

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

SCHOOL CITY OF MISHAWAKA
ST. JOSEPH COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
12/04/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Randy J. Squadroni Patricia J. Meehan	01-01-12 to 10-31-15 11-01-15 to 12-31-15
Superintendent of Schools	Dr. Terry E. Barker Dr. Daniel Towner (Acting) Dr. A. Dean Speicher (Interim)	07-01-12 to 06-10-15 06-11-15 to 07-31-15 08-01-15 to 06-30-16
President of the School Board	Marci A. Sears Dennis R. Wood Jeffery E. Emmons	01-01-12 to 12-31-12 01-01-13 to 12-31-14 01-01-15 to 12-31-15



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the School City of Mishawaka (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, 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, 2012 to June 30, 2014.

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, 2012 to June 30, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

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.

Other Information

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 Payables and Receivables, 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 3, 2015, except for the Schedule of Expenditures of Federal Awards, as to which the date is November 16, 2015, 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.


Paul D. Joyce, CPA
State Examiner

February 3, 2015, except for the Schedule of Expenditures of Federal Awards, as to which the date is November 16, 2015



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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 SCHOOL CITY OF MISHAWAKA, ST. JOSEPH 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 School City of Mishawaka (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement, and have issued our report thereon dated February 3, 2015, except for the Schedule of Expenditures of Federal Awards, as to which the date is November 16, 2015, 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 item 2014-001 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

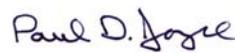
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

School City of Mishawaka'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

February 3, 2015, except for the Schedule of Expenditures of Federal Awards, as to which the date is November 16, 2015

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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.

SCHOOL CITY OF MISHAWAKA
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2013 and 2014

	Cash and Investments 07-01-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14
General	\$ 280,777	\$ 35,395,888	\$ 35,176,895	\$ 66,917	\$ 566,687	\$ 35,558,972	\$ 34,739,657	\$ -	\$ 1,386,002
Debt Service	501,652	982,804	891,606	(174,851)	417,999	1,121,053	915,025	(199,093)	424,934
Exempt Debt	3,129,097	5,555,356	5,636,005	45,960	3,094,408	5,624,806	5,503,552	145,847	3,361,509
Capital Projects	1,004,531	3,638,086	3,054,445	-	1,588,172	3,077,768	3,751,800	-	914,140
School Transportation	148,977	801,783	664,831	(44,971)	240,958	919,114	835,811	(12,676)	311,585
School Bus Replacement	26,726	79,272	78,729	-	27,269	78,427	36,500	(40,000)	29,196
Rainy Day	198,440	-	74,275	85,927	210,092	-	4,525	-	205,567
Post-Retirement/ Severance Future Benefits	127,083	-	32,300	(62,917)	31,866	-	26,667	-	5,199
Construction	33,058	-	59,107	-	(26,049)	-	(27,783)	-	1,734
A0524 2004 Multischool	15	-	-	-	15	-	-	-	15
Steele Stadium Improvement	-	12,321	-	-	12,321	3,255	-	-	15,576
Gifts and Donations	(683)	18,624	15,896	-	2,045	247,149	337,070	-	(87,876)
MHS Pool Projects	(29,190)	54,801	72,091	-	(46,480)	275,000	228,518	-	2
School Lunch	131,441	2,390,606	2,418,658	-	103,389	2,391,920	2,361,883	-	133,426
Textbook Rental	(1,002,983)	450,846	449,073	87,935	(913,275)	418,725	375,645	-	(870,195)
Repair and Replacement	8,737	-	-	-	8,737	-	-	-	8,737
Self-Insurance	(882,087)	7,767,787	7,594,483	-	(708,783)	7,032,409	7,347,698	-	(1,024,072)
Joint Services and Supply- Special Education Cooperative	4,615	450	-	-	5,065	500	-	-	5,565
Joint Service Preschool	(163,083)	953,105	1,089,810	-	(299,788)	1,252,986	1,099,344	-	(146,146)
Joint Services Inservice Clearing	10,222	-	-	-	10,222	-	-	-	10,222
Joint Services and Supply- Area Vocational School	99,276	9,528,819	9,988,826	-	(360,731)	11,094,983	9,710,126	-	1,024,126
Joint Services Campus Program	226,107	631,467	630,999	-	226,575	660,889	727,731	-	159,733
Historical Society	6	36,169	32,055	(4,000)	120	35,114	43,180	-	(7,946)
Alternative Education	(32,521)	18,490	-	-	(14,031)	26,185	-	-	12,154
Early Intervention Grant	2,271	-	2,271	-	-	-	-	-	-
Reading Recovery	15,740	-	-	-	15,740	-	-	-	15,740
Instruction Support	390	-	-	-	390	-	-	-	390
Education Foundations	71,520	49,834	74,205	-	47,149	40,208	49,358	-	37,999
Robert Perkins Memorial	321	-	-	-	321	-	-	-	321
Friends of Project	863	-	-	-	863	-	-	-	863

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

SCHOOL CITY OF MISHAWAKA
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2013 and 2014
(Continued)

	Cash and Investments 07-01-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14
Support Staff Recognition	(2,426)	45,458	54,672	-	(11,640)	63,550	54,309	-	(2,399)
Elementary Library Books	2,035	-	-	-	2,035	-	-	-	2,035
Adult and Continuing Education	12,038	-	-	-	12,038	-	-	-	12,038
General Donation	2,112	-	-	-	2,112	-	-	-	2,112
Mishawaka Education Center - MEC	-	1,000	1,000	-	-	-	-	-	-
ISAIP North Side	41	-	-	-	41	-	-	-	41
Gifted and Talented	29,126	49,088	49,430	-	28,784	46,895	75,681	-	(2)
Education Technology	4,027	70,450	70,000	-	4,477	-	-	-	4,477
Adult and Continuing Education	5,391	-	-	-	5,391	-	-	-	5,391
Medicaid Reimbursement	54,769	51,018	57,580	-	48,207	77,060	64,573	-	60,694
Non-English Speaking Programs P.L. 273-1999	5,093	6,882	11,293	-	682	2,845	2,845	-	682
School Technology	1,320	-	-	-	1,320	-	-	-	1,320
Technology Plan Buddy	177	-	-	-	177	-	-	-	177
Performance Based Awards	-	-	-	-	-	-	15,057	-	(15,057)
Project Lead the Way	-	32,313	37,206	(1,483)	(6,376)	-	23,921	-	(30,297)
Title I	(264,889)	1,294,583	1,202,374	-	(172,680)	1,275,220	1,332,410	-	(229,870)
(IDEA, PartB) LEA Capacity Building (Sliver) Grants	(373,728)	3,370,863	3,326,708	-	(329,573)	2,923,856	2,913,383	-	(319,100)
Preschool Handicap	-	112,383	112,382	-	1	121,484	123,456	-	(1,971)
Vocational and Technical Board Grants	(1,483)	-	-	1,483	-	-	-	-	-
Carl Perkins Grant	-	6,500	6,500	-	-	6,500	6,500	-	-
Medicaid Reimbursement - Federal	97,019	90,376	101,999	-	85,396	136,507	114,387	-	107,516
School to Work Opportunity Implementation	11	-	-	-	11	-	-	-	11
Improving Teaching Quality, No Child Left, Title II, Part A	(3,037)	351,084	360,350	-	(12,303)	217,790	211,821	-	(6,334)
Title III - Language Instruction	-	9,604	9,605	-	(1)	8,150	8,308	-	(159)
Work Study Program	4,198	4,540	1,095	-	7,643	-	-	-	7,643
Special Education - Part B	(139,333)	-	(139,334)	-	1	-	-	-	1
Education Jobs	-	21,473	21,473	-	-	-	-	-	-
Payroll Clearing	-	33,155,336	33,155,336	-	-	31,861,134	31,861,134	-	-
Totals	\$ 3,343,779	\$ 107,039,459	\$ 106,476,229	\$ -	\$ 3,907,009	\$ 106,600,454	\$ 104,874,092	\$ (105,922)	\$ 5,527,449

