	-	-	-	-	2,831	135,461	-	-	-
Support services	-	12,058	348,266	111,444	-	-	257	15,199	-
Noninstructional services	-	4,031,797	-	-	-	-	-	-	-
Facilities acquisition and construction	10,510	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	6,868,317	-	-	-	-	-
Total disbursements	10,510	4,043,855	348,266	6,979,761	2,831	135,461	257	15,199	-
Excess (deficiency) of receipts over disbursements	(10,411)	(138,787)	428,359	(416,477)	(1,668)	(68,767)	14,132	(3,755)	-
Other financing sources (uses):									
Transfers in	-	-	233,763	-	-	91,908	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	233,763	-	-	91,908	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(10,411)	(138,787)	662,122	(416,477)	(1,668)	23,141	14,132	(3,755)	-
Cash and investments - ending	\$ 280,263	\$ 1,243,316	\$ 913,048	\$ 4,800,112	\$ 10,870	\$ (8,183)	\$ -	\$ (3,755)	\$ 77,513

MERRILLVILLE 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, 2013
 (Continued)

	Schrenker School	Pepsi Scholarship	Vesa Scholarship	Raczka Stochel	Merrillville Education Foundation	MISC	Small Learning Communities	Djurich Scholars	Dollars for Scholars
Cash and investments - beginning	\$ 26	\$ 1,000	\$ 2,415	\$ 21,763	\$ 19,980	\$ 26,510	\$ (6,041)	\$ 6,550	\$ 25,374
Receipts:									
Local sources	-	-	-	-	18,350	8,080	385,613	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	18,350	8,080	385,613	-	-
Disbursements:									
Current:									
Instruction	-	-	-	1,000	18,780	3,750	-	-	-
Support services	-	-	-	-	-	-	361,575	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	1,000	18,780	3,750	361,575	-	-
Excess (deficiency) of receipts over disbursements	-	-	-	(1,000)	(430)	4,330	24,038	-	-
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(23,777)	-	-	-
Total other financing sources (uses)	-	-	-	-	-	(23,777)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(1,000)	(430)	(19,447)	24,038	-	-
Cash and investments - ending	<u>\$ 26</u>	<u>\$ 1,000</u>	<u>\$ 2,415</u>	<u>\$ 20,763</u>	<u>\$ 19,550</u>	<u>\$ 7,063</u>	<u>\$ 17,997</u>	<u>\$ 6,550</u>	<u>\$ 25,374</u>

MERRILLVILLE 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, 2013
 (Continued)

	Miscellaneous Programs	COSEBOC	Wellness Program	Anderson Foundation	Central Office Pepsi Account	Transportation Pepsi Account	Reception Donation	Teacher Quality Improvement Program	Adult Education
Cash and investments - beginning	\$ 1,033	\$ -	\$ 28,652	\$ -	\$ 884	\$ 427	\$ -	\$ 5,201	\$ (23,024)
Receipts:									
Local sources	-	20,000	522	1,000	72	130	11,360	-	278,620
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	20,000	522	1,000	72	130	11,360	-	278,620
Disbursements:									
Current:									
Instruction	-	5,802	-	-	-	-	-	-	362,255
Support services	-	-	-	-	-	390	11,360	-	769
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	5,802	-	-	-	390	11,360	-	363,024
Excess (deficiency) of receipts over disbursements	-	14,198	522	1,000	72	(260)	-	-	(84,404)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	71,931
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	71,931
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	14,198	522	1,000	72	(260)	-	-	(12,473)
Cash and investments - ending	\$ 1,033	\$ 14,198	\$ 29,174	\$ 1,000	\$ 956	\$ 167	\$ -	\$ 5,201	\$ (35,497)

MERRILLVILLE 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, 2013
 (Continued)

