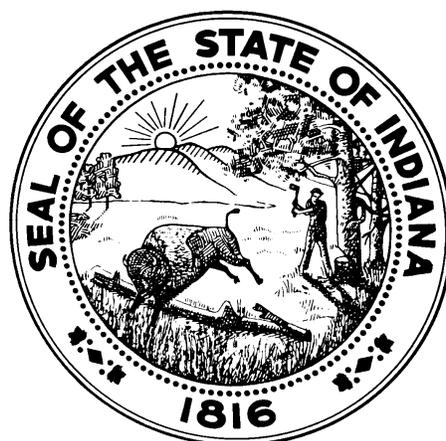


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF
DUNELAND SCHOOL CORPORATION
PORTER COUNTY, INDIANA
July 1, 2006 to June 30, 2008



FILED
05/15/2009

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	3
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	4-5
Independent Auditor's 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	6-7
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis	8-9
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds	10-11
Proprietary Fund:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Proprietary Fund	12-13
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds	14-15
Notes to Financial Statements	16-32
Required Supplementary Information:	
Schedule of Funding Progress	33
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds.....	34-44
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Pension Trust Funds	45
Schedule of Long-Term Debt	46

TABLE OF CONTENTS
(Continued)

<u>Description</u>	<u>Page</u>
Audit Results and Comments:	
Receipts.....	47
Receipt Issuance.....	47
School Nutrition Program Controls.....	48
Composition of Daily Cafeteria Sales for School Lunch.....	48-49
Average Daily Membership (ADM) – Incorrect Reporting to the State.....	49
Transfer Tuition and Form 515.....	49-50
Payroll.....	50
Appropriations.....	51
Temporary Loan.....	51
Board Approval of Accounts Payable Voucher (Claims).....	51-52
Credit Card Usage.....	52-53
Disbursements From the Capital Projects Fund.....	53-54
Contracts.....	54
Public Purchase Through A Service Center.....	54-55
Public Works Bids.....	55
Roofing Projects.....	55-56
Capital Asset Records.....	57
Credit Cards.....	57-58
Bank Account Reconciliations.....	58
Scholarship Fund.....	58
Receipts.....	59
Christmas for Teens Fund.....	59-60
Payroll Disbursements.....	60
Lack of Documentation.....	60
Receipts.....	61-62
Supplemental Audit of Federal Awards:	
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.....	64-65
Schedule of Expenditures of Federal Awards.....	66
Notes to Schedule of Expenditures of Federal Awards.....	67
Schedule of Findings and Questioned Costs.....	68-72
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings.....	73-74
Corrective Action Plan.....	75-76
Exit Conference.....	77

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Bonita K. Gaston	07-01-06 to 06-30-09
Superintendent of Schools	Dr. Dirk Baer	07-01-06 to 06-30-09
President of the School Board	Michael Trout Janice Custer John Marshall Nick Jurasevich	07-01-06 to 12-31-06 01-01-07 to 12-31-07 01-01-08 to 12-31-08 01-01-09 to 12-31-09



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 DUNELAND SCHOOL CORPORATION, PORTER 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 Duneland School Corporation (School Corporation), as of and for the years ended June 30, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2007 and 2008, 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 April 21, 2009, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

The 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 required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of 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

April 21, 2009



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

TO: THE OFFICIALS OF THE DUNELAND SCHOOL CORPORATION, PORTER COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Duneland School Corporation (School Corporation), as of and for the years ended June 30, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated April 21, 2009. 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.

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

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. We consider the deficiencies described in items 2008-1, 2008-2, and 2008-3 of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

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.

INDEPENDENT AUDITOR'S 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)

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. However, we believe that none of the significant deficiencies described above is a material weakness.

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.

We noted certain matters that we reported to management in a separate letter dated April 21, 2009.

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

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

STATE BOARD OF ACCOUNTS

April 21, 2009

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

<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	\$ 24,131,622	\$ 16,188	\$ 144,002	\$ (23,971,432)
Support services	16,969,887	1,776,210	892,166	(14,301,511)
Community services	481,648	-	-	(481,648)
Nonprogrammed charges	7,500,272	-	-	(7,500,272)
Debt service	<u>12,810,214</u>	<u>-</u>	<u>-</u>	<u>(12,810,214)</u>
Total government	<u>\$ 61,893,643</u>	<u>\$ 1,792,398</u>	<u>\$ 1,036,168</u>	<u>(59,065,077)</u>
General receipts:				
Property taxes				36,432,480
Other local sources				4,140,009
State aid				12,933,195
Bonds and loans				8,594,410
Grants and contributions not restricted to specific programs				770,957
Sale of property, adjustments, and refunds				116,527
Investment earnings				<u>827,047</u>
Total general receipts, interfund loans, transfers, and special items				<u>63,814,625</u>
Change in net assets				4,749,548
Net assets - beginning				<u>14,594,879</u>
Net assets - ending				<u>\$ 19,344,427</u>
<u>Assets</u>				
Cash and investments				\$ 12,770,951
Restricted assets:				
Cash and investments				<u>6,573,476</u>
Total assets				<u>\$ 19,344,427</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 864,939
Other purposes				5,708,537
Unrestricted				<u>12,770,951</u>
Total net assets				<u>\$ 19,344,427</u>