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

SCHOOL CITY OF MISHAWAKA
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.

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.

SCHOOL CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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:

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.

SCHOOL CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

SCHOOL CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENT
(Continued)

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 a cost-sharing 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
One North Capitol, 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.

SCHOOL CITY OF MISHAWAKA
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
One North Capitol, 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 Disbursements

The financial statement contains some disbursements which appear as negative entries. Prior period expenditures recorded in the Construction and Special Education - Part B funds were transferred to different funds in a subsequent period.

Note 8. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. For the majority of these funds, this is a result of funds that were set up for reimbursable grants and funds used for expenditures for joint services. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2013 and/or 2014.

SCHOOL CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENT
(Continued)

Two funds, however, are not reimbursable grant funds. The Textbook Rental fund accounts for the receipt of rental fees from students for textbooks and reimbursement from the state for students who are eligible for free textbooks. Disbursements from this fund are for textbooks and related materials that are paid up front when purchased and recouped over a six year period. The negative cash balance of this fund at June 30, 2014, was \$870,195. At October 31, 2014, this fund has a negative balance of \$1,423,019.

The Self-Insurance fund accounts for the receipt of insurance contributions from various funds of the School Corporation, employee contributions, and retiree premiums payments. Disbursements represent medical and dental claims. The deficit is the result of health and dental premiums not being reflective of the annual payment. The negative cash balance of this fund at June 30, 2014, was \$1,024,072. The negative cash balance of this fund at October 31, 2014, was \$636,558.

Note 9. Restatements

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

Fund Name	Balance as of June 30, 2012	Prior Period Adjustment	Balance as of July 1, 2012
Self-Insurance	\$ (711,048)	\$ (171,039)	\$ (882,087)

Note 10. Holding Corporations

The School Corporation has entered into a capital lease with School City of Mishawaka 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 years ended June 30, 2013 and 2014, totaled \$2,422,500 and \$2,420,500, respectively.

The School Corporation has entered into capital leases with the Mishawaka 2001 School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years ended June 30, 2013 and 2014, totaled \$2,561,544 and \$2,558,988, respectively.

Note 11. Subsequent Events

On September 24, 2014, the School Corporation entered into a Guaranteed Energy Savings Project with Shambaugh and Son, LP, for \$2,666,036. The Guaranteed Energy Savings Project is to be paid over a 10 year period ending on July 15, 2024.

SCHOOL CITY OF MISHAWAKA
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 12. Other Postemployment Benefits

The School Corporation provides to eligible retirees and their spouses 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.

OTHER INFORMATION - UNAUDITED

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. Additionally, some financial information of the School Corporation can be found on the Gateway website: <https://gateway.ifionline.org/>.

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

SCHOOL CITY OF MISHAWAKA
 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	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Post-Retirement/ Severance Future Benefits
Cash and investments - beginning	\$ 280,777	\$ 501,652	\$ 3,129,097	\$ 1,004,531	\$ 148,977	\$ 26,726	\$ 198,440	\$ 127,083
Receipts:								
Local sources	301,457	982,804	5,410,956	2,078,670	478,653	79,272	-	-
State sources	34,336,019	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	552,900	-	144,400	1,448,500	233,700	-	-	-
Other	205,512	-	-	110,916	89,430	-	-	-
Total receipts	<u>35,395,888</u>	<u>982,804</u>	<u>5,555,356</u>	<u>3,638,086</u>	<u>801,783</u>	<u>79,272</u>	<u>-</u>	<u>-</u>
Disbursements:								
Current:								
Instruction	23,427,698	-	-	-	462	-	-	32,300
Support services	10,595,394	-	-	1,433,842	604,369	78,729	35,170	-
Noninstructional services	451,410	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	390,603	-	-	39,105	-
Debt services	702,393	891,606	5,636,005	1,230,000	60,000	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>35,176,895</u>	<u>891,606</u>	<u>5,636,005</u>	<u>3,054,445</u>	<u>664,831</u>	<u>78,729</u>	<u>74,275</u>	<u>32,300</u>
Excess (deficiency) of receipts over disbursements	<u>218,993</u>	<u>91,198</u>	<u>(80,649)</u>	<u>583,641</u>	<u>136,952</u>	<u>543</u>	<u>(74,275)</u>	<u>(32,300)</u>
Other financing sources (uses):								
Transfers in	66,917	-	45,960	-	-	-	85,927	-
Transfers out	-	(174,851)	-	-	(44,971)	-	-	(62,917)
Total other financing sources (uses)	<u>66,917</u>	<u>(174,851)</u>	<u>45,960</u>	<u>-</u>	<u>(44,971)</u>	<u>-</u>	<u>85,927</u>	<u>(62,917)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>285,910</u>	<u>(83,653)</u>	<u>(34,689)</u>	<u>583,641</u>	<u>91,981</u>	<u>543</u>	<u>11,652</u>	<u>(95,217)</u>
Cash and investments - ending	<u>\$ 566,687</u>	<u>\$ 417,999</u>	<u>\$ 3,094,408</u>	<u>\$ 1,588,172</u>	<u>\$ 240,958</u>	<u>\$ 27,269</u>	<u>\$ 210,092</u>	<u>\$ 31,866</u>

SCHOOL CITY OF MISHAWAKA
 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	A0524 2004 Multischool	Steele Stadium Improvement	Gifts and Donations	MHS Pool Projects	School Lunch	Textbook Rental	Repair and Replacement
Cash and investments - beginning	\$ 33,058	\$ 15	\$ -	\$ (683)	\$ (29,190)	\$ 131,441	\$ (1,002,983)	\$ 8,737
Receipts:								
Local sources	-	-	12,321	17,414	54,801	661,434	207,286	-
State sources	-	-	-	-	-	16,515	243,560	-
Federal sources	-	-	-	-	-	1,712,657	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	1,210	-	-	-	-
Total receipts	-	-	12,321	18,624	54,801	2,390,606	450,846	-
Disbursements:								
Current:								
Instruction	-	-	-	-	-	-	-	-
Support services	-	-	-	1,844	-	429	449,073	-
Noninstructional services	-	-	-	-	-	2,418,229	-	-
Facilities acquisition and construction	59,107	-	-	14,052	72,091	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	59,107	-	-	15,896	72,091	2,418,658	449,073	-
Excess (deficiency) of receipts over disbursements	(59,107)	-	12,321	2,728	(17,290)	(28,052)	1,773	-
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	87,935	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	87,935	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(59,107)	-	12,321	2,728	(17,290)	(28,052)	89,708	-
Cash and investments - ending	\$ (26,049)	\$ 15	\$ 12,321	\$ 2,045	\$ (46,480)	\$ 103,389	\$ (913,275)	\$ 8,737