	DARE	Non-English Speaking Programs P.L. 273-1999	Non-English Speaking Programs 2011/2012	Non-English Speaking Programs 2012/2013	School Technology	Daycare	Early Learners	Insurance Reserve	Graphic Arts
Cash and investments - beginning	\$ 15,314	\$ 203	\$ (8,695)	\$ -	\$ 143,654	\$ (295)	\$ 3,060	\$ 1,075,004	\$ (4,178)
Receipts:									
Local sources	-	-	-	-	-	251,157	-	-	19,253
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	2,000	19,748	40,628	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>19,748</u>	<u>40,628</u>	<u>251,157</u>	<u>-</u>	<u>-</u>	<u>19,253</u>
Disbursements:									
Current:									
Instruction	7,459	-	(6,695)	17,539	-	238,459	-	-	16,910
Support services	1,535	-	-	-	-	360	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>8,994</u>	<u>-</u>	<u>(6,695)</u>	<u>17,539</u>	<u>-</u>	<u>238,819</u>	<u>-</u>	<u>-</u>	<u>16,910</u>
Excess (deficiency) of receipts over disbursements	<u>(8,994)</u>	<u>-</u>	<u>8,695</u>	<u>2,209</u>	<u>40,628</u>	<u>12,338</u>	<u>-</u>	<u>-</u>	<u>2,343</u>
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(8,994)</u>	<u>-</u>	<u>8,695</u>	<u>2,209</u>	<u>40,628</u>	<u>12,338</u>	<u>-</u>	<u>-</u>	<u>2,343</u>
Cash and investments - ending	<u>\$ 6,320</u>	<u>\$ 203</u>	<u>\$ -</u>	<u>\$ 2,209</u>	<u>\$ 184,282</u>	<u>\$ 12,043</u>	<u>\$ 3,060</u>	<u>\$ 1,075,004</u>	<u>\$ (1,835)</u>

MERRILLVILLE 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, 2013
 (Continued)

	Title I Part D 2011/2012	Title I Part D 2012/2013	Title I Basic 2011/2012	Title I Basic 2012/2013	Title IV Part A 2008/2009	PBIS Grant 2012/2013	PBIS Grant 2013/2014	Improving Teaching Quality, No Child Left, Title II, Part A
Cash and investments - beginning	\$ (132,297)	\$ -	\$ (305,755)	\$ -	\$ 4,128	\$ (11,048)	\$ -	\$ (981)
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	287,595	314,645	481,069	781,405	-	21,000	-	981
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	<u>287,595</u>	<u>314,645</u>	<u>481,069</u>	<u>781,405</u>	<u>-</u>	<u>21,000</u>	<u>-</u>	<u>981</u>
Disbursements:								
Current:								
Instruction	146,362	394,664	221,355	1,023,947	-	9,952	1,282	-
Support services	8,936	7,500	(11,347)	87,032	-	-	-	-
Noninstructional services	-	-	306	2,554	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>155,298</u>	<u>402,164</u>	<u>210,314</u>	<u>1,113,533</u>	<u>-</u>	<u>9,952</u>	<u>1,282</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>132,297</u>	<u>(87,519)</u>	<u>270,755</u>	<u>(332,128)</u>	<u>-</u>	<u>11,048</u>	<u>(1,282)</u>	<u>981</u>
Other financing sources (uses):								
Transfers in	-	-	35,000	35,000	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>35,000</u>	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>132,297</u>	<u>(87,519)</u>	<u>305,755</u>	<u>(297,128)</u>	<u>-</u>	<u>11,048</u>	<u>(1,282)</u>	<u>981</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ (87,519)</u>	<u>\$ -</u>	<u>\$ (297,128)</u>	<u>\$ 4,128</u>	<u>\$ -</u>	<u>\$ (1,282)</u>	<u>\$ -</u>

MERRILLVILLE 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, 2013
 (Continued)