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

DUNELAND SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Totals</u>
		Charges for Services	Operating Grants and Contributions	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 23,837,541	\$ 65,301	\$ 316,632	\$ (23,455,608)
Support services	18,784,928	2,045,515	679,844	(16,059,569)
Community services	585,320	-	-	(585,320)
Nonprogrammed charges	7,854,041	-	-	(7,854,041)
Debt service	<u>26,921,276</u>	<u>-</u>	<u>-</u>	<u>(26,921,276)</u>
Total government	<u>\$ 77,983,106</u>	<u>\$ 2,110,816</u>	<u>\$ 996,476</u>	<u>(74,875,814)</u>
General receipts:				
Property taxes				34,532,805
Other local sources				2,517,196
State aid				13,810,086
Bonds and loans				19,262,160
Grants and contributions not restricted to specific programs				672,769
Sale of property, adjustments, and refunds				63,352
Investment earnings				<u>743,106</u>
Total general receipts, interfund loans, transfers, and special items				<u>71,601,474</u>
Change in net assets				(3,274,340)
Net assets - beginning				<u>19,344,427</u>
Net assets - ending				<u>\$ 16,070,087</u>
<u>Assets</u>				
Cash and investments				\$ 9,094,593
Restricted assets:				
Cash and investments				<u>6,975,494</u>
Total assets				<u>\$ 16,070,087</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 805,075
Other purposes				6,170,419
Unrestricted				<u>9,094,593</u>
Total net assets				<u>\$ 16,070,087</u>

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

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

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 20,742,471	\$ 3,170,501	\$ -	\$ 7,216,478	\$ 8,176,787	\$ 595,915	\$ 3,190,161	\$ 43,092,313
State sources	13,050,269	-	-	-	-	-	470,433	13,520,702
Federal sources	46,512	-	-	-	-	-	1,173,108	1,219,620
Bonds and loans	5,594,410	500,000	-	-	2,000,000	-	500,000	8,594,410
Sale of property, adjustments and refunds	85,749	6,618	-	-	10,449	13,711	-	116,527
Interfund loans	-	-	-	-	-	48,061	-	48,061
Total receipts	39,519,411	3,677,119	-	7,216,478	10,187,236	657,687	5,333,702	66,591,633
Disbursements:								
Current:								
Instruction	23,456,586	-	-	-	-	-	675,036	24,131,622
Support services	8,460,674	2,777,910	364,266	-	8,668,066	659,415	2,648,418	23,578,749
Community services	479,096	-	-	-	-	-	2,552	481,648
Nonprogrammed charges	2,260,132	-	-	-	-	-	2,694	2,262,826
Debt services	2,500,000	369,000	-	7,661,753	-	363,000	1,916,461	12,810,214
Interfund loans	48,061	-	-	-	-	-	-	48,061
Total disbursements	37,204,549	3,146,910	364,266	7,661,753	8,668,066	1,022,415	5,245,161	63,313,120
Excess (deficiency) of receipts over disbursements	2,314,862	530,209	(364,266)	(445,275)	1,519,170	(364,728)	88,541	3,278,513
Other financing sources (uses):								
Transfers in	384	-	-	-	-	232,689	78,219	311,292
Transfers out	(241,859)	-	-	-	-	-	(69,433)	(311,292)
Total other financing sources (uses)	(241,475)	-	-	-	-	232,689	8,786	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,073,387	530,209	(364,266)	(445,275)	1,519,170	(132,039)	97,327	3,278,513
Cash and investments - beginning	2,812,012	358,210	6,344,062	1,150,079	597,322	277,596	1,080,145	12,619,426
Cash and investments - ending	\$ 4,885,399	\$ 888,419	\$ 5,979,796	\$ 704,804	\$ 2,116,492	\$ 145,557	\$ 1,177,472	15,897,939
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.								
								<u>3,446,488</u>
Net assets of governmental activities								<u>\$ 19,344,427</u>
Cash and Investment Assets - Ending								
Cash and investments	\$ 4,885,399	\$ 888,419	\$ 5,979,796	\$ -	\$ -	\$ -	\$ 1,017,337	\$ 12,770,951
Restricted assets:								
Cash and investments	-	-	-	704,804	2,116,492	145,557	160,135	3,126,988
Total cash and investment assets - ending	\$ 4,885,399	\$ 888,419	\$ 5,979,796	\$ 704,804	\$ 2,116,492	\$ 145,557	\$ 1,177,472	\$ 15,897,939
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ 704,804	\$ -	\$ -	\$ 160,135	\$ 864,939
Other purposes	-	-	-	-	2,116,492	145,557	-	2,262,049
Unrestricted	4,885,399	888,419	5,979,796	-	-	-	1,017,337	12,770,951
Total cash and investment fund balance - ending	\$ 4,885,399	\$ 888,419	\$ 5,979,796	\$ 704,804	\$ 2,116,492	\$ 145,557	\$ 1,177,472	\$ 15,897,939