SCHOOL CITY OF MISHAWAKA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Self-Insurance	Joint Services and Supply-Special Education Cooperative	Joint Service Preschool	Joint Services Inservice Clearing	Joint Services and Supply-Area Vocational School	Joint Services Campus Program	Historical Society	Alternative Education
Cash and investments - beginning	\$ (882,087)	\$ 4,615	\$ (163,083)	\$ 10,222	\$ 99,276	\$ 226,107	\$ 6	\$ (32,521)
Receipts:								
Local sources	7,133,854	-	952,904	-	9,528,819	631,467	33,569	-
State sources	-	-	-	-	-	-	-	18,490
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	633,933	450	201	-	-	-	2,600	-
Total receipts	7,767,787	450	953,105	-	9,528,819	631,467	36,169	18,490
Disbursements:								
Current:								
Instruction	5,542,795	-	1,082,660	-	9,220,551	416,518	-	-
Support services	1,788,799	-	7,150	-	768,275	214,481	32,055	-
Noninstructional services	262,889	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	7,594,483	-	1,089,810	-	9,988,826	630,999	32,055	-
Excess (deficiency) of receipts over disbursements	173,304	450	(136,705)	-	(460,007)	468	4,114	18,490
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(4,000)	-
Total other financing sources (uses)	-	-	-	-	-	-	(4,000)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	173,304	450	(136,705)	-	(460,007)	468	114	18,490
Cash and investments - ending	\$ (708,783)	\$ 5,065	\$ (299,788)	\$ 10,222	\$ (360,731)	\$ 226,575	\$ 120	\$ (14,031)

SCHOOL CITY OF MISHAWAKA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Early Intervention Grant	Reading Recovery	Instruction Support	Education Foundations	Robert Perkins Memorial	Friends of Project	Support Staff Recognition
Cash and investments - beginning	\$ 2,271	\$ 15,740	\$ 390	\$ 71,520	\$ 321	\$ 863	\$ (2,426)
Receipts:							
Local sources	-	-	-	49,834	-	-	45,458
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,834</u>	<u>-</u>	<u>-</u>	<u>45,458</u>
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	2,271	-	-	74,205	-	-	54,672
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>2,271</u>	<u>-</u>	<u>-</u>	<u>74,205</u>	<u>-</u>	<u>-</u>	<u>54,672</u>
Excess (deficiency) of receipts over disbursements	<u>(2,271)</u>	<u>-</u>	<u>-</u>	<u>(24,371)</u>	<u>-</u>	<u>-</u>	<u>(9,214)</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>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(2,271)</u>	<u>-</u>	<u>-</u>	<u>(24,371)</u>	<u>-</u>	<u>-</u>	<u>(9,214)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 15,740</u>	<u>\$ 390</u>	<u>\$ 47,149</u>	<u>\$ 321</u>	<u>\$ 863</u>	<u>\$ (11,640)</u>

SCHOOL CITY OF MISHAWAKA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Elementary Library Books	Adult and Continuing Education	General Donation	Mishawaka Education Center - MEC	ISAIP North Side	Gifted and Talented	Education Technology
Cash and investments - beginning	\$ 2,035	\$ 12,038	\$ 2,112	\$ -	\$ 41	\$ 29,126	\$ 4,027
Receipts:							
Local sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	49,088	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	70,450
Other	-	-	-	1,000	-	-	-
Total receipts	-	-	-	1,000	-	49,088	70,450
Disbursements:							
Current:							
Instruction	-	-	-	1,000	-	49,430	-
Support services	-	-	-	-	-	-	70,000
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	-	1,000	-	49,430	70,000
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	(342)	450
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	-	(342)	450
Cash and investments - ending	\$ 2,035	\$ 12,038	\$ 2,112	\$ -	\$ 41	\$ 28,784	\$ 4,477

SCHOOL CITY OF MISHAWAKA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Adult and Continuing Education	Medicaid Reimbursement	Non-English Speaking Programs P.L. 273-1999	School Technology	Technology Plan Buddy	Performance Based Awards	Project Lead the Way
Cash and investments - beginning	\$ 5,391	\$ 54,769	\$ 5,093	\$ 1,320	\$ 177	\$ -	\$ -
Receipts:							
Local sources	-	-	-	-	-	-	25,000
State sources	-	51,018	6,882	-	-	-	-
Federal sources	-	-	-	-	-	-	7,313
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>51,018</u>	<u>6,882</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,313</u>
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	-	57,580	11,293	-	-	-	37,206
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>57,580</u>	<u>11,293</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,206</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(6,562)</u>	<u>(4,411)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,893)</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	(1,483)
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,483)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>(6,562)</u>	<u>(4,411)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,376)</u>
Cash and investments - ending	<u>\$ 5,391</u>	<u>\$ 48,207</u>	<u>\$ 682</u>	<u>\$ 1,320</u>	<u>\$ 177</u>	<u>\$ -</u>	<u>\$ (6,376)</u>

SCHOOL CITY OF MISHAWAKA
 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	(IDEA, PartB) LEA Capacity Building (Sliver) Grants	Preschool Handicap	Vocational and Technical Board Grants	Carl Perkins Grant	Medicaid Reimbursement - Federal	School to Work Opportunity Implementation
Cash and investments - beginning	\$ (264,889)	\$ (373,728)	\$ -	\$ (1,483)	\$ -	\$ 97,019	\$ 11
Receipts:							
Local sources	-	-	-	-	-	-	-
State sources	-	-	-	-	6,500	-	-
Federal sources	1,294,583	3,370,863	112,383	-	-	90,376	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	<u>1,294,583</u>	<u>3,370,863</u>	<u>112,383</u>	<u>-</u>	<u>6,500</u>	<u>90,376</u>	<u>-</u>
Disbursements:							
Current:							
Instruction	916,514	3,083,698	112,382	-	-	-	-
Support services	268,571	243,010	-	-	6,500	101,999	-
Noninstructional services	17,289	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>1,202,374</u>	<u>3,326,708</u>	<u>112,382</u>	<u>-</u>	<u>6,500</u>	<u>101,999</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>92,209</u>	<u>44,155</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>(11,623)</u>	<u>-</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	1,483	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,483</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>92,209</u>	<u>44,155</u>	<u>1</u>	<u>1,483</u>	<u>-</u>	<u>(11,623)</u>	<u>-</u>
Cash and investments - ending	<u>\$ (172,680)</u>	<u>\$ (329,573)</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,396</u>	<u>\$ 11</u>

