

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

AUDIT REPORT
OF
SCHOOL TOWN OF MUNSTER
LAKE COUNTY, INDIANA
July 1, 2005 to June 30, 2007



FILED
03/31/2008

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Richard A. Sopko	07-01-05 to 06-30-08
Superintendent of Schools	William Pfister	07-01-05 to 06-30-08
President of the School Board	Carrie Wadas Paula Nellans John E. Friend	07-01-05 to 06-30-06 07-01-06 to 06-30-07 07-01-07 to 06-30-08



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

TO: THE OFFICIALS OF THE SCHOOL TOWN OF MUNSTER, LAKE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the School Town of Munster (School Corporation), as of and for the years ended June 30, 2006 and 2007, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2006 and 2007, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated February 28, 2008, 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 and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

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

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

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

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

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

STATE BOARD OF ACCOUNTS

February 28, 2008



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

TO: THE OFFICIALS OF THE SCHOOL TOWN OF MUNSTER, LAKE COUNTY, INDIANA

We have audited the financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the School Town of Munster (School Corporation), as of and for the years ended June 30, 2006 and 2007, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated February 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

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

Compliance and Other Matters

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

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

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

STATE BOARD OF ACCOUNTS

February 28, 2008

SCHOOL TOWN OF MUNSTER
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		Charges for Services	Operating Grants and Contributions	<u>Totals</u>
Governmental activities:				
Instruction	\$ 13,641,179	\$ -	\$ 88,492	\$ (13,552,687)
Support services	20,221,691	1,845,352	206,721	(18,169,618)
Community services	424,461	-	-	(424,461)
Nonprogrammed charges	1,513,687	-	-	(1,513,687)
Debt service	24,021,413	-	-	(24,021,413)
Total governmental activities	\$ 59,822,431	\$ 1,845,352	\$ 295,213	(57,681,866)
General receipts:				
Property taxes				24,531,549
Other local sources				2,209,160
State aid				11,321,562
Bonds and loans				14,886,000
Grants and contributions not restricted to specific programs				501,605
Sale of property, adjustments, and refunds				3,743,875
Investment earnings				106,155
Interfund loans				1,200,000
Transfers - Internal activities				705,488
				59,205,394
Total general receipts, interfund loans, and transfers				59,205,394
Change in net assets				1,523,528
Net assets - beginning				4,509,388
Net assets - ending				\$ 6,032,916
<u>Assets</u>				
Cash and investments				\$ 3,935,197
Restricted assets:				
Cash and investments				2,097,719
Total assets				\$ 6,032,916
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 2,097,719
Unrestricted				3,935,197
Total net assets				\$ 6,032,916

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

SCHOOL TOWN OF MUNSTER
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 13,882,538	\$ -	\$ 88,663	\$ (13,793,875)
Support services	18,547,215	1,936,452	287,771	(16,322,992)
Community services	628,661	-	-	(628,661)
Nonprogrammed charges	3,242,900	-	-	(3,242,900)
Debt service	<u>21,128,493</u>	<u>-</u>	<u>-</u>	<u>(21,128,493)</u>
Total governmental activities	<u>\$ 57,429,807</u>	<u>\$ 1,936,452</u>	<u>\$ 376,434</u>	<u>(55,116,921)</u>
General receipts:				
Property taxes				21,496,010
Other local sources				2,237,736
State aid				11,251,325
Bonds and loans				11,736,000
Grants and contributions not restricted to specific programs				503,208
Sale of property, adjustments, and refunds				5,562,823
Investment earnings				<u>123,813</u>
Total general receipts				<u>52,910,915</u>
Change in net assets				(2,206,006)
Net assets - beginning				<u>6,032,916</u>
Net assets - ending				<u>\$ 3,826,910</u>
<u>Assets</u>				
Cash and investments				\$ 2,990,446
Restricted assets:				
Cash and investments				<u>836,464</u>
Total assets				<u>\$ 3,826,910</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 456,449
Other purposes				380,015
Unrestricted				<u>2,990,446</u>
Total net assets				<u>\$ 3,826,910</u>

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

SCHOOL TOWN OF MUNSTER
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006

	General	Transportation Operating	School Lunch Fund	Debt Service	Capital Projects	School Bus Replacement	Construction	Other	Totals
Receipts:									
Local sources	\$ 13,216,480	\$ 1,597,891	\$ 1,099,354	\$ 8,029,464	\$ 3,025,810	\$ 109,373	\$ 45,182	\$ 1,460,333	\$ 28,583,887
Intermediate sources	108,330	-	-	-	-	-	-	-	108,330
State sources	11,397,229	-	29,538	-	-	-	-	173,573	11,600,340
Federal sources	-	-	161,436	-	-	-	-	356,603	518,039
Bonds and loans	6,716,000	943,000	-	2,389,000	2,120,000	183,000	2,535,000	-	14,886,000
Sale of property, adjustments and refunds	2,890,865	12,103	222	-	968	-	836,220	3,497	3,743,875
Interfund loans	1,200,000	-	-	-	-	-	-	-	1,200,000
Total receipts	35,528,904	2,552,994	1,290,550	10,418,464	5,146,778	292,373	3,416,402	1,994,006	60,640,471
Disbursements:									
Current:									
Instruction	13,461,359	-	-	-	-	-	-	179,820	13,641,179
Support services	10,835,924	1,484,772	1,301,417	-	3,030,904	97,958	2,333,226	1,137,490	20,221,691
Community services	423,606	-	-	-	-	-	-	855	424,461
Nonprogrammed charges	1,353,447	-	-	-	-	-	-	160,240	1,513,687
Debt services	12,050,091	1,264,000	-	8,328,572	1,787,000	100,000	-	491,750	24,021,413
Total disbursements	38,124,427	2,748,772	1,301,417	8,328,572	4,817,904	197,958	2,333,226	1,970,155	59,822,431
Excess (deficiency) of receipts over disbursements	(2,595,523)	(195,778)	(10,867)	2,089,892	328,874	94,415	1,083,176	23,851	818,040
Other financing sources (uses):									
Transfers in	705,488	-	-	-	-	-	-	63,466	768,954
Transfers out	-	-	-	-	-	-	-	(63,466)	(63,466)
Total other financing sources (uses)	705,488	-	-	-	-	-	-	-	705,488
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,890,035)	(195,778)	(10,867)	2,089,892	328,874	94,415	1,083,176	23,851	1,523,528
Cash and investments - beginning	1,970,716	206,491	386,012	7,827	176,690	5,760	1,758,211	(2,319)	4,509,388
Cash and investments - ending	<u>\$ 80,681</u>	<u>\$ 10,713</u>	<u>\$ 375,145</u>	<u>\$ 2,097,719</u>	<u>\$ 505,564</u>	<u>\$ 100,175</u>	<u>\$ 2,841,387</u>	<u>\$ 21,532</u>	<u>\$ 6,032,916</u>
Cash and Investment Assets - Ending									
Cash and investments	\$ 80,681	\$ 10,713	\$ 375,145	\$ -	\$ 505,564	\$ 100,175	\$ 2,841,387	\$ 21,532	\$ 3,935,197
Restricted assets:									
Cash and investments	-	-	-	2,097,719	-	-	-	-	2,097,719
Total cash and investment assets - ending	<u>\$ 80,681</u>	<u>\$ 10,713</u>	<u>\$ 375,145</u>	<u>\$ 2,097,719</u>	<u>\$ 505,564</u>	<u>\$ 100,175</u>	<u>\$ 2,841,387</u>	<u>\$ 21,532</u>	<u>\$ 6,032,916</u>
Cash and Investment Fund Balance - Ending									
Restricted for:									
Debt service	\$ -	\$ -	\$ -	\$ 2,097,719	\$ -	\$ -	\$ -	\$ -	\$ 2,097,719
Unrestricted	80,681	10,713	375,145	-	505,564	100,175	2,841,387	21,532	3,935,197
Total cash and investment fund balance - ending	<u>\$ 80,681</u>	<u>\$ 10,713</u>	<u>\$ 375,145</u>	<u>\$ 2,097,719</u>	<u>\$ 505,564</u>	<u>\$ 100,175</u>	<u>\$ 2,841,387</u>	<u>\$ 21,532</u>	<u>\$ 6,032,916</u>