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

DUNELAND SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 19,972,234	\$ 3,091,118	\$ 8	\$ 5,754,374	\$ 6,879,098	\$ 444,830	\$ 3,593,743	\$ 39,735,405
Intermediate sources	2,203	-	-	-	-	-	-	2,203
State sources	14,065,934	-	-	-	-	-	314,577	14,380,511
Federal sources	101,740	-	-	-	-	-	997,079	1,098,819
Bonds and loans	10,107,362	660,183	-	4,460,613	3,098,648	430,133	505,221	19,262,160
Sale of property, adjustments and refunds	19,013	2,413	-	-	11,870	-	30,055	63,351
Interfund loans	-	-	-	-	-	97,612	-	97,612
Total receipts	44,268,486	3,753,714	8	10,214,987	9,989,616	972,575	5,440,675	74,640,061
Disbursements:								
Current:								
Instruction	23,078,866	-	-	-	-	-	758,675	23,837,541
Support services	10,687,893	3,015,432	752,727	-	7,401,186	590,031	2,784,210	25,231,479
Community services	581,289	-	-	-	-	-	4,031	585,320
Nonprogrammed charges	2,033,248	-	-	-	-	-	21,833	2,055,081
Debt services	10,199,000	810,000	-	10,114,716	3,098,000	225,000	2,474,560	26,921,276
Interfund loans	97,612	-	-	-	-	-	-	97,612
Total disbursements	46,677,908	3,825,432	752,727	10,114,716	10,499,186	815,031	6,043,309	78,728,309
Excess (deficiency) of receipts over disbursements	(2,409,422)	(71,718)	(752,719)	100,271	(509,570)	157,544	(602,634)	(4,088,248)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	121,833	121,833
Transfers out	(40,190)	-	-	-	-	-	(81,643)	(121,833)
Total other financing sources (uses)	(40,190)	-	-	-	-	-	40,190	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,449,612)	(71,718)	(752,719)	100,271	(509,570)	157,544	(562,444)	(4,088,248)
Cash and investments - beginning	4,885,399	888,419	5,979,796	704,804	2,116,492	145,557	1,177,472	15,897,939
Cash and investments - ending	<u>\$ 2,435,787</u>	<u>\$ 816,701</u>	<u>\$ 5,227,077</u>	<u>\$ 805,075</u>	<u>\$ 1,606,922</u>	<u>\$ 303,101</u>	<u>\$ 615,028</u>	11,809,691
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.								
								<u>4,260,396</u>
Net assets of governmental activities								<u>\$ 16,070,087</u>
Cash and Investment Assets - Ending								
Cash and investments	\$ 2,435,787	\$ 816,701	\$ 5,227,077	\$ -	\$ -	\$ -	\$ 615,028	\$ 9,094,593
Restricted assets:								
Cash and investments	-	-	-	805,075	1,606,922	303,101	-	2,715,098
Total cash and investment assets - ending	<u>\$ 2,435,787</u>	<u>\$ 816,701</u>	<u>\$ 5,227,077</u>	<u>\$ 805,075</u>	<u>\$ 1,606,922</u>	<u>\$ 303,101</u>	<u>\$ 615,028</u>	<u>\$ 11,809,691</u>
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ 805,075	\$ -	\$ -	\$ -	\$ 805,075
Other purposes	-	-	-	-	1,606,922	303,101	-	1,910,023
Unrestricted	2,435,787	816,701	5,227,077	-	-	-	615,028	9,094,593
Total cash and investment fund balance - ending	<u>\$ 2,435,787</u>	<u>\$ 816,701</u>	<u>\$ 5,227,077</u>	<u>\$ 805,075</u>	<u>\$ 1,606,922</u>	<u>\$ 303,101</u>	<u>\$ 615,028</u>	<u>\$ 11,809,691</u>

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

DUNELAND SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2007

	Internal Service Fund
Operating receipts:	
Charges for services	\$ 6,608,862
Miscellaneous	99,619
Total operating receipts	6,708,481
Operating disbursements:	
Insurance claims and expense	5,200,805
Other	36,641
Total operating disbursements	5,237,446
Excess (deficiency) of operating receipts over operating disbursements	1,471,035
Change in net assets	1,471,035
Cash and investment fund balance - beginning	1,975,453
Cash and investment fund balance - ending	\$ 3,446,488
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	\$ 3,446,488
Total cash and investment assets - ending	\$ 3,446,488
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	\$ 3,446,488
Total cash and investment fund balance - ending	\$ 3,446,488

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

DUNELAND SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2008

	Internal Service Fund
Operating receipts:	
Charges for services	\$ 6,418,433
Miscellaneous	194,435
Total operating receipts	6,612,868
Operating disbursements:	
Insurance claims and expense	3,075,041
Other	2,723,919
Total operating disbursements	5,798,960
Excess (deficiency) of operating receipts over operating disbursements	813,908
Cash and investment fund balance - beginning	3,446,488
Cash and investment fund balance - ending	\$ 4,260,396
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	\$ 4,260,396
Total cash and investment assets - ending	\$ 4,260,396
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	\$ 4,260,396
Total cash and investment fund balance - ending	\$ 4,260,396

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

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

	Pension Trust Funds	Private-Purpose Trust Fund	Agency Funds
Additions:			
Contributions:			
Employer	\$ 36,641	\$ -	
Other	-	6,401	
Total contributions	36,641	6,401	
Investment earnings:			
Interest	535,784	-	
Total additions	572,425	6,401	
Deductions:			
Benefits	10,046,967	-	
Excess (deficiency) of total additions over total deductions	(9,474,542)	6,401	
Cash and investment fund balance - beginning	12,537,421	-	
Cash and investment fund balance - ending	\$ 3,062,879	\$ 6,401	\$ 445,366
Net assets:			
Cash and investments	\$ 3,062,879	\$ 6,401	
Total net assets - cash and investment basis held in trust	\$ 3,062,879	\$ 6,401	

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

DUNELAND SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Fund</u>	<u>Agency Funds</u>
Additions:			
Contributions:			
Other	\$ -	\$ 882	
Investment earnings:			
Interest	124,392	-	
Total additions	<u>124,392</u>	<u>882</u>	
Deductions:			
Benefits			
Administrative and general	458,653	-	
	<u>-</u>	<u>1,000</u>	
Total deductions	<u>458,653</u>	<u>1,000</u>	
Excess (deficiency) of total additions over total deductions	(334,261)	(118)	
Cash and investment fund balance - beginning	<u>3,062,879</u>	<u>6,401</u>	
Cash and investment fund balance - ending	<u>\$ 2,728,618</u>	<u>\$ 6,283</u>	<u>\$ 386,574</u>
Net assets:			
Cash and investments	<u>\$ 2,728,618</u>	<u>\$ 6,283</u>	
Total net assets - cash and investment basis held in trust	<u>\$ 2,728,618</u>	<u>\$ 6,283</u>	

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

DUNELAND SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

Primary Government: Duneland School Corporation

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 six Porter County School Corporations in a joint venture to operate the Porter County Education Interlocal (Interlocal) which was created to provide regional educational services. The School Corporation is obligated by contract to remit their proportionate share of the operating costs, based upon a formula which uses the number of students within each corporation that are served by the Interlocal. The Interlocal's continued existence depends on continued funding by the participating School Corporations. Complete financial statements for the Interlocal can be obtained from the Porter County Education Interlocal Administrative Offices, 750 Ransom Road, Valparaiso, Indiana 46385.