	Title IV Part A 2011/2012	Title IV Part A 2012/2013	Title III, Language Instruction 2011/2012	Title III, Language Instruction 2012/2013	Qualified Zone Academy Bond	Education Jobs	Payroll Clearing	Totals
Cash and investments - beginning	\$ (10,514)	\$ -	\$ (20,156)	\$ -	\$ -	\$ (18,671)	\$ 450,769	\$ 46,807,250
Receipts:								
Local sources	-	-	-	-	-	-	-	43,599,991
Intermediate sources	-	-	-	-	-	-	-	202,704
State sources	-	-	-	-	-	-	-	43,795,657
Federal sources	70,209	35,000	27,496	9,259	16,000	44,855	-	4,878,998
Temporary loans	-	-	-	-	-	-	-	155,744
Other	-	-	-	-	-	-	11,271,005	11,280,389
Total receipts	<u>70,209</u>	<u>35,000</u>	<u>27,496</u>	<u>9,259</u>	<u>16,000</u>	<u>44,855</u>	<u>11,271,005</u>	<u>103,913,483</u>
Disbursements:								
Current:								
Instruction	30,405	2,711	7,340	29,078	-	26,184	-	34,162,351
Support services	-	-	-	-	-	-	-	22,389,385
Noninstructional services	-	-	-	-	-	-	-	4,682,407
Facilities acquisition and construction	-	-	-	-	-	-	-	4,973,401
Debt services	-	-	-	-	-	-	-	21,521,819
Nonprogrammed charges	-	-	-	-	-	-	11,329,023	18,197,340
Total disbursements	<u>30,405</u>	<u>2,711</u>	<u>7,340</u>	<u>29,078</u>	<u>-</u>	<u>26,184</u>	<u>11,329,023</u>	<u>105,926,703</u>
Excess (deficiency) of receipts over disbursements	<u>39,804</u>	<u>32,289</u>	<u>20,156</u>	<u>(19,819)</u>	<u>16,000</u>	<u>18,671</u>	<u>(58,018)</u>	<u>(2,013,220)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	491,379
Transfers out	<u>(35,000)</u>	<u>(35,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(491,379)</u>
Total other financing sources (uses)	<u>(35,000)</u>	<u>(35,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>4,804</u>	<u>(2,711)</u>	<u>20,156</u>	<u>(19,819)</u>	<u>16,000</u>	<u>18,671</u>	<u>(58,018)</u>	<u>(2,013,220)</u>
Cash and investments - ending	<u>\$ (5,710)</u>	<u>\$ (2,711)</u>	<u>\$ -</u>	<u>\$ (19,819)</u>	<u>\$ 16,000</u>	<u>\$ -</u>	<u>\$ 392,751</u>	<u>\$ 44,794,030</u>

MERRILLVILLE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2013

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Capital Leases:				
1990/1992 Merrillville High School Improvement	Renovation	\$ 9,282,000	12-31-90	12-31-14
2001/2010 Pierce Middle School Improvements	Renovation	2,337,500	06-28-01	12-28-20
2005 Intermediate and Three Elementary Schools Improvements	Renovation	4,645,000	06-30-05	12-31-27
2008 Freshman Center and Middle School Additions	Renovation	<u>3,540,000</u>	06-30-08	12-31-29
Total of annual lease payments		<u>\$ 19,804,500</u>		

Description of Debt	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Common School Loans:			
Loan A1237 Data Processing Instructional Equipment	Computers/Software	\$ 17,961	\$ 17,961
Loan A1289 Data Processing Instructional Equipment	Computers/Software	67,063	135,802
Loan A1295 Data Processing Instructional Equipment	Computers/Software	18,237	36,930
Loan A1330 Data Processing Instructional Equipment	Computers/Software	45,677	31,136
Loan A1396 Data Processing Instructional Equipment	Computers/Software	392,969	135,902
Loan A1419 Data Processing Instructional Equipment	Computers/Software	70,210	28,997
Loan A1521 Data Processing Instructional Equipment	Computers/Software	599,294	76,783
Bonds Payable:			
General Obligation Bonds:			
Pension Bonds of 2002		2,635,000	724,000
Pension Bonds of 2006		4,045,000	451,936
Promissory Note:			
State Loan		<u>77,872</u>	<u>77,872</u>
Totals		<u>\$ 7,969,283</u>	<u>\$ 1,717,319</u>

MERRILLVILLE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2013

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 Balance</u>
Governmental activities:	
Land	\$ 767,900
Buildings	158,815,032
Improvements other than buildings	3,600,804
Machinery, equipment, and vehicles	<u>15,224,046</u>
Total capital assets	<u>\$ 178,407,782</u>