SCHOOL CITY OF MISHAWAKA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Improving Teaching Quality, No Child Left, Title II, Part A	Title III - Language Instruction	Work Study Program	Special Education - Part B	Education Jobs	Payroll Clearing	Totals
Cash and investments - beginning	\$ (3,037)	\$ -	\$ 4,198	\$ (139,333)	\$ -	\$ -	\$ 3,343,779
Receipts:							
Local sources	-	-	4,206	-	-	-	28,690,179
State sources	-	-	-	-	-	-	34,728,072
Federal sources	351,084	9,604	334	-	21,473	-	6,970,670
Temporary loans	-	-	-	-	-	-	2,449,950
Other	-	-	-	-	-	33,155,336	34,200,588
Total receipts	<u>351,084</u>	<u>9,604</u>	<u>4,540</u>	<u>-</u>	<u>21,473</u>	<u>33,155,336</u>	<u>107,039,459</u>
Disbursements:							
Current:							
Instruction	186,929	-	-	(139,334)	21,473	-	43,955,076
Support services	170,421	9,605	1,095	-	-	-	17,118,038
Noninstructional services	-	-	-	-	-	-	3,149,817
Facilities acquisition and construction	-	-	-	-	-	-	574,958
Debt services	-	-	-	-	-	-	8,520,004
Nonprogrammed charges	3,000	-	-	-	-	33,155,336	33,158,336
Total disbursements	<u>360,350</u>	<u>9,605</u>	<u>1,095</u>	<u>(139,334)</u>	<u>21,473</u>	<u>33,155,336</u>	<u>106,476,229</u>
Excess (deficiency) of receipts over disbursements	<u>(9,266)</u>	<u>(1)</u>	<u>3,445</u>	<u>139,334</u>	<u>-</u>	<u>-</u>	<u>563,230</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	285,256
Transfers out	-	-	-	-	-	-	(285,256)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(9,266)</u>	<u>(1)</u>	<u>3,445</u>	<u>139,334</u>	<u>-</u>	<u>-</u>	<u>563,230</u>
Cash and investments - ending	<u>\$ (12,303)</u>	<u>\$ (1)</u>	<u>\$ 7,643</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,907,009</u>

SCHOOL CITY OF MISHAWAKA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014

	General	Debt Service	Exempt Debt	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Post-Retirement/ Severance Future Benefits
Cash and investments - beginning	\$ 566,687	\$ 417,999	\$ 3,094,408	\$ 1,588,172	\$ 240,958	\$ 27,269	\$ 210,092	\$ 31,866
Receipts:								
Local sources	171,872	1,121,053	5,136,806	1,885,656	476,376	75,777	-	-
State sources	34,214,892	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	769,625	-	488,000	1,136,000	254,000	-	-	-
Other	402,583	-	-	56,112	188,738	2,650	-	-
Total receipts	<u>35,558,972</u>	<u>1,121,053</u>	<u>5,624,806</u>	<u>3,077,768</u>	<u>919,114</u>	<u>78,427</u>	-	-
Disbursements:								
Current:								
Instruction	23,559,329	-	-	-	-	-	-	26,667
Support services	9,704,078	-	-	1,998,673	602,111	36,500	4,525	-
Noninstructional services	450,398	-	-	-	-	-	-	-
Facilities acquisition and construction	444,060	-	-	304,627	-	-	-	-
Debt services	581,792	915,025	5,503,552	1,448,500	233,700	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>34,739,657</u>	<u>915,025</u>	<u>5,503,552</u>	<u>3,751,800</u>	<u>835,811</u>	<u>36,500</u>	<u>4,525</u>	<u>26,667</u>
Excess (deficiency) of receipts over disbursements	<u>819,315</u>	<u>206,028</u>	<u>121,254</u>	<u>(674,032)</u>	<u>83,303</u>	<u>41,927</u>	<u>(4,525)</u>	<u>(26,667)</u>
Other financing sources (uses):								
Transfers in	-	-	145,847	-	-	-	-	-
Transfers out	-	(199,093)	-	-	(12,676)	(40,000)	-	-
Total other financing sources (uses)	-	<u>(199,093)</u>	<u>145,847</u>	-	<u>(12,676)</u>	<u>(40,000)</u>	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>819,315</u>	<u>6,935</u>	<u>267,101</u>	<u>(674,032)</u>	<u>70,627</u>	<u>1,927</u>	<u>(4,525)</u>	<u>(26,667)</u>
Cash and investments - ending	<u>\$ 1,386,002</u>	<u>\$ 424,934</u>	<u>\$ 3,361,509</u>	<u>\$ 914,140</u>	<u>\$ 311,585</u>	<u>\$ 29,196</u>	<u>\$ 205,567</u>	<u>\$ 5,199</u>

SCHOOL CITY OF MISHAWAKA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Construction	A0524 2004 Multischool	Steele Stadium Improvement	Gifts and Donations	MHS Pool Projects	School Lunch	Textbook Rental	Repair and Replacement
Cash and investments - beginning	\$ (26,049)	\$ 15	\$ 12,321	\$ 2,045	\$ (46,480)	\$ 103,389	\$ (913,275)	\$ 8,737
Receipts:								
Local sources	-	-	3,255	243,236	275,000	656,491	175,945	-
State sources	-	-	-	-	-	16,930	242,762	-
Federal sources	-	-	-	-	-	1,718,499	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	3,913	-	-	18	-
Total receipts	-	-	3,255	247,149	275,000	2,391,920	418,725	-
Disbursements:								
Current:								
Instruction	-	-	-	648	-	-	-	-
Support services	-	-	-	324,875	28,688	4,035	375,645	-
Noninstructional services	-	-	-	-	-	2,357,848	-	-
Facilities acquisition and construction	(27,783)	-	-	11,547	199,830	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	(27,783)	-	-	337,070	228,518	2,361,883	375,645	-
Excess (deficiency) of receipts over disbursements	27,783	-	3,255	(89,921)	46,482	30,037	43,080	-
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	27,783	-	3,255	(89,921)	46,482	30,037	43,080	-
Cash and investments - ending	\$ 1,734	\$ 15	\$ 15,576	\$ (87,876)	\$ 2	\$ 133,426	\$ (870,195)	\$ 8,737