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 comprised of a member of each participating school corporation governs the Study Council. The School Corporation pays \$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, Indiana 46410.

The School Corporation is a participant with twenty-five (25) other school corporations in a joint venture to operate the Northwest Indiana Educational Service Center (Service Center) which was created to purchase equipment and supplies and to provide staff training and other programs. The Service Center operates under the authority of the Northwest Indiana Public School Study Council. The School Corporation provides funding based upon average daily membership, which is determined annually. Complete financial statements for the Service Center can be obtained from the Service Center's administrative office at 2939 – 41st Street, Highland, Indiana 46322-2790.

DUNELAND SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

The School Corporation is a participant with twenty-five (25) other school corporations in a joint venture to operate the Northwest Indiana Natural Gas Cooperative (Cooperative) with the Northwest Indiana Educational Service Center (Service Center) as the administrative agency which was created to purchase natural gas. The Cooperative's governing board has full authority to manage the Cooperative, including responsibility for fiscal matters. Complete financial statements for the Cooperative can be obtained from the Service Center's administrative office at 2939 – 41st Street, Highland, Indiana 46322-2790

Related Organizations

The School Corporation's officials are also responsible for appointing the members of the boards of other organizations, but the School Corporation's accountability for these organizations does not extend beyond making the appointments. The School Corporation appoints some of the board members of the Westchester Public Library.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

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

The School Corporation reports the following major governmental funds:

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

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

The rainy day fund accounts for transfers of unused and unencumbered funds in accordance with Indiana Code 36-1-8-5 and a locally adopted resolution. The fund is subject to the same appropriation process as funds that receive tax funds.

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.

DUNELAND SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for assets used to pay for health claims and insurance policies.

The pension trust funds account for the activities of the retirement/severance bond and post-retirement/severance future benefits funds, which accumulate resources for pension benefit payments.

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the students through scholarships.

Agency funds account for assets held by the School Corporation as an agent for federal, state, local and private entities.

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.

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

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

DUNELAND SCHOOL CORPORATION
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. Capital Assets

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

4. 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 debt services disbursements.

5. 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.

DUNELAND SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

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

E. Receipts and Disbursements

1. Program Receipts

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

2. Operating Receipts and Disbursements

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

F. Internal and Interfund 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 not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

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. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

DUNELAND SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

B. Disbursements in Excess of Appropriations

For the years ended June 30, 2007 and 2008, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2007	2008
Rainy Day	\$ 9,933	\$ -
School Bus Replacement	-	4,120
Totals	\$ 9,933	\$ 4,120

These disbursements were funded by available cash balances of the funds.

C. Cash and Investment Balance Deficits

At June 30, 2007 and 2008, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2007	2008
Safe Haven	\$ 4,309	\$ -
Parents as Teachers	33,270	20,109
Pension Bond Debt Service	-	572,960

DUNELAND SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements for the Safe Haven and Parents as Teachers Funds, and the delay in the billing and collection of taxes at the County level for the Pension Bond Debt Service Fund; 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.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

As of June 30, 2008, the School Corporation had the following investments:

Investment Type	Primary Government Market Value
Money market mutual funds	\$ 2,727,940

Statutory Authorization for Investments

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

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the School Corporation and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United

DUNELAND SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the School Corporation may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the School Corporation's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The School Corporation does not have a formal investment policy for custodial credit risk for investments.

The following investments held by the School Corporation were exposed to custodial credit risks because they are uninsured and unregistered with securities held by the counterparty, or the counterparty's trust department or agent, either in the government's name or not in the government's name:

Primary Government:

Investment Type	2007 In the Government's Name	2008 In the Government's Name
Money market mutual fund	\$ 3,007,420	\$ 2,727,940

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School Corporation must follow state statute and limit the stated final maturities of the investments to no more than two years. The School Corporation does not have a formal investment policy for interest rate risk for investments.

DUNELAND SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment Type	Investment Maturities Less Than 1 year
Money market mutual fund	\$ 2,727,940

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below. The School Corporation does not have a formal investment policy for credit risk for investments.

Standard and Poor's Rating	Money Market Mutual Funds
AAA	\$ 2,727,940

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School Corporation does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

The School Corporation held \$3,007,420 and \$2,727,940 in a JP Morgan Prime Money Market Capital Mutual Fund as of June 30, 2007, and June 30, 2008, respectively. This represented 15.55% and 16.98% of the total cash and investments balances of the School Corporation as of June 30, 2007, and June 30, 2008, respectively.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2007 and 2008, were as follows:

Transfer From	Transfer To	2007	2008
General Fund	Bus Replacement Fund	\$ 232,689	\$ -
	Other governmental funds	9,170	40,190
Other governmental funds	General Fund	384	-
Other governmental funds	Other governmental funds	69,049	81,643
Totals		\$ 311,292	\$ 121,833

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

DUNELAND SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

C. Temporary Loans Between Funds

Temporary loans between funds for the years ended June 30, 2007 and 2008, were as follows:

Temporary Loan From	Temporary Loan To	2007	2008
General Fund	School Bus Replacement Fund	\$ 48,061	\$ 97,612

The temporary loans between funds are reported as interfund transfers in the financial statements.

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.

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.