MERRILLVILLE COMMUNITY SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCES

The financial statement presented in this report included the following funds with overdrawn cash balances at June 30, 2012 and 2013:

Fund	Amount Overdrawn	
	2012	2013
Alternative Education	\$ 31,324	\$ 8,183
Adult Education	23,024	35,497
Daycare	295	-
Graphic Arts	4,178	1,835

The remaining funds with a cash deficit are the result of grant expenditures for which reimbursements had not been received prior to June 30, 2012, and June 30, 2013.

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)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Merrillville 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, 2011 to June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2011 to June 30, 2013.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Report on Internal Control Over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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 items 2013-003, 2013-004, and 2013-005 to be material weaknesses.

The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

March 26, 2014

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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.

MERRILLVILLE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2012 and 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 06-30-13
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	2011/2012-4600 2012/2013-4600	\$ 616,204 -	\$ - 704,429
Total - School Breakfast Program				<u>616,204</u>	<u>704,429</u>
National School Lunch Program	Indiana Department of Education	10.555	2011/2012-4600 2012/2013-4600	1,883,120 -	- 2,066,522
Total - National School Lunch Program				<u>1,883,120</u>	<u>2,066,522</u>
Summer Food Service Program for Children	Indiana Department of Education	10.559	2011/2012-4600 2012/2013-4600	163,746 -	- 193,491
Total - Summer Food Service Program for Children				<u>163,746</u>	<u>193,491</u>
Total for federal grantor agency				<u>2,663,070</u>	<u>2,964,442</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies					
Title I Allocation	Indiana Department of Education	84.010	2010/2011-4600 2011/2012-4600 2012/2013-4600	719,086 546,987 -	- 516,069 816,405
Distinguished Schools Grant Program	Indiana Department of Education		2010/2011-4600	43,096	-
Total - Title I Grants to Local Educational Agencies				<u>1,309,169</u>	<u>1,332,474</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	Indiana Department of Education	84.389	2011/2012-4600	255,075	-
ARRA - Title I Allocation, Recovery Act					
Delinquent Children and Youth			2010/2011-4600	75,576	-
Total - ARRA - Title I Grants to Local Educational Agencies, Recovery Act				<u>330,651</u>	<u>-</u>
Total - Title I, Part A Cluster				<u>1,639,820</u>	<u>1,332,474</u>

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

MERRILLVILLE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2012 and 2013
(Continued)

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 06-30-13
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>					
Title I State Agency Program for Neglected and Delinquent Children and Youth	Indiana Department of Education	84.013	2010/2011-4600 2011/2012-4600 2012/2013-4600	157,470 327,980 -	- 287,595 <u>314,645</u>
Total - Title I State Agency Program for Neglected and Delinquent Children and Youth				<u>485,450</u>	<u>602,240</u>
Special Education Cluster ARRA - Special Education - Grants to States, Recovery Act	Northwest Indiana Special Education Cooperative	84.391	2011/2012-4600	<u>486,712</u>	-
Safe and Drug-Free Schools and Communities - State Grants	Indiana Department of Education	84.186	2010/2012-4600	-	<u>4,289</u>
Fund for the Improvement of Education Smaller Learning Communities Program	School City of Hammond	84.215	2011/2012-4600 2012/2013-4600	357,712 -	- <u>385,613</u>
Total - Fund for the Improvement of Education				<u>357,712</u>	<u>385,613</u>
English Language Acquisition State Grants	Indiana Department of Education	84.365	2010/2011-4600 2011/2012-4600 2012/2013-4600	31,640 - -	- 27,495 <u>9,259</u>
Total - English Language Acquisition Grants				<u>31,640</u>	<u>36,754</u>
Improving Teacher Quality State Grants	Indiana Department of Education	84.367	2009/2011-4600 2010/2012-4600 2011/2013-4600 2012/2014-4600	89,880 164,038 - -	- 982 70,209 <u>35,000</u>
Total - Improving Teacher Quality State Grants				<u>253,918</u>	<u>106,191</u>
Education Jobs Fund	Indiana Department of Education	84.410	2011/2012-4600	<u>1,263,817</u>	<u>44,855</u>
Total for federal grantor agency				<u>4,519,069</u>	<u>2,512,416</u>
Total federal awards expended				<u>\$ 7,182,139</u>	<u>\$ 5,476,858</u>