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

SCHOOL TOWN OF MUNSTER
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	General	Transportation Operating	School Lunch Fund	Debt Service	Capital Projects	School Bus Replacement	Construction	Other	Totals
Receipts:									
Local sources	\$ 11,678,494	\$ 1,383,875	\$ 1,178,773	\$ 6,979,601	\$ 3,019,405	\$ 130,063	\$ 11,906	\$ 1,309,451	\$ 25,691,568
Intermediate sources	97,609	-	-	-	-	-	-	-	97,609
State sources	11,321,737	-	30,430	-	-	-	-	152,410	11,504,577
Federal sources	13,500	-	223,212	-	-	-	-	389,678	626,390
Bonds and loans	8,023,000	1,053,000	-	333,000	1,540,000	275,000	-	512,000	11,736,000
Sale of property, adjustments and refunds	5,494,522	61,110	100	-	7,051	-	40	-	5,562,823
Interfund loans	1,750,000	-	-	-	-	-	-	-	1,750,000
Total receipts	38,378,862	2,497,985	1,432,515	7,312,601	4,566,456	405,063	11,946	2,363,539	56,968,967
Disbursements:									
Current:									
Instruction	13,656,735	-	-	-	-	-	-	225,803	13,882,538
Support services	11,424,437	1,377,111	1,462,614	-	2,600,842	416,269	2,259,634	792,516	20,333,423
Community services	622,121	-	-	-	-	-	-	6,540	628,661
Nonprogrammed charges	1,690,481	-	-	-	-	-	-	141,392	1,831,873
Debt services	6,716,000	943,000	-	9,010,987	2,120,000	183,000	-	955,506	19,928,493
Interfund loans	2,950,000	-	-	-	-	-	-	-	2,950,000
Total disbursements	37,059,774	2,320,111	1,462,614	9,010,987	4,720,842	599,269	2,259,634	2,121,757	59,554,988
Excess (deficiency) of receipts over disbursements	1,319,088	177,874	(30,099)	(1,698,386)	(154,386)	(194,206)	(2,247,688)	241,782	(2,586,021)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	5,848	5,848
Transfers out	-	-	-	(5,848)	-	-	-	-	(5,848)
Total other financing sources (uses)	-	-	-	(5,848)	-	-	-	5,848	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,319,088	177,874	(30,099)	(1,704,234)	(154,386)	(194,206)	(2,247,688)	247,630	(2,586,021)
Cash and investments - beginning	80,681	10,713	375,145	2,097,719	505,564	100,175	2,841,387	21,532	6,032,916
Cash and investments - ending	\$ 1,399,769	\$ 188,587	\$ 345,046	\$ 393,485	\$ 351,178	\$ (94,031)	\$ 593,699	\$ 269,162	3,446,895
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:									
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.									
									380,015
Net assets of governmental activities									\$ 3,826,910
Cash and Investment Assets - Ending									
Cash and investments	\$ 1,399,769	\$ 188,587	\$ 345,046	\$ -	\$ 351,178	\$ (94,031)	\$ 593,699	\$ 206,198	\$ 2,990,446
Restricted assets:									
Cash and investments	-	-	-	393,485	-	-	-	62,964	456,449
Total cash and investment assets - ending	\$ 1,399,769	\$ 188,587	\$ 345,046	\$ 393,485	\$ 351,178	\$ (94,031)	\$ 593,699	\$ 269,162	\$ 3,446,895
Cash and Investment Fund Balance - Ending									
Restricted for:									
Debt service	\$ -	\$ -	\$ -	\$ 393,485	\$ -	\$ -	\$ -	\$ 62,964	\$ 456,449
Unrestricted	1,399,769	188,587	345,046	-	351,178	(94,031)	593,699	206,198	2,990,446
Total cash and investment fund balance - ending	\$ 1,399,769	\$ 188,587	\$ 345,046	\$ 393,485	\$ 351,178	\$ (94,031)	\$ 593,699	\$ 269,162	\$ 3,446,895

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

SCHOOL TOWN OF MUNSTER
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENTS BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2007

	<u>Internal Service Fund</u>
Operating receipts:	
Charges for services	\$ 1,786,208
Miscellaneous	<u>4,834</u>
Total operating receipts	<u>1,791,042</u>
Operating disbursements:	
Insurance claims and expense	<u>1,411,027</u>
Excess of operating receipts over operating disbursements	380,015
Cash and investment fund balance - beginning	<u>-</u>
Cash and investment fund balance - ending	<u>\$ 380,015</u>
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	<u>\$ 380,015</u>
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	<u>\$ 380,015</u>

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

SCHOOL TOWN OF MUNSTER
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2006

	Pension Trust Fund	Private-Purpose Trust Funds	Agency Fund
Additions:			
Contributions:			
Bonds and Loans	\$ 7,175,000	\$ -	
Other	69,754	-	
Total contributions	7,244,754	-	
Investment earnings:			
Interest	20,768	438	
Total additions	7,265,522	438	
Deductions:			
Support services	773,242	-	
Transfer out	705,488	-	
Interfund loan	1,200,000	-	
Nonprogrammed charges	-	1,592	
Total deductions	2,678,730	1,592	
Excess (deficiency) of total additions over total deductions	4,586,792	(1,154)	
Cash and investment fund balance - beginning	2,148,854	24,604	
Cash and investment fund balance - ending	\$ 6,735,646	\$ 23,450	
Net assets:			
Cash and investments held in trust	\$ 6,735,646	\$ 23,450	\$ 131,249
Total net assets - cash and investment basis held in trust	\$ 6,735,646	\$ 23,450	\$ 131,249