Medical Benefits to Employees

The School Corporation has chosen to establish a risk financing fund for risks associated with medical benefits to employees. The risk financing fund is accounted for in the Self-Insurance Health 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 year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund and are reported as quasi-external interfund transactions.

B. Holding Corporation

The School Corporation has entered into a capital lease with the Duneland School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years ended June 30, 2007 and 2008, totaled \$6,945,000 and \$6,944,000, respectively.

DUNELAND SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Subsequent Events

Property Taxes and Reassessment

In accordance with state statutes, all counties were required to reassess property values prior to billing taxes in 2008. Taxes are normally billed in two installments, the first is due in May, and the second in November. Significant delays in the reassessment process have resulted in delays in billing taxes in 2008. Porter County 2007 pay 2008 tax rates were not approved until December 18, 2008, but then error were discovered. Based on the 2006 pay 2007 taxes, provisional bills for 50% of taxes billed were due July 18, 2008. County officials sent the final reconciliation bill for taxes payable in 2008 in early March 2009 with payment due by March 21, 2009. A similar situation occurred in 2007. This has hampered the School Corporation's ability to appropriately budget and expend funds and has forced the School Corporation to borrow extensively in anticipation of tax revenues.

Tax Anticipation Warrants

The School Corporation issued tax anticipation warrants on January 2, 2008, totaling \$9,910,000 which were due by December 31, 2008. The School Corporation was unable to repay the warrants by December 31, 2008, due to the delays Porter County had in issuing a final tax bill. The bank agreed to extend the due date to June 30, 2009, at an interest rate of 3.31%.

The School Corporation issued tax anticipation warrants on January 6, 2009, totaling \$3,129,000 at an interest rate of 3.11% with a due date of December 31, 2009.

Capital Lease

On February 10, 2009, the Duneland School Building Corporation closed on the refinancing of the Mortgage Refunding Bonds of 1999 at a lower rate of interest. As a result of the refinancing, the School Corporation received a revised capital lease agreement, which reduces the semiannual payments and reduces the term of the lease.

Federal Stimulus Plan

The Federal government approved a federal stimulus plan which provides funding to states for various projects. It is anticipated that Indiana will receive \$4.3 billion dollars with \$1.3 billion to be used for education. As of March 17, 2009, the School Corporation has not received any information regarding whether or not they will be receiving any of the \$1.3 billion designated for education.

D. Contingent Liabilities

The School Corporation is named in various lawsuits of which the outcome cannot be reasonably determined; however, the School Corporation maintains a commercial insurance policy which would cover any unfavorable judgments.

DUNELAND SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Termination Benefits

After five (5) years of employment with the School Corporation, administrators and directors are eligible to receive payment at the rate of 0.2% of his or her then annual base salary per day to his or her Voluntary Employees' Beneficiary Association (VEBA) account for up to a maximum of 108 accumulated sick days. Such payment will be made to the employee's VEBA account within 30 days following separation of employment.

Based upon the unused accumulated sick leave balances and annual base salaries of eligible employees as of June 30, 2008, the amount the School Corporation was liable for was \$339,769.

F. Other Postemployment Benefits

A teacher or administrator who retires early may continue in the Duneland School Corporation Group Health Insurance Program by paying the full amount of the monthly premium provided they retire after age 50 with a minimum of five (5) years of service in Duneland School Corporation. If the employee dies after he or she retires and their spouse was covered at the time of retirement, the spouse may continue in the plan by paying the full amount of the monthly premium.

Participation in the Group Health Insurance program cannot extend past eligibility for Medicare.

Health Insurance Benefits

For teachers who retired on or before June 30, 2006, the School Corporation contributes a maximum of \$1,500 annually toward the payment of each retiree's participation in the Group Health Insurance program. As of June 30, 2008, fifteen (15) were eligible for participation. The School Corporation contributed \$19,500 from the General Fund. Participation in the Group Health Insurance program cannot extend past eligibility for Medicare.

Teacher Retirement Benefit Buy-Out Program

Voluntary Employees' Beneficiary Association (VEBA) Accounts:

For teachers who retire on or after August 1, 2006, and had participated in the Corporation Group Health Insurance Program as of June 30, 2006, the School Corporation contributed to a voluntary employees' beneficiary association (VEBA) as described in section 501(c)(9) of the Code, that amount representing the present value of the group health insurance benefits as calculated for all eligible employees. The amount was calculated for each employee and invested in a separate account. Each employee determines how his or her account is invested. The funds accumulated in each employee's VEBA account can only be used to pay health insurance premiums, and to be reimbursed for unreimbursed medical expenses of the employee, spouse, and dependents. The School Corporation shall have no responsibility or liability for administration of the VEBA accounts or the assets or investment results of a VEBA account.

401(a) Plan:

The School Corporation also established a qualified retirement plan as described in section 401(a) of the Code. The total sum of the amount calculated for all eligible employees by the Educational Services Corporation as the present value for the retirement (years of service) benefit was contributed to the individual's 401(a) account and, if applicable, less the amount

DUNELAND SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

contributed to his or her VEBA account. This calculated amount for each employee was invested in each employee's separate 401(a) account with each employee determining his or her own investment options. Except as specifically required by IRS regulations, beyond its obligation to make contributions to the 401 (a) accounts of participating and eligible teachers, the School Corporation shall have no responsibility or liability for the administration of the 401 (a) accounts or the assets or investment results of the 401(a) accounts.

On April 24, 2007, the School Corporation contributed \$3,950,358 and \$4,683,173 to individual employee VEBA and 401(a) accounts, respectively. Pension bond proceeds were used to make the required contributions to the accounts. The contributions were made on behalf of 228 employees.