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

MERRILLVILLE 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 Merrillville 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, 2012 and 2013. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2012	2013
School Breakfast Program	10.553	\$ 52,683	\$ 60,801
National School Lunch Program	10.555	154,859	175,826

MERRILLVILLE 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; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.013	Child Nutrition Cluster Title I, Part A Cluster
84.215	Title I State Agency Program for Neglected and Delinquent Children and Youth
84.410	Fund for the Improvement of Education Education Jobs Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$379,770

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

Section II – Financial Statement Findings

**FINDING 2013-001 - INTERNAL CONTROLS AND COMPLIANCE
OVER DEPOSITORY ACCOUNTS AND RECEIPT ISSUANCE**

We noted deficiencies in the internal control system of the School Corporation related to the depository accounts and receipt issuance. We believe the following deficiencies constitute material weaknesses:

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

1. Textbook Rental payments can be made by a credit card using the internet/online. When payments are made online, the funds are transferred from the payee's credit card to a separate depository account set up by the School Corporation specifically for this purpose. This account is not included in the records of the School Corporation. The only transactions recorded are when the School Corporation periodically transfers money to the general bank account of the School Corporation and a receipt is posted to the Textbook Rental fund. At June 30, 2013, the amount that had not been transferred or recorded in the School Corporation's records was \$78,464.42. As of February 28, 2014, there was a balance in this account that had not been posted to the School Corporation records in the amount of \$14,239.57.
2. The School Corporation receives electronic funds transfers from the State of Indiana. These transfers are not always timely recorded in the School Corporation's records.

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)

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for 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)

***FINDING 2013-002 - INTERNAL CONTROLS AND COMPLIANCE
OVER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The School Corporation did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal controls in place that operates effectively, material misstatements of the SEFA could remain undetected.

The School Corporation initially reported federal expenditures of \$5,826,338 and \$4,871,013 for the years ended June 30, 2012 and 2013, respectively. The School Corporation failed to include federal expenditures of \$1,312,225 and \$626,846 for the years ended June 2012 and 2013, respectively, for programs in the Child Nutrition Cluster; Fund for the Improvement of Education; ARRA - Special Education Grants to States, Recovery Act; and ARRA - Title I Grants to Local Educational Agencies, Recovery Act. In addition, the SEFA had also included amounts related to State grants.

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

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

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)

In failing to establish controls to effectively identify and report federal financial assistance, the School Corporation materially misrepresented the federal assistance expended for the fiscal years ended June 30, 2012 and 2013. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.

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

- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Section III – Federal Award Findings and Questioned Costs

FINDING 2013-003 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT ON THE CHILD NUTRITION CLUSTER

Federal Agency: U.S. Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Number: 10.553, 10.555, 10.559

Federal Award Number and Years: 2011/2012-4600, 2012/2013-4600

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements that have a direct and material effect on the program. This includes the following compliance requirements: Eligibility, Special Tests and Provisions related to Verification, Equipment Management, Procurement and Suspension and Debarment, and Reporting. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

Eligibility and Special Test and Provisions related to Verifications

The School Corporation has not designed or implemented adequate policies and procedures to ensure that student's eligibility for free and reduced price lunches is properly determined or that the applications for free and reduced price lunches are verified in compliance with the program requirements. The Assistant Food Service Director is solely responsible for the eligibility determinations and the verification of applications. An oversight or review process has not been established to ensure correct eligibility determinations or proper verification of the applications.

Equipment Management

The School Corporation has not designed or implemented adequate policies or procedures to ensure that equipment purchased with federal funds is properly recorded in the capital assets ledger or that items acquired with federal funds are identified as such.