SCHOOL CITY OF MISHAWAKA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Self-Insurance	Joint Services and Supply-Special Education Cooperative	Joint Service Preschool	Joint Services Inservice Clearing	Joint Services and Supply-Area Vocational School	Joint Services Campus Program	Historical Society	Alternative Education
Cash and investments - beginning	\$ (708,783)	\$ 5,065	\$ (299,788)	\$ 10,222	\$ (360,731)	\$ 226,575	\$ 120	\$ (14,031)
Receipts:								
Local sources	6,723,055	-	1,252,619	-	10,962,409	652,794	31,994	-
State sources	-	-	-	-	132,574	8,095	-	26,185
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other	309,354	500	367	-	-	-	3,120	-
Total receipts	7,032,409	500	1,252,986	-	11,094,983	660,889	35,114	26,185
Disbursements:								
Current:								
Instruction	5,171,937	-	1,095,210	-	8,915,232	489,340	-	-
Support services	1,896,579	-	4,134	-	794,894	238,391	43,180	-
Noninstructional services	279,182	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	7,347,698	-	1,099,344	-	9,710,126	727,731	43,180	-
Excess (deficiency) of receipts over disbursements	(315,289)	500	153,642	-	1,384,857	(66,842)	(8,066)	26,185
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(315,289)	500	153,642	-	1,384,857	(66,842)	(8,066)	26,185
Cash and investments - ending	\$ (1,024,072)	\$ 5,565	\$ (146,146)	\$ 10,222	\$ 1,024,126	\$ 159,733	\$ (7,946)	\$ 12,154

SCHOOL CITY OF MISHAWAKA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Early Intervention Grant	Reading Recovery	Instruction Support	Education Foundations	Robert Perkins Memorial	Friends of Project	Support Staff Recognition
Cash and investments - beginning	\$ -	\$ 15,740	\$ 390	\$ 47,149	\$ 321	\$ 863	\$ (11,640)
Receipts:							
Local sources	-	-	-	39,981	-	-	63,550
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	227	-	-	-
Total receipts	-	-	-	40,208	-	-	63,550
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	-	-	-	49,358	-	-	54,309
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	-	49,358	-	-	54,309
Excess (deficiency) of receipts over disbursements	-	-	-	(9,150)	-	-	9,241
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(9,150)	-	-	9,241
Cash and investments - ending	\$ -	\$ 15,740	\$ 390	\$ 37,999	\$ 321	\$ 863	\$ (2,399)

SCHOOL CITY OF MISHAWAKA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Elementary Library Books	Adult and Continuing Education	General Donation	Mishawaka Education Center - MEC	ISAIP North Side	Gifted and Talented	Education Technology
Cash and investments - beginning	\$ 2,035	\$ 12,038	\$ 2,112	\$ -	\$ 41	\$ 28,784	\$ 4,477
Receipts:							
Local sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	46,895	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	46,895	-
Disbursements:							
Current:							
Instruction	-	-	-	-	-	75,681	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	75,681	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	(28,786)	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	-	(28,786)	-
Cash and investments - ending	\$ 2,035	\$ 12,038	\$ 2,112	\$ -	\$ 41	\$ (2)	\$ 4,477

SCHOOL CITY OF MISHAWAKA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Adult and Continuing Education	Medicaid Reimbursement	Non-English Speaking Programs P.L. 273-1999	School Technology	Technology Plan Buddy	Performance Based Awards	Project Lead the Way
Cash and investments - beginning	\$ 5,391	\$ 48,207	\$ 682	\$ 1,320	\$ 177	\$ -	\$ (6,376)
Receipts:							
Local sources	-	-	-	-	-	-	-
State sources	-	77,060	2,845	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	77,060	2,845	-	-	-	-
Disbursements:							
Current:							
Instruction	-	-	-	-	-	15,057	-
Support services	-	64,573	2,845	-	-	-	23,921
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	64,573	2,845	-	-	15,057	23,921
Excess (deficiency) of receipts over disbursements	-	12,487	-	-	-	(15,057)	(23,921)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	12,487	-	-	-	(15,057)	(23,921)
Cash and investments - ending	\$ 5,391	\$ 60,694	\$ 682	\$ 1,320	\$ 177	\$ (15,057)	\$ (30,297)

SCHOOL CITY OF MISHAWAKA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Title I	(IDEA, PartB) LEA Capacity Building (Sliver) Grants	Preschool Handicap	Vocational and Technical Board Grants	Carl Perkins Grant	Medicaid Reimbursement - Federal	School to Work Opportunity Implementation
Cash and investments - beginning	\$ (172,680)	\$ (329,573)	\$ 1	\$ -	\$ -	\$ 85,396	\$ 11
Receipts:							
Local sources	-	-	-	-	-	-	-
State sources	-	-	-	-	6,500	-	-
Federal sources	1,275,220	2,923,856	121,484	-	-	136,507	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	<u>1,275,220</u>	<u>2,923,856</u>	<u>121,484</u>	<u>-</u>	<u>6,500</u>	<u>136,507</u>	<u>-</u>
Disbursements:							
Current:							
Instruction	974,338	2,656,912	123,456	-	-	-	-
Support services	341,440	256,471	-	-	6,500	114,387	-
Noninstructional services	16,632	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	<u>1,332,410</u>	<u>2,913,383</u>	<u>123,456</u>	<u>-</u>	<u>6,500</u>	<u>114,387</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(57,190)</u>	<u>10,473</u>	<u>(1,972)</u>	<u>-</u>	<u>-</u>	<u>22,120</u>	<u>-</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>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(57,190)</u>	<u>10,473</u>	<u>(1,972)</u>	<u>-</u>	<u>-</u>	<u>22,120</u>	<u>-</u>
Cash and investments - ending	<u>\$ (229,870)</u>	<u>\$ (319,100)</u>	<u>\$ (1,971)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,516</u>	<u>\$ 11</u>

SCHOOL CITY OF MISHAWAKA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	Improving Teaching Quality, No Child Left, Title II, Part A	Title III - Language Instruction	Work Study Program	Special Education - Part B	Education Jobs	Payroll Clearing	Totals
Cash and investments - beginning	\$ (12,303)	\$ (1)	\$ 7,643	\$ 1	\$ -	\$ -	\$ 3,907,009
Receipts:							
Local sources	-	-	-	-	-	-	29,947,869
State sources	-	-	-	-	-	-	34,774,738
Federal sources	217,790	8,150	-	-	-	-	6,401,506
Temporary loans	-	-	-	-	-	-	2,647,625
Other	-	-	-	-	-	31,861,134	32,828,716
Total receipts	<u>217,790</u>	<u>8,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,861,134</u>	<u>106,600,454</u>
Disbursements:							
Current:							
Instruction	79,815	-	-	-	-	-	43,183,622
Support services	131,006	8,308	-	-	-	-	17,109,426
Noninstructional services	-	-	-	-	-	-	3,104,060
Facilities acquisition and construction	-	-	-	-	-	-	932,281
Debt services	-	-	-	-	-	-	8,682,569
Nonprogrammed charges	1,000	-	-	-	-	31,861,134	31,862,134
Total disbursements	<u>211,821</u>	<u>8,308</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,861,134</u>	<u>104,874,092</u>
Excess (deficiency) of receipts over disbursements	<u>5,969</u>	<u>(158)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,726,362</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	145,847
Transfers out	-	-	-	-	-	-	(251,769)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(105,922)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>5,969</u>	<u>(158)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,620,440</u>
Cash and investments - ending	<u>\$ (6,334)</u>	<u>\$ (159)</u>	<u>\$ 7,643</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,527,449</u>

SCHOOL CITY OF MISHAWAKA
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2014

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 403,876</u>	<u>\$ 36,937</u>