Retirement Benefits for Teachers Hired After July 1, 2002

All teachers hired after July 1, 2002, shall have \$750 deposited annually in ten (10) equal installments by the School Corporation into 401(a) accounts. Investment options shall be the choice of the effected employee. The plan shall be vested as follows:

<u>Year</u>	<u>Vested</u>
1	20%
2	40%
3	60%
4	80%
5	100%

As of June 30, 2008, 90 employees were eligible for participation, with the School Corporation contributing \$67,500, paid from the General Fund.

Retirement Benefits for Administrators and Directors

401(a) Plan:

For the school year ended June 30, 2008, the School Corporation agreed to pay annually not less than \$4,200 to each administrator or director's 401(a) plan account. For the 2008-09 school year the contribution was increased to not less than \$5,400. Each administrator and director is considered fully vested in the 401(a) Retirement Plan program with the first contribution. The contributions are made in monthly installments.

As of June 30, 2008, the School Corporation contributed to twenty-two (22) 401(a) plan accounts at a cost of \$140,400. The Transportation Fund paid \$2,100 of this contribution, with the balance being paid from the General Fund.

If any vacation days remain on June 30 of each year, eligible administrators or directors have the option of carrying up to ten (10) days to the following school year, or having a payment for such days made to his or her 401(a) account. For the school year ended June 30, 2008, three employees chose to have their unused vacation days paid. The total amount the School Corporation paid into 401(a) accounts for unused vacation days for these three employees was \$5,453.

DUNELAND SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Voluntary Employees' Beneficiary Association (VEBA) Accounts:

For the school year ended June 30, 2008, the School Corporation agreed to pay annually not less than \$2,400 to each administrator's or director's VEBA account. For the 2008-09 school year the contribution was increased to not less than \$3,000, annually. Each administrator and director is considered fully vested in the VEBA plan from its beginning. Contributions are made monthly.

As of June 30, 2008, the School Corporation contributed to twenty-two (22) VEBA accounts at a cost of \$56,103.

At the end of each school year each administrator and director shall receive payment to his or her VEBA account at the rate of 0.2% of his or her annual base salary for unused sick days that exceed days beyond the wait period for long term disability. As of June 30, 2008, the School Corporation remitted \$25,534 to administrators' and directors' VEBA accounts for unused sick leave days.

G. Pension Plans

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

Public Employees' Retirement Fund

Plan Description

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

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

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

DUNELAND SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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	\$ 417,281
Interest on net pension obligation	(33,829)
Adjustment to annual required contribution	38,551
Annual pension cost	422,003
Contributions made	384,940
Increase (decrease) in net pension obligation	37,063
Net pension obligation, beginning of year	(466,609)
Net pension obligation, end of year	\$ (429,546)

	PERF
Contribution rates:	
School Corporation	6.25%
Plan members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

DUNELAND SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions	PERF
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	06-30-05	\$ 278,823	131%	\$ (495,952)
	06-30-06	382,856	92%	(466,609)
	06-30-07	422,003	91%	(429,546)

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

Teachers' Retirement Fund

Plan Description

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

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

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

DUNELAND SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Plan members are required to contribute 3% of their salary and 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, 2008, 2007, and 2006, were \$620,900, \$536,529, and \$469,785, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years.

DUNELAND SCHOOL CORPORATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Excess of Assets) Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-05	\$ 7,221,365	\$ 7,958,529	\$ (737,164)	91%	\$ 5,948,277	(12%)
07-01-06	7,954,397	8,386,357	(431,960)	95%	5,978,601	(7%)
07-01-07	8,587,365	8,965,113	(377,748)	96%	6,015,746	(6%)

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

	Pre-School Special Education	School Lunch	Textbook Rental	Alternative Education	Safe Haven	Guidance Grant	Soft Drink Account
Receipts:							
Local sources	\$ 65,041	\$ 1,498,905	\$ 449,053	\$ -	\$ -	\$ -	\$ 16,188
State sources	71,022	250,444	97,433	23,175	-	-	-
Federal sources	-	544,289	-	-	-	-	-
Bonds and loans	-	-	-	-	-	-	-
Total receipts	<u>136,063</u>	<u>2,293,638</u>	<u>546,486</u>	<u>23,175</u>	<u>-</u>	<u>-</u>	<u>16,188</u>
Disbursements:							
Current:							
Instruction	168,147	-	-	1,913	7,045	676	39,977
Support services	-	2,164,245	447,610	-	-	-	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	2,694	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	<u>168,147</u>	<u>2,164,245</u>	<u>450,304</u>	<u>1,913</u>	<u>7,045</u>	<u>676</u>	<u>39,977</u>
Excess (deficiency) of receipts over disbursements	<u>(32,084)</u>	<u>129,393</u>	<u>96,182</u>	<u>21,262</u>	<u>(7,045)</u>	<u>(676)</u>	<u>(23,789)</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	1,121
Transfers out	-	-	-	-	(384)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(384)</u>	<u>-</u>	<u>1,121</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(32,084)</u>	<u>129,393</u>	<u>96,182</u>	<u>21,262</u>	<u>(7,429)</u>	<u>(676)</u>	<u>(22,668)</u>
Cash and investments - beginning	<u>48,706</u>	<u>205,683</u>	<u>227,762</u>	<u>5,445</u>	<u>3,120</u>	<u>2,000</u>	<u>77,346</u>
Cash and investments - ending	<u>\$ 16,622</u>	<u>\$ 335,076</u>	<u>\$ 323,944</u>	<u>\$ 26,707</u>	<u>\$ (4,309)</u>	<u>\$ 1,324</u>	<u>\$ 54,678</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 16,622	\$ 335,076	\$ 323,944	\$ 26,707	\$ (4,309)	\$ 1,324	\$ 54,678
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 16,622</u>	<u>\$ 335,076</u>	<u>\$ 323,944</u>	<u>\$ 26,707</u>	<u>\$ (4,309)</u>	<u>\$ 1,324</u>	<u>\$ 54,678</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>16,622</u>	<u>335,076</u>	<u>323,944</u>	<u>26,707</u>	<u>(4,309)</u>	<u>1,324</u>	<u>54,678</u>
Total cash and investment fund balance - ending	<u>\$ 16,622</u>	<u>\$ 335,076</u>	<u>\$ 323,944</u>	<u>\$ 26,707</u>	<u>\$ (4,309)</u>	<u>\$ 1,324</u>	<u>\$ 54,678</u>