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

SCHOOL TOWN OF MUNSTER
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2007

	Pension Trust Fund	Private-Purpose Trust Funds	Agency Fund
Additions:			
Contributions:			
Interfund loan	\$ 2,950,000	\$ -	
Other	49,488	-	
Total contributions	2,999,488	-	
Investment earnings:			
Interest	349,338	673	
Total additions	3,348,826	673	
Deductions:			
Support services	1,055,934	-	
Interfund loan	1,750,000	-	
Nonprogrammed charges	-	1,770	
Total deductions	2,805,934	1,770	
Excess (deficiency) of total additions over total deductions	542,892	(1,097)	
Cash and investment fund balance - beginning	6,735,646	23,450	
Cash and investment fund balance - ending	\$ 7,278,538	\$ 22,353	
Net assets:			
Cash and investments held in trust	\$ 7,278,538	\$ 22,353	\$ 106,007
Total net assets - cash and investment basis held in trust	\$ 7,278,538	\$ 22,353	\$ 106,007

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

SCHOOL TOWN OF MUNSTER
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

The School Corporation's financial reporting entity is composed of the following:

Primary Government: School Town of Munster

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

Joint Venture

The School Corporation is a participant with Lake Central School Corporation in a joint venture to operate the West Lake Special Education Cooperative (WLSEC), a joint services program established to provide instruction for disabled children. The School Corporation is obligated by contract to make annual remittances to supplement the WLSEC. The WLSEC's continued existence depends on continued funding by the School Corporation. Complete financial statements for the WLSEC can be obtained from Lake Central School Corporation, 8260 Wicker Avenue, Saint John, IN 46373.

The School Corporation is a participant in the Northwest Indiana Educational Service Center (Service Center), a joint school services program established May 30, 1985, for participating school corporations to cooperate and share programs such as curriculum development, instructional materials, needs assessment, computer utilization, and in-service education. The Service Center operates under the authority of the Northwest Indiana Public School Study Council. The School Corporation provides funding based on Average Daily Membership, determined annually. Complete financial statements can be obtained from Service Center administrative offices, 2939 41st Avenue, Highland, IN 46322.

The School Corporation is a participant in the Northwest Indiana Public School Study Council (Study Council), a joint school services program established December 10, 1969, for the improvement of education and the study of problems and issues involved in public education. A board composed of a member of each participating School Corporation governs the Study Council. The School Corporation remits \$1,000 annually to belong to the Study Council. Complete financial statements for the Study Council can be obtained from the Merrillville Community School Corporation, 6701 Delaware Street, Merrillville, IN 46410.

SCHOOL TOWN OF MUNSTER
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statements of Activities and Net Assets – Cash and Investment Basis display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund Financial Statements

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

The School Corporation reports the following major governmental funds:

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

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The school lunch fund accounts for financial resources of the school lunch program.

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

The construction fund accounts for the proceeds from the sale of general obligation bonds. General obligation bonds were sold to generate revenue for the construction or remodeling of various school buildings.

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for health insurance transactions.

SCHOOL TOWN OF MUNSTER
NOTES TO FINANCIAL STATEMENTS
(Continued)

The pension trust fund accounts for bonds and payments anticipated to be made to employees on or after the termination of employment or to pay postretirement or severance benefits held by the School Corporation in a trustee capacity.

The private-purpose trust funds report a trust arrangement under which principal and income benefit the individual scholarship winners.

Agency funds account for assets held by the School Corporation as an agent for federal, state, and private entities, and serve as control of accounts for certain cash transactions during the time they are a liability to the School Corporation.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the general fund and the pension trust fund. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service fund). The School Corporation does not have any enterprise funds.

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

SCHOOL TOWN OF MUNSTER
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

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

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 7 to 12 days per year. Unused sick leave may be accumulated indefinitely. Accumulated sick leave is not paid to employees through cash payments upon retirement.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 10 to 20 days per year based upon the number of years of service. Vacation leave generally does not accumulate from year to year; however, administrative employees have up to 18 months to use their leave.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 2 to 4 days per year. Unused personal leave is transferred to accumulated sick leave at the conclusion of each full year.

d. Flex Leave

Administrators earn flex leave at the rate of 15 days per year. Unused flex leave is transferred to accumulated sick leave at the conclusion of each full year.

4. Capital Assets

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

SCHOOL TOWN OF MUNSTER
NOTES TO FINANCIAL STATEMENTS
(Continued)

5. Long-Term Debt

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

6. Equity Classification

Government-Wide Statements

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

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

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, and (2) operating grants and contributions. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for the proprietary fund result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

SCHOOL TOWN OF MUNSTER
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Internal and Interfund Balances and Activities

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

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are reported as reimbursements.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

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

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

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

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

SCHOOL TOWN OF MUNSTER
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Disbursements in Excess of Appropriations

For the calendar years ended December 31, 2005 and 2006, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2005	2006
Debt Service	\$ -	\$ 78,146
Transportation Operating	136,359	-
School Bus Replacement	809	60,485
Special Education Preschool	<u>37,250</u>	<u>75,255</u>
Totals	<u>\$ 174,418</u>	<u>\$ 213,886</u>

C. Cash and Investment Balance Deficits

At June 30, 2006 and 2007, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2006	2007
Textbook Rental	\$ 41,318	\$ -
Retirement Severance Bond	15,520	-
School Bus Replacement	-	94,031

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. Bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

SCHOOL TOWN OF MUNSTER
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Investments

Investment Policies

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

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2006 and 2007, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2006</u>	<u>2007</u>
Debt Service Fund	Other governmental funds	\$ -	\$ 5,848
Pension Trust Fund	General Fund	705,488	-
Other governmental funds	Other governmental funds	<u>63,466</u>	<u>-</u>
Totals		<u>\$ 768,954</u>	<u>\$ 5,848</u>

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

C. Interfund Loans

Interfund loans for the years ended June 30, 2006 and 2007, were as follows:

<u>Interfund Loan From</u>	<u>Interfund Loan To</u>	<u>2006</u>	<u>2007</u>
Pension Trust Fund	General Fund	<u>\$ 1,200,000</u>	<u>\$ 1,750,000</u>
<u>Interfund Loan Repaid From</u>	<u>Interfund Loan Repaid To</u>		
General Fund	Pension Trust Fund	<u>\$ -</u>	<u>\$ 2,950,000</u>

IV. Other Information

A. Risk Management

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

SCHOOL TOWN OF MUNSTER
NOTES TO FINANCIAL STATEMENTS
(Continued)

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Employee Health Benefits

The School Corporation has chosen to establish a risk financing fund for risks associated with employee health benefits. The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$100,000 per employee per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Amounts are transferred into the fund from the governmental funds in amounts necessary to support the fund expenditures. Amounts transferred in are reported as charges for services on the Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Proprietary Fund. The Self-Insurance Fund had a balance at June 30, 2007, of \$380,015.

B. Holding Corporation

The School Corporation has entered into a capital lease with the Munster Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the year totaled \$11,971,283.