SCHOOL CITY OF MISHAWAKA
SCHEDULE OF LEASES AND DEBT
June 30, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Mishawaka 2001 School Building Corporation	Building Renovation- MHS	\$ 1,163,879	12/31/2006	12/31/2025
Mishawaka 2001 School Building Corporation	Beiger School	1,399,000	6/30/2006	12/31/2023
School City of Mishawaka Multi-School Building Corporation	Liberty School Additions to John Young & Mhs	<u>2,427,000</u>	6/30/1999	12/31/2023
Total of annual lease payments		<u>\$ 4,989,879</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Baker Park	\$ 695,000	\$ 295,043
Qualified Zone Academy Bonds	Renovation John Young Middle School	1,020,000	105,500
Guaranteed Energy Savings Bond	Renovation of School Facilities	2,990,000	323,884
Tax anticipation warrants	General Debt Serv. Transportation Capital Projects Fund	2,643,000	2,667,580
Notes and loans payable	Common School Loan - a0583	100,000	53,500
Notes and loans payable	Common School Loan - a1420	50,000	20,450
Notes and loans payable	Common School Loan - a1431	99,993	40,897
Notes and loans payable	Common School Loan - a1365	80,000	40,700
Notes and loans payable	Common School Loan - a1588	90,000	20,850
Notes and loans payable	Common School Loan - a0524	468,750	55,875
Notes and loans payable	Common School Loan - a0558	662,271	190,403
Notes and loans payable	Common School Loan - a0560	421,053	121,053
Notes and loans payable	Common School Loan - a0568	1,993,333	181,133
Notes and loans payable	Common School Loan - a1315	50,000	50,375
Notes and loans payable	Common School Loan - a1355	49,994	50,369
Notes and loans payable	Common School Loan - a1509	105,000	30,975
Notes and loans payable	Common School Loan - a1551	90,000	20,850
Notes and loans payable	Common School Loan - a0610	<u>275,000</u>	<u>67,857</u>
Totals		<u>\$ 11,883,394</u>	<u>\$ 4,337,294</u>

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SCHOOL CITY OF MISHAWAKA
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2014

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.

	Ending Balance
Governmental activities:	
Land	\$ 563,251
Buildings	99,987,411
Improvements other than buildings	5,774,553
Machinery, equipment, and vehicles	10,772,800
 Total capital assets	 \$ 117,098,015

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

Report on Compliance for Each Major Federal Program

We have audited the School City of Mishawaka'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, 2012 to June 30, 2014. 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.

Basis for Qualified Opinion on Child Nutrition Cluster

As described in item 2014-002 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Procurement and Suspension and Debarment that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

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

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, 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 the Child Nutrition Cluster for the period of July 1, 2012 to June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2012 to June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2014-005 and 2014-006. Our opinion on each major federal program is not modified with respect to these matters.

The School Corporation's response to the noncompliance 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.

This report replaces the previously issued Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance dated February 3, 2015. The Schedule of Expenditures of Federal Awards has been revised to correct a misstatement. This revision changed the dollar threshold to distinguish between Type A and Type B programs; however, no additional major programs were required to be audited as a result of this change.

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.

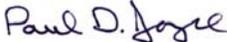
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses 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.

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

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 2014-002, 2014-003, 2014-004, 2014-005, and 2014-006 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

February 3, 2015

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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.

SCHOOL CITY OF MISHAWAKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2013 and 2014

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 06-30-13	Total Federal Awards Expended 06-30-14
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	FY 2013 and 2014	\$ 289,280	\$ 283,248
0800 Food Service					
National School Lunch Program	Indiana Department of Education	10.555	FY 2013 and 2014	1,546,407	1,565,220
0800 Food Service					
Total - Child Nutrition Cluster				1,835,687	1,848,468
Child and Adult Care Food Program	Indiana Department of Education	10.558	FY 2013 and 2014	47,731	43,406
0800 Food Service					
Total - Department of Agriculture				1,883,418	1,891,874
<u>Department of Education</u>					
Special Education Cluster					
Special Education - Grants to States	Indiana Department of Education				
5244 94-142		84.027	14212-041-PN01	233,061	-
5245 94-142		84.027	14213-041-PN01	973,474	253,618
5246 94-142		84.027	14214-041-PN01	-	819,436
5253 94-142 Tech Asst		84.027	99914-041-PN01	-	11,393
Improvement Award		84.027	FY 2013	70,000	-
Total - Special Education - Grants to States				1,276,535	1,084,447
Special Education - Preschool Grants	Indiana Department of Education				
5485 Preschool		84.173	45713-041-PN01	46,043	5,591
5486 Preschool		84.173	45714-041-PN01	-	44,935
Total - Special Education - Preschool Grants				46,043	50,526
Total - Special Education Cluster				1,322,578	1,134,973

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

SCHOOL CITY OF MISHAWAKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2013 and 2014
(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 06-30-13	Total Federal Awards Expended 06-30-14
<u>Department of Education (continued)</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies					
4164 Title I	Indiana Department of Education	84.010	12-7200	272,855	-
4165 Title I		84.010	13-7200	1,021,727	181,148
4166 Title I		84.010	14-7200	-	<u>1,094,072</u>
Total - Title I Grants to Local Educational Agencies				<u>1,294,582</u>	<u>1,275,220</u>
Total - Title I, Part A Cluster				<u>1,294,582</u>	<u>1,275,220</u>
Migrant Education - State Grant Program					
3716 Non English Speaking	Indiana Department of Education	84.011	51114-215	-	<u>2,845</u>
Career and Technical Education - Basic Grants to States					
6270 Carl Perkins	Elkhart Community Schools	84.048	FY 2013 and 2014	<u>6,500</u>	<u>6,500</u>
English Language Acquisition State Grants					
6934 Title III LMMP	Indiana Department of Education	84.365	01113-077-PN01	9,604	820
6935 Title III LMMP		84.365	01114-072-PN01	-	<u>7,330</u>
Total - English Language Acquisition State Grants				<u>9,604</u>	<u>8,150</u>
Improving Teacher Quality State Grants					
6734 Title II Improving Teacher Quality	Indiana Department of Education	84.367	10-7200	34,698	-
6735 Title II Improving Teacher Quality		84.367	11-7200	224,672	5,664
6736 Title II Improving Teacher Quality		84.367	12-7200	91,713	127,371
6737 Title II Improving Teacher Quality		84.367	13-7200	-	<u>84,756</u>
Total - Improving Teacher Quality State Grants				<u>351,083</u>	<u>217,791</u>
Education Jobs Fund					
	Indiana Department of Education	84.410	FY 2013	<u>21,473</u>	-
Total - Department of Education				<u>3,005,820</u>	<u>2,645,479</u>
Total federal awards expended				<u>\$ 4,889,238</u>	<u>\$ 4,537,353</u>

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

SCHOOL CITY OF MISHAWAKA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the 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 5-11-1-25), 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, 2013 and 2014. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2013	2014
National School Lunch Program	10.555	\$ 170,761	\$ 173,375

Note 3. Special Education Cooperative

The School Corporation is a member of a Special Education Cooperative and serves as the fiscal agent for it. As a result, some activity for the Special Education Cluster that is presented as receipts and disbursements in the financial statement is not presented on the SEFA for the School Corporation. This activity is reported on the SEFAs of the member school corporations as appropriate.