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

	Parents As Teachers	Indiana Next Leader 2002-03	Indiana Next Leader 2001-02	NSTA Grant	Gifted and Talented	Extra- Curricular
Receipts:						
Local sources	\$ 12,758	\$ -	\$ -	\$ -	\$ -	\$ 3,475
State sources	-	-	-	-	20,456	-
Federal sources	-	-	-	-	-	-
Bonds and loans	-	-	-	-	-	-
Total receipts	12,758	-	-	-	20,456	3,475
Disbursements:						
Current:						
Instruction	55,198	-	-	-	-	-
Support services	-	-	-	-	-	2,314
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	55,198	-	-	-	-	2,314
Excess (deficiency) of receipts over disbursements	(42,440)	-	-	-	20,456	1,161
Other financing sources (uses):						
Transfers in	9,170	-	-	-	-	-
Transfers out	-	-	-	-	-	(1,121)
Total other financing sources (uses)	9,170	-	-	-	-	(1,121)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(33,270)	-	-	-	20,456	40
Cash and investments - beginning	-	128	743	821	-	-
Cash and investments - ending	<u>\$ (33,270)</u>	<u>\$ 128</u>	<u>\$ 743</u>	<u>\$ 821</u>	<u>\$ 20,456</u>	<u>\$ 40</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ (33,270)	\$ 128	\$ 743	\$ 821	\$ 20,456	\$ 40
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ (33,270)</u>	<u>\$ 128</u>	<u>\$ 743</u>	<u>\$ 821</u>	<u>\$ 20,456</u>	<u>\$ 40</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	(33,270)	128	743	821	20,456	40
Total cash and investment fund balance - ending	<u>\$ (33,270)</u>	<u>\$ 128</u>	<u>\$ 743</u>	<u>\$ 821</u>	<u>\$ 20,456</u>	<u>\$ 40</u>

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

	Non-English Speaking Grant	Regional Library	Technical Education	Intelenet Refund	Jackson Class	Title I 2005-06
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	6,603	1,300	-	-	-	-
Federal sources	-	-	2,500	-	-	25,000
Bonds and loans	-	-	-	-	-	-
Total receipts	6,603	1,300	2,500	-	-	25,000
Disbursements:						
Current:						
Instruction	635	777	2,500	-	-	34,633
Support services	-	-	-	-	-	4,117
Community services	-	-	-	-	-	1,116
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	635	777	2,500	-	-	39,866
Excess (deficiency) of receipts over disbursements	5,968	523	-	-	-	(14,866)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(27,928)
Total other financing sources (uses)	-	-	-	-	-	(27,928)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	5,968	523	-	-	-	(42,794)
Cash and investments - beginning	910	679	-	11,869	1,000	42,794
Cash and investments - ending	<u>\$ 6,878</u>	<u>\$ 1,202</u>	<u>\$ -</u>	<u>\$ 11,869</u>	<u>\$ 1,000</u>	<u>\$ -</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 6,878	\$ 1,202	\$ -	\$ 11,869	\$ 1,000	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 6,878</u>	<u>\$ 1,202</u>	<u>\$ -</u>	<u>\$ 11,869</u>	<u>\$ 1,000</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	6,878	1,202	-	11,869	1,000	-
Total cash and investment fund balance - ending	<u>\$ 6,878</u>	<u>\$ 1,202</u>	<u>\$ -</u>	<u>\$ 11,869</u>	<u>\$ 1,000</u>	<u>\$ -</u>

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

	Title I 2006-07	Title V	Title VI	Indiana Learn and Serve	Safe and Drug Free Schools	Anti-Drug Abuse
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	281,323	8,828	-	-	34,998	-
Bonds and loans	-	-	-	-	-	-
Total receipts	<u>281,323</u>	<u>8,828</u>	<u>-</u>	<u>-</u>	<u>34,998</u>	<u>-</u>
Disbursements:						
Current:						
Instruction	201,248	-	-	-	58,492	-
Support services	11,280	18,852	-	-	-	-
Community services	1,436	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	<u>213,964</u>	<u>18,852</u>	<u>-</u>	<u>-</u>	<u>58,492</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>67,359</u>	<u>(10,024)</u>	<u>-</u>	<u>-</u>	<u>(23,494)</u>	<u>-</u>
Other financing sources (uses):						
Transfers in	27,928	-	-	-	40,000	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>27,928</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,000</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	95,287	(10,024)	-	-	16,506	-
Cash and investments - beginning	-	13,071	914	1,137	-	1,450
Cash and investments - ending	<u>\$ 95,287</u>	<u>\$ 3,047</u>	<u>\$ 914</u>	<u>\$ 1,137</u>	<u>\$ 16,506</u>	<u>\$ 1,450</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 95,287	\$ 3,047	\$ 914	\$ 1,137	\$ 16,506	\$ 1,450
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 95,287</u>	<u>\$ 3,047</u>	<u>\$ 914</u>	<u>\$ 1,137</u>	<u>\$ 16,506</u>	<u>\$ 1,450</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>95,287</u>	<u>3,047</u>	<u>914</u>	<u>1,137</u>	<u>16,506</u>	<u>1,450</u>
Total cash and investment fund balance - ending	<u>\$ 95,287</u>	<u>\$ 3,047</u>	<u>\$ 914</u>	<u>\$ 1,137</u>	<u>\$ 16,506</u>	<u>\$ 1,450</u>