C. Subsequent Events

Reassessment and Property Taxes

In accordance with state statutes, all counties were required to reassess property values prior to billing taxes in 2005 through 2007. Significant delays in the reassessment process have resulted in delays in billing taxes in 2005 through 2007. The late billing has delayed timely property tax distributions to the School Corporation. The 2007 tax bills were not mailed until December 2007, with a due date of January 31, 2008. The School Corporation does not anticipate final property tax distribution until June 2008.

Tax Anticipation Warrants

In November 2007, the School Board of Trustees approved additional tax anticipation warrants (TAWs) due December 31, 2007. These tax anticipation warrants were received on November 12, 2007, to various funds totaling \$7,231,000.

On December 31, 2007, tax anticipation refunding warrants were issued totaling \$18,889,000 (\$11,736,000 less \$78,000 plus \$7,231,000) to repay the outstanding tax anticipation warrants totaling \$11,967,000 (\$11,736,000 outstanding at June 30, 2007, and \$7,231,000 outstanding at December 31, 2007). These tax anticipation refunding warrants are due December 31, 2008. On February 22, 2008, the School Corporation repaid a portion of the tax anticipation refunding warrants totaling \$7,231,000.

SCHOOL TOWN OF MUNSTER
NOTES TO FINANCIAL STATEMENTS
(Continued)

On December 10, 2007, the School Board of Trustees approved 2008 tax anticipation warrants for various school funds totaling \$11,766,000. As of January 3, 2008, various funds of the School Corporation received tax anticipation warrants totaling \$11,766,000 to be repaid by December 31, 2008.

Capital Leases

On December 19, 2007, the School Corporation entered into a capital lease with the Munster Building Corporation (the lessor) totaling \$1,900,000, for capital improvements to one or more of the facilities operated by the School Corporation.

In February 2008, the School Corporation passed a resolution to enter into a capital lease with the Munster Building Corporation not to exceed \$37,500,000. This lease will refinance the 1998 capital lease currently held with the Munster Building Corporation.

D. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment medical benefits, as authorized by Indiana Code 5-10-8 as follows:

1. Certified teachers who retire from the School Corporation on or after attaining age 50 with at least 15 years of service.
2. Administrators who retire from the School Corporation after a total of 30 years of service and 10 of those years of service with the School Corporation.
3. Noncertified employees who retire from the School Corporation on or after age 60 with 15 years of service in a permanent position.

Currently, 39 retirees meet these eligibility requirements. The School Corporation provides the benefit amount it paid at the time of retirement and the retirees pay for any increase in the costs of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2007, disbursements of \$235,864 were recognized for postemployment benefits.

E. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity

SCHOOL TOWN OF MUNSTER
NOTES TO FINANCIAL STATEMENTS
(Continued)

provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 280,456
Interest on net pension obligation	(9,184)
Adjustment to annual required contribution	10,466
Annual pension cost	281,738
Contributions made	260,616
Increase in net pension obligation	21,122
Net pension obligation, beginning of year	(126,681)
Net pension obligation, end of year	\$ (105,559)

SCHOOL TOWN OF MUNSTER
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF
Contribution rates:	
School Corporation	6%
Plan members	3%
Actuarial valuation date	07-01-06
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	4 year smoothed market

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 180,179	99%	\$ (95,555)
	06-30-05	208,787	115%	(126,681)
	06-30-06	281,738	93%	(105,559)

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

Teachers' Retirement Fund

Plan Description

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

SCHOOL TOWN OF MUNSTER
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

Funding Policy and Annual Pension Costs

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

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2007, 2006, and 2005, were \$368,006, \$354,046, and \$314,629, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years, respectively.

SCHOOL TOWN OF MUNSTER
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 2,870,811	\$ 3,245,666	\$ (374,855)	88%	\$ 3,566,247	(11%)
07-01-05	3,061,578	3,900,438	(838,860)	78%	4,053,298	(21%)
07-01-06	3,322,913	4,318,393	(995,480)	77%	4,358,473	(23%)

SCHOOL TOWN OF MUNSTER
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006

	Special Education Preschool	Textbook Rental Fund	Safe Haven Grant	Early Intervention Grant	Indiana NEXT Leadership Training	Gifted Talented
Receipts:						
Local sources	\$ 29,770	\$ 748,192	\$ -	\$ -	\$ -	\$ -
State sources	130,470	15,747	8,160	1,000	-	17,451
Federal sources	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	160,240	763,939	8,160	1,000	-	17,451
Disbursements:						
Current:						
Instruction	-	-	-	1,000	-	14,230
Support services	-	948,643	8,160	-	1,500	1,190
Community services	-	-	-	-	-	-
Nonprogrammed charges	160,240	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	160,240	948,643	8,160	1,000	1,500	15,420
Excess (deficiency) of receipts over disbursements	-	(184,704)	-	-	(1,500)	2,031
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	-	(184,704)	-	-	(1,500)	2,031
Cash and investments - beginning	-	143,386	-	-	1,500	6,021
Cash and investments - ending	<u>\$ -</u>	<u>\$ (41,318)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,052</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ -</u>	<u>\$ (41,318)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,052</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ -</u>	<u>\$ (41,318)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,052</u>

SCHOOL TOWN OF MUNSTER
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Non-English Speaking	Technology Support Maintenance	Professional Development	Title I	Title V
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	745	-	-	-	-
Federal sources	-	-	-	215,684	18,447
Sale of property, adjustments and refunds	-	-	-	3,097	140
Total receipts	745	-	-	218,781	18,587
Disbursements:					
Current:					
Instruction	745	-	-	163,603	-
Support services	-	2,614	5,427	54,220	58,309
Community services	-	-	-	855	-
Nonprogrammed charges	-	-	-	-	-
Debt services	-	-	-	-	-
Total disbursements	745	2,614	5,427	218,678	58,309
Excess (deficiency) of receipts over disbursements	-	(2,614)	(5,427)	103	(39,722)
Other financing sources (uses):					
Transfers in	-	-	-	-	63,466
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	63,466
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(2,614)	(5,427)	103	23,744
Cash and investments - beginning	-	2,614	5,427	21,222	(6,916)
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,325</u>	<u>\$ 16,828</u>
Cash and Investment Assets - Ending					
Cash and investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,325</u>	<u>\$ 16,828</u>
Cash and Investment Fund Balance - Ending					
Unrestricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,325</u>	<u>\$ 16,828</u>