SCHOOL CITY OF MISHAWAKA
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?	no

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 for all programs except Child Nutrition Cluster which was Qualified
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:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	Child Nutrition Cluster Title I, Part A Cluster
84.367	Improving Teacher Quality State Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2014-001 - INTERNAL CONTROLS OVER PAYROLL

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

SCHOOL CITY OF MISHAWAKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

1. Lack of Segregation of Duties: The School Corporation has not separated incompatible activities related to payroll transactions. Pay rates as approved by the School Board are documented by the Human Resources Department and manually provided to the Payroll Department. The Payroll Accounting Specialist enters the approved pay rates into the payroll software system without oversight or review. The failure to establish controls to verify that correct pay rates are entered and that payments made are based on correct pay rates could enable misstatements or irregularities to remain undetected.
2. There is a deficiency in the internal control system concerning the approval of payments to substitute teachers. The School Corporation uses computer software which allows substitute teachers to log onto the system and choose which days they wish to work. At the end of the pay period, a listing by substitute is generated by the Payroll Accounting Specialist. This list generated from the software is used as the documentation for the payments made to the substitute teachers. There is no process to verify that the substitute teacher actually worked those days and no process to approve the payments made to substitute teachers.

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)

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-002 - PROCUREMENT AND SUSPENSION AND DEBARMENT

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years: FY 2013 and FY 2014
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 Procurement and Suspension and Debarment compliance requirements. 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 program. An internal control system 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.

SCHOOL CITY OF MISHAWAKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation relied on officials of another school corporation as part of a purchasing group to perform procurement activities and to verify compliance with Suspension and Debarment requirements for a Third Party Purchasing Service for food products, materials, and supplies. The School Corporation provided no oversight or approval of the process. Only one company submitted a proposal for Third Party Purchasing Services; however, the contract with this vendor was not available for audit.

The School Corporation has not designed or implemented adequate policies or procedures to ensure that required Procurement, or Suspension and Debarment procedures were applied to all applicable purchases. No permissible procurement procedures were employed when purchasing bread and milk/dairy products, which were not included in the Third Party Purchasing Service. In addition, there was no evidence that officials verified compliance with Suspension and Debarment requirements for bread and milk/dairy vendors.

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."

7 CFR 3016.35 states in part:

"Grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, 'Debarment and Suspension.'"

7 CFR 3016.36 states in part:

"(b) *Procurement standards:*

- (1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section.
- (2) Grantees and subgrantees will maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that School Corporations officials establish and implement effective internal controls over Procurement and Suspension and Debarment to ensure compliance and to comply with Procurement and Suspension and Debarment requirements of the programs.

SCHOOL CITY OF MISHAWAKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

***FINDING 2014-003 - INTERNAL CONTROL OVER SCHOOL BREAKFAST
AND NATIONAL SCHOOL LUNCH PROGRAMS***

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years: FY 2013 and FY 2014
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 Reporting and Eligibility compliance requirements. 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 program.

Eligibility

The School Corporation has not designed or implemented adequate policies or procedures to ensure that students' eligibility for free and reduced price lunches is properly determined in compliance with program requirements. One person is solely responsible for inputting applications into the computer software system which determines eligibility. An oversight or review process has not been established to ensure accurate eligibility determinations.

Reporting

The School Corporation has not designed or implemented adequate policies or procedures to ensure that required reports were accurately prepared. One employee was solely responsible for preparing and submitting all required reports. There was no segregation of duties, such as an oversight or approval process.

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 ensuring proper oversight, reviews, and approvals take place and having 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. Non-compliance 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.

SCHOOL CITY OF MISHAWAKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

We recommended that School Corporation officials establish controls, including segregation of duties, related to the grant agreement and the compliance requirements noted above that have a direct and material effect on the programs.

FINDING 2014-004 - INTERNAL CONTROL OVER TITLE I CASH MANAGEMENT AND REPORTING

Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years: 12-7200, 13-7200, and 14-7200
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 such as an oversight or approval process, related to the grant agreement and the Cash Management and Reporting compliance requirements that have a direct and material effect on the program. 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 program.

The School Corporation has not designed or implemented adequate policies or procedures to ensure that requests for reimbursement or required reports were accurately prepared. One person was responsible for preparing and submitting the requests and reports. There was no evidence of segregation of duties, such as an oversight or approval process.

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 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 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 the compliance requirements noted above.

SCHOOL CITY OF MISHAWAKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2014-005 - INTERNAL CONTROL AND COMPLIANCE OVER TITLE I ALLOWABLE COSTS

Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years: 12-7200, 13-7200, and 14-7200
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system related to the grant agreement and the Allowable Costs compliance requirements that have a direct and material effect on the program. 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.

The School Corporation has not designed or implemented adequate policies or procedures to ensure that required periodic certifications are prepared at each school that employs Title I personnel. When employees are paid entirely from a grant, the grantee is required to obtain signed semiannual certifications from the grant personnel. The School Corporation did not complete the required semiannual certifications for each school that employs Title I personnel to support their compensation.

OMB Circular A-87, Attachment B, paragraph 8.h. states in part:

"(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee."

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 enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements 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 the Allowable Costs compliance requirements. We also recommended that the School Corporation comply with Allowable Costs requirements by preparing the semiannual certifications for all applicable employees and schools.

SCHOOL CITY OF MISHAWAKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2014-006 - PERIOD OF AVAILABILITY

Federal Agency: Department of Education
Federal Program: Improving Teacher Quality State Grants
CFDA Number: 84.367
Federal Award Number: 10-7200
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 Period of Availability compliance requirements. 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. An internal control system should be designed and operate effectively to provide reasonable assurance that 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.

The School Corporation did not ensure that all obligations for expenditures made from program funds were incurred during the period of availability. The grant period ended September 30, 2012; however, several meetings which were financed with program funds occurred after that date. The expenditures of program funds which were not obligated during the period of availability totaled \$14,385. These expenditures are considered questioned costs.

34 CFR 80.23(a) states:

"General. Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period."

34 CFR 76.709 Funds may be obligated during a "carryover period" states:

"(a) If a State or a subgrantee does not obligate all of its grant or subgrant funds by the end of the fiscal year for which Congress appropriated the funds, it may obligate the remaining funds during a carryover period of one additional fiscal year.

(b) The State shall return to the Federal Government any carryover funds not obligated by the end of the carryover period by the State and its subgrantees."

34 CFR 76.710 Obligations made during a carryover period are subject to current statutes, regulations, and applications, states:

"A State and a subgrantee shall use carryover funds in accordance with:

(a) The Federal statutes and regulations that apply to the program and are in effect for the carry-over period; and

(b) Any State plan, or application for a subgrant, that the State or subgrantee is required to submit for the carryover period."

SCHOOL CITY OF MISHAWAKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 enabled noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls to ensure compliance, and comply with the Period of Availability requirements of the program.

AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the School Corporation. The document is presented as intended by the School Corporation.



CORRECTIVE ACTION PLAN

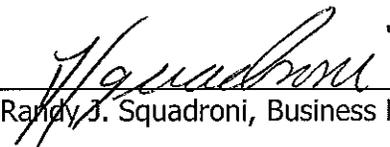
FINDING NO. 2014-001 – Internal Controls over Payroll

1. Lack of Segregation of Duties: The school corporation has not separated incompatible activities related to payroll transactions. Pay rates as approved by the School Board are documented by the Human Resources department and manually provided to the Payroll department. The Payroll Accounting Specialist enters the approved pay rates into the payroll software system without oversight or review. The failure to establish controls to verify that correct pay rates are entered and that payments made are based on correct pay rates could enable misstatements or irregularities to remain undetected.

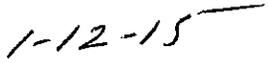
Corrective Action: The Payroll Accounting Specialist will start printing the approved pay rates, or any changes, for the Human Resources Department to verify and sign off prior to processing payroll every scheduled payroll date.

2. There is a deficiency in the internal control system concerning the approval of payments to substitute teachers. The school corporation uses computer software which allows substitute teachers to log onto the system and choose which days they wish to work. At the end of the pay period, a listing by substitute is generated by the Payroll Accounting Specialist. This list generated from the software is used as the documentation for the payments made to the substitute teachers. There is no process to approve the payments made to the substitute teachers.

Corrective Action: Beginning on January 1, 2015, the generated list of substitute teachers will be verified by each school's Secretary and signed off by the school's Principal before payroll is processed and payment is made to the substitute teachers.



Randy J. Squadroni, Business Manager



Date



CORRECTIVE ACTION PLAN

FINDING 2014-002

Contact Person Responsible for Corrective Action: Peggy Baer
Contact Phone Number: 574-254-4508

Description of Corrective Action Plan:

The corrective action plan for the internal control system will take place immediately in regard to the Procurement, Suspension, And Debarment.

With the bidding process to start in April for the 15-16 school year, the Food Service Department will see that we are in compliance with regulations by making sure that we present all bids from secured vendors to the Board and such bids are kept on file for future reference.

We will also see that a letter of agreement between the Purchasing parties and the Food Services will be on file for audit.

The Food Service Department will also check to make sure that no bids are awarded to any contractor which has been suspended or debarred.

Anticipated Completion Date: 7-1-2015

Peggy Baer
(Signature)

Food Service Coordinator

(Title)

1-8-2015



School City of Mishawaka

An NCA/CASI Accredited District

Creating a Lifetime of Learning for All

CORRECTIVE ACTION PLAN

FINDING 2014-003

Contact Person Responsible for Corrective Action: Peggy Baer
Contact Phone Number: 574-254-4508

Description of Corrective Action Plan:

The corrective action plan for the internal control system will take place immediately in regard to the Free and Reduced applications. After an application has been processed by Lisa Hab (administrative sec.), I will check her work to make sure it is correct and she will do the same after I have processed an application. Said applications will then be initialed and dated by the reviewer.

In regard to the monthly reports that are being processed by the administrative secretary, I will review her work as she is entering the final numbers into said reports and will sign and date that I have approved her figures.

Anticipated Completion Date: 1-9-2015

Peggy Baer
(Signature)

Food Service Coordinator

(Title)

1-8-2015
(Date)

Administrative Center

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School City of Mishawaka

Equipping Students to Excel

CORRECTIVE ACTION PLAN

Office of
Curriculum & Instruction

Dr. Terry E. Barker
Superintendent of Schools

Daniel R. Towner
*Executive Director
for Curriculum & Instruction*

Carolyn S. Freeman
*Coordinator
for Assessment and High Ability Programs*

Annette Darr
Administrative Assistant

Cathy Leazenby
Administrative Assistant

Lexie Schroeder
*Director
of Hannah Lindahl Children's Museum*

FINDING 2014-004

Contact Person Responsible for Corrective Action: Daniel R. Towner and Randy J. Squadroni
Contact Phone Number: 574-254-4536 574-254-4503

Description of Corrective Action Plan:

This finding centers on the fact that, when electronic federal fund reimbursements are submitted to the Indiana Department of Education, a copy of the submittal form is to be signed as authorized by the Federal Program Administrator and the Business Manager. Such forms are to be maintained by the district and apply to all federal grant funds.

Prior to May, 2014, the federal fund reimbursement forms submitted each month had not been presented for administrative signatures. This finding was the result of the Business Office employee handling reimbursements being unaware of the requirement. With a change to the state reimbursement form and a new employee handling this task, such forms have subsequently been signed, as required, by the appropriate district administrators. This correction has been in place and in practice beginning with the summer of 2014.

All district employees involved in the federal grant reimbursement process have been instructed and advised of the required procedures and expectations. Reimbursement forms are to be signed by appropriate administrative staff authorizing the submittal and kept on file at the district office thus ensuring an appropriate internal control system.

Anticipated Completion Date:

The corrective action described above has been completed and is, in fact, the procedure used effective June 2014.


(Signature)

Executive Director for Curriculum & Instruction

(Title)

January 8, 2015

(Date)

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FINDING 2014-005

Contact Person Responsible for Corrective Action: Daniel R. Towner
Contact Phone Number: 574-254-4536

Description of Corrective Action Plan:

Finding 2014-005 reflects that "Semi-Annual Certification" forms must be completed for all federally funded employees paid from a single grant fund. Such certification forms for each school are to be signed semi-annually by the appropriate supervisor and kept on file at the district. Historically, School City of Mishawaka federal grant program administrators had completed such forms for only those schools identified by the Indiana Department of Education for monitoring.

On December 9, 2014, a meeting was held with all SCM administrators involved with federal grant programs to inform them of the "Semi-Annual Certification" form requirements and expectations. New procedures and controls were discussed to ensure that such forms will be completed as required in the future to be in compliance.

Semi-Annual forms have now been completed to date and are on file at the district office.

Anticipated Completion Date:

The corrective action described above has been completed and is, in fact, the procedure used effective December 9, 2014.


(Signature)

Executive Director for Curriculum & Instruction

(Title)

January 8, 2015

(Date)

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FINDING 2014-006

Contact Person Responsible for Corrective Action: Daniel R. Towner
Contact Phone Number: 574-254-4536

Description of Corrective Action Plan:

Finding 2014-006 indicates that all federal Title II grant funded professional development activities must occur within the grant period from which they are paid. SCM was under the mistaken understanding that funds could be encumbered and expended during the grant period even though the activity or event provided through these funds was to occur after the final expenditure date.

All district personnel responsible for the management of Title II funds have received updated guidance regarding grant periods and the timeframe for funded activities as detailed in Finding 2014-006.

Anticipated Completion Date:

The corrective action described above has been completed as of the date of this report.


(Signature)

Executive Director for Curriculum & Instruction

(Title)

January 8, 2015

(Date)

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OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the School Corporation. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.