Procurement and Suspension and Debarment

The School Corporation relies on a consultant from a purchasing cooperative to perform procurement activities and to verify compliance with Suspension and Debarment requirements for the purchase of bread and milk/dairy products. The Food Service Director evaluates the consultant's recommended vendors for bread and milk/dairy products based on product availability and past performance. Upon the Food Service Director's approval, the cooperative board approves the winning awards. Procurement of a third party purchasing service for other food products, materials, and supplies is approved by the cooperative board.

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

The local School Corporation did not oversee or approve the Food Service Director's decisions or the consultant's responsibilities. In addition, the School Corporation has not designed or implemented adequate policies and procedures to ensure that other vendors that do business with the School Corporation were not suspended or debarred from receiving federal funds.

Reporting

The School Corporation has not designed or implemented adequate policies or procedures to ensure that required reports were accurately prepared and timely submitted. The Food Service Secretary was solely responsible for preparing and submitting all required reports. Segregation of duties, such as an oversight or approval process, has not been established.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"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 establish internal controls could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect on the program.

***FINDING 2013-004 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS
THAT HAVE A DIRECT AND MATERIAL EFFECT ON THE TITLE I PROGRAMS***

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, Title I State Agency Program for Neglected and Delinquent Children and Youth

CFDA Number: 84.010, 84.389, 84.013

Federal Award Number and Year: 2010/2011-4600, 2011/2012-4600, 2012/2013-4600

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements that have a direct and material effect on the Title I, Part A Cluster and Title I State Agency Program for

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

Neglected and Delinquent Children and Youth programs. This includes the following compliance requirements: Cash Management and Reporting. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

Cash Management

The School Corporation has not implemented adequate policies and procedures to ensure that all reimbursement requests are accurately prepared and received. The requests for reimbursement are prepared and submitted by the Deputy Treasurer without any review or oversight. Segregation of duties, such as an oversight or approval process, has not been properly implemented.

Reporting

The School Corporation has not implemented adequate policies and procedures to ensure that all required reports are accurately prepared and timely submitted. The Deputy Treasurer prepares the Quarterly Monitoring Reports and Annual Expenditure Reports based upon the financial records. There was no indication that the reports were reviewed or verified before they were submitted. Segregation of duties, such as an oversight or approval process, has not been properly implemented.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"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 establish internal controls could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect on the program.

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

FINDING 2013-005 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT ON THE FUND FOR THE IMPROVEMENT OF EDUCATION

Federal Agency: U.S. Department of Education
Federal Program: Fund for the Improvement of Education
CFDA Number: 84.215
Federal Award Number and Years: 2011/2012-4600, 2012/2013-4600
Pass-Through Entity: School City of Hammond

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements that have a direct and material effect on the program. This includes the following compliance requirements: Allowable Costs, Allowable Activities, Earmarking, and Period of Availability. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

The School Corporation has not designed and implemented adequate policies and procedures to ensure that only allowable costs and activities are reimbursed, expenditures are within the period of availability, and are in compliance with the earmarking requirements. Requests for reimbursement are sent to the School City of Hammond. Reimbursement claims for payroll expenses were prepared by the payroll department. There was no accountability or oversight to verify that the costs and activities were allowable, were within the period of availability and in compliance with Earmarking requirements.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"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 establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect on the program.



**MERRILLVILLE COMMUNITY
SCHOOL CORPORATION**

6701 Delaware Street, Merrillville, IN 46410-3586
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ADMINISTRATION

MARK B. SPERLING, Ed.D.
Superintendent

HILDA DAMIANICK
Ass't Superintendent
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Curriculum and Instruction

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Director, Secondary
Curriculum and Instruction

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Director, Personnel and
Community Education

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Director
Diversity and Student
Support Services

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Coordinator
Technology Services

JANELLE BOWEN
Director
Media Services

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Athletic Director

BRAD BEST
Director Security

MARYLOU ROTH
Director Transportation

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Summary Schedule of Prior Audit Findings

Finding Number: 2011-1, Reporting, Child Nutrition Cluster

Original SBA Audit Report No.: B40233

Fiscal Year: 2009-2010, 2010-2011

Auditee Contact Person: Hilda Damianick

Title of Contact Person: Assistant Superintendent/Business

Phone Number: (219) 650-5300

Status of Finding: Regarding the late reporting, we now submit our monthly reimbursement claims by the 10th day of the following month. However, according to the calendar published by the Indiana Department of Education claims for reimbursement are due within 60 days after the last day of the claim month.