SCHOOL TOWN OF MUNSTER
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Title IV Safe Drug Free Schools	Title II Improving Teacher Quality	Title II Enhanced Education	Retirement Severance Bond Fund	Totals
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ 682,371	\$ 1,460,333
State sources	-	-	-	-	173,573
Federal sources	15,713	100,000	6,759	-	356,603
Sale of property, adjustments and refunds	-	16	244	-	3,497
Total receipts	<u>15,713</u>	<u>100,016</u>	<u>7,003</u>	<u>682,371</u>	<u>1,994,006</u>
Disbursements:					
Current:					
Instruction	-	-	242	-	179,820
Support services	13,331	43,279	817	-	1,137,490
Community services	-	-	-	-	855
Nonprogrammed charges	-	-	-	-	160,240
Debt services	-	-	-	491,750	491,750
Total disbursements	<u>13,331</u>	<u>43,279</u>	<u>1,059</u>	<u>491,750</u>	<u>1,970,155</u>
Excess (deficiency) of receipts over disbursements	<u>2,382</u>	<u>56,737</u>	<u>5,944</u>	<u>190,621</u>	<u>23,851</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	63,466
Transfers out	-	(59,670)	(3,796)	-	(63,466)
Total other financing sources (uses)	<u>-</u>	<u>(59,670)</u>	<u>(3,796)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,382	(2,933)	2,148	190,621	23,851
Cash and investments - beginning	<u>(253)</u>	<u>28,489</u>	<u>2,332</u>	<u>(206,141)</u>	<u>(2,319)</u>
Cash and investments - ending	<u>\$ 2,129</u>	<u>\$ 25,556</u>	<u>\$ 4,480</u>	<u>\$ (15,520)</u>	<u>\$ 21,532</u>
Cash and Investment Assets - Ending					
Cash and investments	<u>\$ 2,129</u>	<u>\$ 25,556</u>	<u>\$ 4,480</u>	<u>\$ (15,520)</u>	<u>\$ 21,532</u>
Cash and Investment Fund Balance - Ending					
Unrestricted	<u>\$ 2,129</u>	<u>\$ 25,556</u>	<u>\$ 4,480</u>	<u>\$ (15,520)</u>	<u>\$ 21,532</u>

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

	Special Education Preschool	Textbook Rental Fund	Gifted Talented	Non-English Speaking	Title I	Title V
Receipts:						
Local sources	\$ 24,279	\$ 763,183	\$ -	\$ -	\$ -	\$ -
State sources	113,529	20,629	17,451	801	-	-
Federal sources	-	-	-	-	261,515	18,570
Bonds and loans	-	-	-	-	-	-
Total receipts	<u>137,808</u>	<u>783,812</u>	<u>17,451</u>	<u>801</u>	<u>261,515</u>	<u>18,570</u>
Disbursements:						
Current:						
Instruction	-	-	21,425	-	200,151	-
Support services	-	673,055	1,217	801	53,254	19,856
Community services	-	-	-	-	6,540	-
Nonprogrammed charges	137,808	-	-	-	-	1,511
Debt services	-	-	-	-	-	-
Total disbursements	<u>137,808</u>	<u>673,055</u>	<u>22,642</u>	<u>801</u>	<u>259,945</u>	<u>21,367</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>110,757</u>	<u>(5,191)</u>	<u>-</u>	<u>1,570</u>	<u>(2,797)</u>
Other financing sources:						
Transfers in	-	5,848	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	116,605	(5,191)	-	1,570	(2,797)
Cash and investments - beginning	-	(41,318)	8,052	-	21,325	16,828
Cash and investments - ending	<u>\$ -</u>	<u>\$ 75,287</u>	<u>\$ 2,861</u>	<u>\$ -</u>	<u>\$ 22,895</u>	<u>\$ 14,031</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ 75,287	\$ 2,861	\$ -	\$ 22,895	\$ 14,030
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 75,287</u>	<u>\$ 2,861</u>	<u>\$ -</u>	<u>\$ 22,895</u>	<u>\$ 14,030</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	75,287	2,861	-	22,895	14,030
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 75,287</u>	<u>\$ 2,861</u>	<u>\$ -</u>	<u>\$ 22,895</u>	<u>\$ 14,030</u>

SCHOOL TOWN OF MUNSTER
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Title IV Safe Drug Free Schools	Title II Improving Teacher Quality	Title II Enhanced Education	Title III English Language Acquisition	Retirement Severance Bond Fund	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 521,989	\$ 1,309,451
State sources	-	-	-	-	-	152,410
Federal sources	11,404	83,932	-	14,257	-	389,678
Bonds and loans	-	-	-	-	512,000	512,000
Total receipts	<u>11,404</u>	<u>83,932</u>	<u>-</u>	<u>14,257</u>	<u>1,033,989</u>	<u>2,363,539</u>
Disbursements:						
Current:						
Instruction	-	-	-	4,227	-	225,803
Support services	11,857	30,187	1,729	560	-	792,516
Community services	-	-	-	-	-	6,540
Nonprogrammed charges	-	1,997	76	-	-	141,392
Debt services	-	-	-	-	955,506	955,506
Total disbursements	<u>11,857</u>	<u>32,184</u>	<u>1,805</u>	<u>4,787</u>	<u>955,506</u>	<u>2,121,757</u>
Excess (deficiency) of receipts over disbursements	<u>(453)</u>	<u>51,748</u>	<u>(1,805)</u>	<u>9,470</u>	<u>78,483</u>	<u>241,782</u>
Other financing sources:						
Transfers in	-	-	-	-	-	5,848
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(453)</u>	<u>51,748</u>	<u>(1,805)</u>	<u>9,470</u>	<u>78,483</u>	<u>247,630</u>
Cash and investments - beginning	<u>2,129</u>	<u>25,556</u>	<u>4,480</u>	<u>-</u>	<u>(15,520)</u>	<u>21,532</u>
Cash and investments - ending	<u>\$ 1,676</u>	<u>\$ 77,304</u>	<u>\$ 2,675</u>	<u>\$ 9,470</u>	<u>\$ 62,963</u>	<u>\$ 269,162</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 1,676	\$ 77,304	\$ 2,675	\$ 9,470	\$ -	\$ 206,198
Restricted assets:						
Cash and investments	-	-	-	-	62,964	62,964
Total cash and investment assets - ending	<u>\$ 1,676</u>	<u>\$ 77,304</u>	<u>\$ 2,675</u>	<u>\$ 9,470</u>	<u>\$ 62,964</u>	<u>\$ 269,162</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 62,964	\$ 62,964
Unrestricted	<u>1,676</u>	<u>77,304</u>	<u>2,675</u>	<u>9,470</u>	<u>-</u>	<u>206,198</u>
Total cash and investment fund balance - ending	<u>\$ 1,676</u>	<u>\$ 77,304</u>	<u>\$ 2,675</u>	<u>\$ 9,470</u>	<u>\$ 62,964</u>	<u>\$ 269,162</u>

SCHOOL TOWN OF MUNSTER
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2006

	<u>Niksic Scholarship</u>	<u>Stm/Underwood Scholarship</u>	<u>Gammon Foundation Grant</u>	<u>Totals</u>
Additions:				
Investment earnings:				
Interest	\$ 342	\$ 96	\$ -	\$ 438
Deductions:				
Nonprogrammed charges	<u>1,342</u>	<u>250</u>	-	<u>1,592</u>
Deficiency of total additions under total deductions	(1,000)	(154)	-	(1,154)
Cash and investment fund balance - beginning	<u>11,400</u>	<u>3,204</u>	<u>10,000</u>	<u>24,604</u>
Cash and investments - June 30	<u>\$ 10,400</u>	<u>\$ 3,050</u>	<u>\$ 10,000</u>	<u>\$ 23,450</u>
Net assets:				
Cash and investments held in trust	<u>\$ 10,400</u>	<u>\$ 3,050</u>	<u>\$ 10,000</u>	<u>\$ 23,450</u>

SCHOOL TOWN OF MUNSTER
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007

	<u>Niksic Scholarship</u>	<u>Stm/Underwood Scholarship</u>	<u>Gammon Foundation Grant</u>	<u>Totals</u>
Additions:				
Investment earnings:				
Interest	\$ 520	\$ 153	\$ -	\$ 673
Deductions:				
Nonprogrammed charges	<u>1,520</u>	<u>250</u>	-	<u>1,770</u>
Deficiency of total additions under total deductions	(1,000)	(97)	-	(1,097)
Cash and investment fund balance - beginning	<u>10,400</u>	<u>3,050</u>	<u>10,000</u>	<u>23,450</u>
Cash and investments - June 30	<u>\$ 9,400</u>	<u>\$ 2,953</u>	<u>\$ 10,000</u>	<u>\$ 22,353</u>
Net assets:				
Cash and investments held in trust	<u>\$ 9,400</u>	<u>\$ 2,953</u>	<u>\$ 10,000</u>	<u>\$ 22,353</u>

SCHOOL TOWN OF MUNSTER
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For the Year Ended June 30, 2007

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Munster Building Corporation	\$ 67,340,000	\$ 6,040,888
Bonds payable:		
General obligation bonds:		
2002 Pension bonds	2,675,000	490,248
2007 Pension bonds	<u>7,175,000</u>	<u>667,792</u>
Total governmental activities	<u><u>\$ 77,190,000</u></u>	<u><u>\$ 7,198,928</u></u>

SCHOOL TOWN OF MUNSTER
AUDIT RESULTS AND COMMENTS

AVERAGE DAILY MEMBERSHIP (ADM) AND HONORS
DIPLOMA - INCORRECT REPORTING TO THE STATE

The information presented for audit indicates enrollment figures on Form 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for the school year ending June 30, 2006.

The enrollment count dates for 2005-2006 year was September 16, 2005. The difference between the count reported on the ADM and the verified figures are shown below:

<u>Grade</u>		<u>Count as Reported on Form 30A</u>	<u>Actual Enrollment Figures</u>	<u>Difference</u>
Kindergarten	Resident enrollment	115.0	115.0	-
Kindergarten	Dual enrollment	-	1.0	(1.0)
1 through 12	Resident enrollment	3,894.0	3,875.0	19.0
1 through 12	Dual enrollment	-	24.0	(24.0)

One out-of-state student was included in the honors diploma count for each school year.

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

INTERFUND LOANS

Interfund loans were made and repaid during the audit period that did not have School Board approval. The interfund loans were derived from the Pension Trust Fund, a pension bond based fund.

Indiana Code 36-1-8-4(a) states in part: "The fiscal body of a political subdivision may, by resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash flow purposes from another fund of the political subdivision if all these conditions are met: . . .

- (5) Only revenues derived from the levying and collection of property taxes or special taxes or from operation of the political subdivision may be included in the amount transferred."

Indiana Code 20-48-1-2(c)(3) concerning the powers; issuance of bonds; retirement or severance liability states in part: "The solution to which the bonds are contributing must be reasonably expected to reduce the school corporation's unfunded contractual liability for retirement or severance payments as it existed on June 30, 2001."

SCHOOL TOWN OF MUNSTER
AUDIT RESULTS AND COMMENTS
(Continued)

GUARANTEED ENERGY SAVINGS CONTRACT

The School Corporation entered into a guaranteed energy savings contract with Energy Education, Inc., on November 5, 2002. The School Corporation did not advertise, prior to the contract, that an energy savings project was contemplated. The contract with Energy Education, Inc., was signed by the Superintendent and not approved by the School Board at a public meeting. The School Corporation has not filed any annual reports of savings with the Indiana Lieutenant Governor's Office. A similar comment appeared in the prior report.

Indiana Code 36-1-12.5-5(a) states in part: "The governing body may enter into . . . a guaranteed energy savings contract with a qualified provider to reduce the school corporation's . . . energy consumption costs or operating costs."

Indiana Code 36-1-12.5-5 (b) states: "Before entering into an agreement to participate in a utility energy efficiency program or a guaranteed energy savings contract under this section, the governing body must publish notice under subsection (c) indicating: (1) that the governing body is requesting public utilities or qualified providers to propose energy conservation measures through either a utility energy efficiency program or a guaranteed energy savings contract; and (2) the date, the time, and the place where proposals must be received."

Indiana Code 36-1-12.5-10 states:

"The governing body shall:

- (1) provide to the lieutenant governor not more than sixty (60) days after the date of execution of the guaranteed savings contract:
 - (A) a copy of the executed guaranteed savings contract;
 - (B) the:
 - (i) energy or water consumption costs;
 - (ii) wastewater usage costs; and
 - (iii) billable revenues, if any; before the date of execution of the guaranteed savings contract; and
 - (C) the documentation using industry engineering standards for:
 - (i) stipulated savings; and
 - (ii) related capital expenditures; and
- (2) annually report to the lieutenant governor, in accordance with procedures established by the lieutenant governor, the savings resulting in the previous year from the guaranteed savings contract or utility efficiency program."

SCHOOL TOWN OF MUNSTER
AUDIT RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS

Capital asset records were not maintained by the School Corporation for the audit period.

A similar comment appeared in the prior report.

Every government unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Assets Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>2005</u>	<u>2006</u>
Debt Service	\$ -	\$ 78,146
Transporting Operating	136,359	-
School Bus Replacement	809	60,485
Special Education Preschool	<u>37,250</u>	<u>75,255</u>
Totals	<u>\$ 174,418</u>	<u>\$ 213,886</u>

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

NEGATIVE CASH BALANCES

The following funds had negative cash balances at June 30, 2006 and 2007:

<u>Fund</u>	<u>June 30, 2006</u>	<u>June 30, 2007</u>
Textbook Rental	\$ 41,318	\$ -
Retirement Severance Bond	15,520	-
School Bus Replacement	-	94,031

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

SCHOOL TOWN OF MUNSTER
AUDIT RESULTS AND COMMENTS
(Continued)

TRANSFER TUITION

The School Corporation completes a transfer tuition form (Form 515 – Transfer Tuition Statement) that has been developed for school corporations to use to compute the amount charged for transfer tuition in accordance with State statute. However, the School Corporation is also charging a \$600 assessment for capital costs, and if the student resides out-of-state, a \$500 nonresident fee.

Indiana Code 20-26-11-6 states in part:

"(b) A transfer may not be accepted unless the requesting parents or student pays transfer tuition in an amount determined under the formula established . . ."

Indiana Code 20-26-11-13 states in part:

"(c) Operating costs shall be determined for each class of school where a transfer student is enrolled. The operating cost for each class of school is based on the total expenditures of the transferee corporation for the class of school from its general fund expenditures as specified in the classified budget forms prescribed by the state board of accounts. This calculation excludes:

(1) capital outlay; . . ."