Regarding the reporting of an inaccurate balance, personnel from the Food Service obtained additional training in the Meal Magic Software. With the increased familiarity of the software, they are now using the correct reports to reconcile the student account balances to the actual cash in the Food Service Clearing Fund. Additionally, controls were implemented to restrict the number of users entering financial adjustments for the student accounts found in the Meal Magic program. The same difference has been maintained from November 2012 to date.

Signed J. Damianick

Date 3-3-14



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Summary Schedule of Prior Audit Findings

Finding Number: 2011-2, Maintenance of Effort

Original SBA Audit Report No.: B40233

Fiscal Year: 2010-2011

Auditee Contact Person: Hilda Damianick

Title of Contact Person: Assistant Superintendent/Business

Phone Number: (219) 650-5300

Status of Finding:

A waiver for the 2010-11 MOE requirements was filed by Merrillville Community School Corporation in June 2011. The waiver was approved in August 2012 and the reduction of funds was added to our 2011-12 Title I basic allocation. Additionally, we received more information on the calculation of MOE from the Indiana Department of Education and have a better understanding of what is involved in the MOE calculation.

Signed H. Damianick

Date 3-3-14



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CORRECTIVE ACTION PLAN

Section II – Financial Statement Findings

FINDING 2013-001: INTERNAL CONTROLS AND COMPLIANCE OVER DEPOSITORY ACCOUNTS AND RECEIPT ISSUANCE

Auditee Contact Person: Hilda Damianick
Title of Contact Person: Asst. Supt. for Business
Phone Number: (219) 650-5300

Online textbook payments will be transferred to the Textbook Fund on a monthly basis as recommended. The January 2014 outstanding balance of \$9,052.26 in the account was transferred to the Textbook Fund prior to the completion of our audit. The \$14,239.57 balance referenced in the finding has also been transferred. Transfer of the online textbook payments balance will be made on a monthly basis and balances will be transferred to the Textbook Fund. Transfers will continue to be made monthly so that transfers are made on a timely basis.

Regarding the electronic fund transfers from the State of Indiana, receipting of revenue will be done when notified by vendor of electronic transfer. If notification of the electronic fund transfer is not received, then the bank statement will be used to receipt funds to ensure timely receipting.

Hilda Damianick
Asst. Supt. for Business
March 26, 2014



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CORRECTIVE ACTION PLAN

Section II – Financial Statement Findings

**FINDING 2013-002: INTERNAL CONTROLS OVER COMPLIANCE
OVER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Auditee Contact Person: Hilda Damianick
Title of Contact Person: Asst. Supt. for Business
Phone Number: (219) 650-5300

This was the first time that the staff was required to complete and submit the Schedule of Expenditures of Federal Awards (SEFA) and information on the form was incomplete when it was submitted. The referenced failure to include federal expenditures was due to submitting incomplete information on the SEFA form as information was incomplete for the Improvement of Education Fund, ARRA Special Education Fund, and ARRA Title I Fund. Additionally, there was error reported in the expenditures for the Child Nutrition Cluster. Upon receiving a completed SEFA form from the auditors, all entries were verified through our documentation. Clarification of required information for the SEFA form has been given to the appropriate staff; this clarification will result in future submission of completed forms.