Indiana Code 20-26-3-4 states in part:

"A school corporation may exercise any power the school corporation possesses to the extent that the power:

- (1) is not expressly denied by the Constitution of the State of Indiana, by statute, or by rule of the state board; and
- (2) is not expressly granted to another entity."

BUS RIDER FEES AND PARKING FEES

The School Corporation charges the following fees:

1. A \$45 bus rider fee for the transportation of students to and from school.
2. Students in high school who drive to school a fee for parking.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

SCHOOL TOWN OF MUNSTER
AUDIT RESULTS AND COMMENTS
(Continued)

CANCELED CHECKS (Applies to Eads Elementary)

The financial institution did not return the actual canceled checks with the monthly bank statements, instead returned an optical image of only the front side of the checks.

A similar comment appeared in the prior report.

Indiana Code 26-2-8-111(e) states: "If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE SCHOOL TOWN OF MUNSTER, LAKE COUNTY, INDIANA

Compliance

We have audited the compliance of the School Town of Munster (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2006 and 2007. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2006 and 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2007-1.

Internal Control Over Compliance

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

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

federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

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

A control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider that deficiencies in internal control over compliance described in item 2007-1 of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider item 2007-1 to be a material weakness.

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

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

STATE BOARD OF ACCOUNTS

February 28, 2008

SCHOOL TOWN OF MUNSTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2006 and 2007

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-06	Total Federal Awards Expended 06-30-07
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education Child Nutrition Cluster National School Lunch Program	10.555		\$ 224,904	\$ 303,483
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education Title I Grants to Local Educational Agencies	84.010	05-4740 06-4740 07-4740	34,922 183,757 -	- 45,225 214,719
Total for program			<u>218,679</u>	<u>259,944</u>
Safe and Drug Free Schools and Communities - State Grants	84.186	4740-03 4740-04 4740-05 4740-06	6,555 2,359 4,417 -	- - 2,129 9,728
Total for program			<u>13,331</u>	<u>11,857</u>
State Grants for Innovative Programs	84.298	SY03-04 SY04-05 SY05-06	13,155 25,940 19,214	- 16,042 5,325
Total for program			<u>58,309</u>	<u>21,367</u>
Education Technology State Grants	84.318	SY 03-04 SY 04-05 SY05-06	707 207 145	- 1,720 85
Total for program			<u>1,059</u>	<u>1,805</u>
English Language Acquisition Grants	84.365		-	4,787
Improving Teacher Quality State Grants	84.367	SY 03-04 SY 04-05 05-212	10,426 26,347 6,506	- 24,089 8,095
Total for program			<u>43,279</u>	<u>32,184</u>
Total for federal grantor agency			<u>334,657</u>	<u>331,944</u>
Total federal awards expended			<u>\$ 559,561</u>	<u>\$ 635,427</u>

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

SCHOOL TOWN OF MUNSTER
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the School Town of Munster (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2006 and 2007. This noncash assistance is also included in the federal expenditures presented in the schedule.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>2006</u>	<u>2007</u>
Child Nutrition Cluster	10.555	<u>\$ 32,130</u>	<u>\$ 72,237</u>

SCHOOL TOWN OF MUNSTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weaknesses identified? no
 Reportable conditions identified that are not considered to be material weaknesses? none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:
 Material weaknesses identified? yes
 Reportable conditions identified that are not considered to be material weaknesses? None reported

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

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

SCHOOL TOWN OF MUNSTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III – Federal Award Findings and Questioned Costs

FINDING 2007-1, REPORTING

Federal Agency: U.S. Department of Agriculture
Federal Program: National School Lunch Program
CFDA Number: 10.555
Pass-Through Entity: Indiana Department of Education

The general instructions of the Annual Financial Report states that all data reported should include all financial transactions from July 1 through June 30, on the cash basis of accounting thereby reflecting the financial position of the School Food Service Fund as of June 30. The School Lunch Director was maintaining a separate ledger of financial activity but was not reconciling to the School Corporation's record of financial activity for the School Food Service Fund. The Director recorded receipts on the date she received the information, while the School Corporation recorded the receipt on the date the receipt was issued. The Director prepared the reports based upon her ledger as opposed to the School Corporation's official receipts. The financial information used for reporting purposes was not in agreement with the School Food Service Fund as follows:

<u>2005-2006</u> Description	School Corporation Food Service Fund	Annual Financial Report	Difference
Beginning cash balance	\$ 386,012	\$ 279,277	\$ 106,735
Receipts	1,290,550	1,310,888	(20,338)
Disbursements	<u>(1,301,417)</u>	<u>(1,311,355)</u>	<u>9,938</u>
Ending cash balance	<u>\$ 375,145</u>	<u>\$ 278,809</u>	<u>\$ 96,336</u>

<u>2006-2007</u> Description	School Corporation Food Service Fund	Annual Financial Report	Difference
Beginning cash balance	\$ 375,145	\$ 278,809	\$ 96,336
Receipts	1,432,515	1,399,399	33,116
Disbursements	<u>(1,462,614)</u>	<u>(1,463,222)</u>	<u>608</u>
Ending cash balance	<u>\$ 345,046</u>	<u>\$ 214,986</u>	<u>\$ 130,060</u>

SCHOOL TOWN OF MUNSTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section 80.20 of the Education Department General Administrative Regulations (EDGAR) states in part:

"(a) A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

(1) Permit preparation of reports required by this part and the statutes authorizing the grant, and . . .

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

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

Failure to report the financial position of the School Food Service Fund has resulted in inaccurate reporting of the school lunch annual financial report.

We recommended the School Corporation implement procedures to ensure accurate reporting of the school lunch annual financial report.

SCHOOL TOWN OF MUNSTER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



SCHOOL TOWN *of*
MUNSTER

**ADMINISTRATION
CENTER**

8616 COLUMBIA AVENUE • MUNSTER, INDIANA 46321
PHONE 219/836-9111 FAX 219/836-3215

MR. WILLIAM PFISTER
SUPERINTENDENT

MR. RICHARD SOPKO
ASSISTANT SUPERINTENDENT

DR. R. MICHAEL O'CONNOR
ASSISTANT SUPERINTENDENT

MRS. MAUREEN STAFFORD
DIRECTOR OF INSTRUCTIONAL
PROGRAMS AND ASSESSMENT

February 28, 2008

Indiana State Board of Accounts
Indianapolis, IN

To Whom It May Concern:

Pursuant to the recent audit from the Indiana State Board of Accounts, issues were raised regarding financial matters relating to the Food Service Program. Please be advised that this audit was the first Federal Audit to bring to our attention the need to reconcile School Town of Munster financial information in the Food Service Program with the Federal Programs of the U.S. Department of Agriculture.

Accordingly, the School Town of Munster will initiate a corrective action plan which will be in place prior to the next audit period. The action plan details will be determined by the Deputy Treasurer and Food Service Director and will include reconciling the Annual Food Service Report to the Corporation School Fund Ledger.

Sincerely,

Richard A Sopko
Assistant Superintendent

TEACHING TODAY *for*
TOMORROW

SCHOOL TOWN OF MUNSTER
EXIT CONFERENCE

The contents of this report were discussed on February 28, 2008, with Richard A. Sopko, Treasurer; William Pfister, Superintendent of Schools; John E. Friend, President of the School Board; Mary Yorke, School Board member; Janice Swanson, Deputy Treasurer; Randy Harkabus, Assistant to the Superintendent of Schools; and Vicki Swing, Payroll Clerk. The official response has been made a part of this report and may be found on pages 52 through 57.



**ADMINISTRATION
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8616 COLUMBIA AVENUE • MUNSTER, INDIANA 46321
PHONE 219/836-9111 FAX 219/836-3215

March 3, 2008

Indiana State Board of Accounts
155 Indiana Avenue
Valparaiso, Indiana 46383

Re: Official Response

Attention: Mary Jo Small

This letter is in response to the exit interview held February 28, 2008 for the audit period of July 1, 2005 to June 30, 2007. The School Town of Munster wishes to respond to each of the items, which were discussed at the exit interview. In addition, the School Town of Munster expresses its gratitude and appreciation for the courteous and professional manner in which this audit was conducted.

There were discrepancies noted in the Average Daily Membership (ADM) count for the 2005-06 school-year. The School District does not dispute the enrollment figures which were determined during the audit. The School Town of Munster will implement corrective procedures as discussed with the field representative to more accurately determine this count.

Inter-fund loans were made during the audit period and the auditor cited loans made from the Pension Fund which did not have School Board approval. The School Board was aware of these transfers which were made due to cash flow problems which resulted from non-payment of property tax revenues in a timely manner. All such transfers were paid back as soon as property tax revenues were receipted. In every case, the funds were transferred back in a matter of a few weeks. Any future transfers will be made with formal School Board approval.

The School District did enter into an energy savings consulting agreement with Energy Education, Inc. Accordingly, there was no equipment purchased and no bonding done as a result of this agreement. This agreement expired during the audit period and no further agreement will be entered into for the ensuing audit period.

The comment concerning the absence of capital assets has been an issue stated in previous audits. The School Town of Munster did conduct an audit of the capital assets during the audit period and records were available to the examiners. No capital asset report was completed during the final year of the audit period. A current capital asset record will be available for the next audit period.

The audit period noted some expenditures in excess of budgeted appropriations in the Debt Service Transportation and Special Education Pre-School Funds. These expenditures were the direct result of not receiving Budget Orders from the State in a timely manner due to assessment problems. In each case the funds were sufficient to allow these expenditures.

The audit noted that transfer tuition students are being charged an assessment for capital costs to each student. This charge was in addition to the Form 515 calculation and was removed for students other than those who voluntarily attend Munster Public Schools from other school districts and who voluntarily agree to contribute to the capital costs of the school district. No such charge was made to court-ordered transfers or to those students who did not voluntarily agree to make such a payment.

Regarding the school corporation's practice of charging a \$45 bus rider fee for transportation of students to and from school, a copy of local attorney's opinion validating this practice is enclosed. It also should be noted that the School Town of Munster sights past practice and home rule to further validate this action. Also, the School District transports any student, even those who live less than one mile from the school, on a daily basis.

Once again, the School Town of Munster wishes to thank the State Board of Accounts for a thorough and well conducted audit.

Sincerely,



Richard A. Sopko
Assistant Superintendent

RAS/laa

Enclosures

cc: William J. Pfister

SPANGLER, JENNINGS & DOUGHERTY
PROFESSIONAL CORPORATION
ATTORNEYS AT LAW

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F. A. JOTRABADI
ANTHONY F. TAVITAS
LLOYD P. MULLEN
D. LINDEN BARBER
KITH GOOD RISSK

January 10, 1990

School Town of Munster
8616 Columbia Avenue
Munster, Indiana 46321

Attention: Larry Kocal

Re: Our File: J1-72464

Dear Mr. Kocal:

The Board has requested a written opinion on the following issues:

- 1) Whether the Indiana State Board of Accounts is correct in its determination that the School Town of Munster is in violation of Indiana Code §20-9.1-7-1?
- 2) Whether the School Town of Munster is permitted to charge transportation fees for public or private students?
- 3) What are the repercussions of non-compliance with the State Board of Accounts' recommendations?

First, we do not have a copy of the examiner's report so we are responding to the Board's questions as they are set forth in your letter of December 13, 1989. We do not believe that the School Town of Munster is in violation of Indiana Code §20-9.1-7-1. That statute, in its entirety reads as follows:

20-9.1-7-1. Transportation costs; certain parochial school students; no charge

Sec. 1. Transportation Costs, Certain Parochial School Students, No Charge. When school children who are attending a parochial

SPANDLER, JENNINGS AND DOUGHERTY
PROFESSIONAL CORPORATION

School Town of Munster
Attention: Larry Kocal
Page Three
January 10, 1990

safety of such children and without regard to the distance they live from the school, such transportation to be otherwise in accordance with the laws applicable thereto.

Indiana Code §20-5-2-2(9). As you can see, this provision is silent as to fees. Moreover, the Indiana Constitution is also silent on the subject of transportation fees for public and private school students.

Regarding penalties for non-compliance, a public officer who fails to follow the directions of the state examiner in keeping the accounts of the officer's office commits a Class B infraction and forfeits office. Indiana Code §5-11-1-10. A public officer is defined as any individual who holds, receives, disburses or is required by law to keep any account of public funds or other funds for which the individual is accountable by virtue of the individual's public office. Indiana Code §5-11-1-16(d). A judgment of up to \$1,000 may be entered for a violation constituting a Class B infraction. Indiana Code §34-4-32-4.

If an examination discloses malfeasance (unlawful behavior), misfeasance (improper performance of an act an individual may lawfully perform) or nonfeasance (omission of an act an individual ought to do lawfully), a copy of the report shall be placed by the state examiner with the Attorney General. Indiana Code §5-11-5-1(a). The Attorney General may institute civil proceedings against a delinquent officer, or upon the officer's official bond, or both, and against any other proper person that will secure to the state or to the proper municipality the recovery of any funds misappropriated, diverted or unaccounted for. Id. In any action brought under this chapter, a plaintiff would be entitled to recover such penalties and interest as might be recoverable under laws other than this chapter. Indiana Code §5-11-5-4.

You also mentioned that there may be some concern on the part of the state examiner that the money received from the transportation fees should be put into the transportation fund instead of the general fund. Chapter 11.5 of Title 21 of the

SPANGLER, JENNINGS AND DOUGHERTY
PROFESSIONAL CORPORATION

RECEIVED
School Town of Munster
Attention: Larry Kocal
Page Five
JUL 10 1990

Very truly yours,

Spangler, Jennings & Dougherty, P.C.

Kathleen M. Maicher
By: Kathleen M. Maicher, Of Counsel
Merrillville Office

KMM/tc

RECEIVED