Hilda Damianick
Asst. Supt. for Business
March 26, 2014



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CORRECTIVE ACTION PLAN

Section III – Federal Award Findings and Questioned Costs

**FINDING 2013-003: INTERNAL CONTROLS OVER COMPLIANCE
REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT
TO CHILD NUTRITION CLUSTER**

Federal Agency:	U.S. Department of Agriculture
Federal Program:	Child Nutrition Cluster
CFDA Number:	10.553, 10.555, 10.559
Federal Award No. & Year:	2011/2012-4600, 2012/2013-4600
Pass-Through Entity:	Indiana Department of Education
Auditee Contact Person:	Hilda Damianick
Title of Contact Person:	Asst. Supt. for Business
Phone Number:	(219) 650-5300
Auditee Contact Person:	Colleen Hostetler
Title of Contact Person:	Director of Food Service
Phone Number:	(219) 650-5300

Internal controls and separation of duties shall be established and implemented as follows:

1. The Director of Food Service will review random applications during the verification process to ensure compliance with program requirements.
2. Food Service personnel will track Food Service equipment purchases so that asset inventory reflects purchases made with federal funds.
3. The MCSC Board of School Trustees will approve NWIESC bids in which we would participate.
4. Food Service Director will obtain a legal statement from bidding vendors with whom business is conducted; legal statement shall reference their suspension and/or disbarred status for the receipt of federal funds.
5. Food Service Director or Assistant Director will review and approve the required reports to ensure accuracy and timely submission.

Hilda Damianick
Asst. Supt. for Business
March 26, 2014



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MARK B. SPERLING, Ed.D.
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Section III – Federal Award Findings and Questioned Costs

HILDA DAMIANICK
Ass't Superintendent
Business Affairs

**FINDING 2013-004: INTERNAL CONTROLS OVER COMPLIANCE
REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT
TO TITLE I**

KARA S. BONIN
Director, Elementary
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LORRI COVACIU, Ed.S.
Director, Secondary
Curriculum and Instruction

JAMES C. KURTH
Director, Personnel and
Community Relations

Federal Agency: U.S. Department of Education
Federal Program: Title I
CFDA Number: 84.010, 84.013, 84.389
Federal Award No. & Year: 2010/2012-4600, 2011/2012-4600
and 2012/2013-4600

DANNY LACKEY
Director
Diversity and Student
Support Services

Pass-Through Entity: Indiana Department of Education

STEVEN J. KERR
Coordinator
Technology Services

Auditee Contact Person: Hilda Damianick

Title of Contact Person: Asst. Supt. for Business

Phone Number: (219) 650-5300

JANELLE BOWEN
Director
Media Services

Auditee Contact Person: James C. Kurth

Title of Contact Person: Personnel Director/Title I Administrator

Phone Number: (219) 650-5300

JANIS QUALIZZA
Athletic Director

Internal controls and separation of duties shall be established and implemented as follows:

BRAD BEST
Director Security

1. The Title I program administrator will review and approve reimbursement requests to verify accuracy of information and to ensure program compliance.
2. The program administrator will prepare the annual expenditure report which will then be reviewed for accuracy of information by another staff member.

MARYLOU ROTH
Director Transportation

JOSEPH BARDESON
Director
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COLLEEN HOSTETLER
Director
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March 26, 2014



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CORRECTIVE ACTION PLAN

Section III – Federal Award Findings and Questioned Costs

**FINDING 2013-005: INTERNAL CONTROLS OVER COMPLIANCE
REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT
TO FUND FOR THE IMPROVEMENT OF EDUCATION**

Federal Agency:	U.S. Department of Education
Federal Program:	Fund for the Improvement of Education
CFDA Number:	84.215L
Federal Award No. & Year:	2011/2012-4600 and 2012/2013-4600
Pass-Through Entity:	School City of Hammond
Auditee Contact Person:	Hilda Damianick
Title of Contact Person:	Asst. Supt. for Business
Phone Number:	(219) 650-5300

This grant has already ended. Regarding future grants, the program administrator will review and approve expenditure requests to verify accuracy of information and to ensure compliance with grant requirements.

Hilda Damianick
Asst. Supt. for Business
March 26, 2014

MERRILLVILLE COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 26, 2014, with Hilda Damianick, Treasurer/Assistant Superintendent of Schools; Dr. Mark B. Sperling, Superintendent of Schools; Mark S. Lucas, President of the School Board; and Janice Stojakovich, Assistant Treasurer.