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

	Title II Eisenhower	Title II	Title II Class Size Reduction	Library Technology Curriculum	Pension Bond Debt Service	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 1,144,741	\$ 3,190,161
State sources	-	-	-	-	-	470,433
Federal sources	-	-	266,783	9,387	-	1,173,108
Bonds and loans	-	-	-	-	500,000	500,000
Total receipts	-	-	266,783	9,387	1,644,741	5,333,702
Disbursements:						
Current:						
Instruction	-	-	94,408	9,387	-	675,036
Support services	-	-	-	-	-	2,648,418
Community services	-	-	-	-	-	2,552
Nonprogrammed charges	-	-	-	-	-	2,694
Debt services	-	-	-	-	1,916,461	1,916,461
Total disbursements	-	-	94,408	9,387	1,916,461	5,245,161
Excess (deficiency) of receipts over disbursements	-	-	172,375	-	(271,720)	88,541
Other financing sources (uses):						
Transfers in	-	-	-	-	-	78,219
Transfers out	-	-	(40,000)	-	-	(69,433)
Total other financing sources (uses)	-	-	(40,000)	-	-	8,786
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	132,375	-	(271,720)	97,327
Cash and investments - beginning	791	1,921	-	-	431,855	1,080,145
Cash and investments - ending	<u>791</u>	<u>1,921</u>	<u>132,375</u>	<u>-</u>	<u>160,135</u>	<u>1,177,472</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 791	\$ 1,921	\$ 132,375	\$ -	\$ -	\$ 1,017,337
Restricted assets:						
Cash and investments	-	-	-	-	160,135	160,135
Total cash and investment assets - ending	<u>\$ 791</u>	<u>\$ 1,921</u>	<u>\$ 132,375</u>	<u>\$ -</u>	<u>\$ 160,135</u>	<u>\$ 1,177,472</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 160,135	\$ 160,135
Unrestricted	791	1,921	132,375	-	-	1,017,337
Total cash and investment fund balance - ending	<u>\$ 791</u>	<u>\$ 1,921</u>	<u>\$ 132,375</u>	<u>\$ -</u>	<u>\$ 160,135</u>	<u>\$ 1,177,472</u>

DUNELAND SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008

	Pre-School Special Education	School Lunch	Textbook Rental	Alternative Education	Safe Haven	Guidance Grant	Soft Drink Account
Receipts:							
Local sources	\$ 64,073	\$ 1,588,754	\$ 600,889	\$ -	\$ -	\$ -	\$ 41,016
State sources	91,161	27,193	110,300	24,239	-	-	-
Federal sources	-	536,249	-	-	-	-	-
Bonds and loans	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	7,810	22,245	-	-	-	-
Total receipts	155,234	2,160,006	733,434	24,239	-	-	41,016
Disbursements:							
Current:							
Instruction	49,271	-	-	1,118	-	719	42,893
Support services	3,666	2,211,243	517,927	-	-	-	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	21,833	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	74,770	2,211,243	517,927	1,118	-	719	42,893
Excess (deficiency) of receipts over disbursements	80,464	(51,237)	215,507	23,121	-	(719)	(1,877)
Other financing sources (uses):							
Transfers in	-	-	-	-	4,309	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	4,309	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	80,464	(51,237)	215,507	23,121	4,309	(719)	(1,877)
Cash and investments - beginning	16,622	335,076	323,944	26,707	(4,309)	1,324	54,678
Cash and investments - ending	<u>\$ 97,086</u>	<u>\$ 283,839</u>	<u>\$ 539,451</u>	<u>\$ 49,828</u>	<u>\$ -</u>	<u>\$ 605</u>	<u>\$ 52,801</u>
Cash and Investment Assets - Ending							
Cash and investments	<u>\$ 97,086</u>	<u>\$ 283,839</u>	<u>\$ 539,451</u>	<u>\$ 49,828</u>	<u>\$ -</u>	<u>\$ 605</u>	<u>\$ 52,801</u>
Total cash and investment assets - ending	<u>\$ 97,086</u>	<u>\$ 283,839</u>	<u>\$ 539,451</u>	<u>\$ 49,828</u>	<u>\$ -</u>	<u>\$ 605</u>	<u>\$ 52,801</u>
Cash and Investment Fund Balance - Ending							
Unrestricted	<u>\$ 97,086</u>	<u>\$ 283,839</u>	<u>\$ 539,451</u>	<u>\$ 49,828</u>	<u>\$ -</u>	<u>\$ 605</u>	<u>\$ 52,801</u>
Total cash and investment fund balance - ending	<u>\$ 97,086</u>	<u>\$ 283,839</u>	<u>\$ 539,451</u>	<u>\$ 49,828</u>	<u>\$ -</u>	<u>\$ 605</u>	<u>\$ 52,801</u>

DUNELAND SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	BP Grant I	BP Grant II	BP Fabric Of America	Parents As Teachers	Indiana Next Leader 2002-03	Porter Calendar
Receipts:						
Local sources	\$ 5,000	\$ 10,000	\$ 1,000	\$ 38,482	\$ -	\$ 2,795
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Bonds and loans	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	<u>5,000</u>	<u>10,000</u>	<u>1,000</u>	<u>38,482</u>	<u>-</u>	<u>2,795</u>
Disbursements:						
Current:						
Instruction	4,582	9,923	-	61,202	-	2,795
Support services	-	-	1,000	-	-	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	<u>4,582</u>	<u>9,923</u>	<u>1,000</u>	<u>61,202</u>	<u>-</u>	<u>2,795</u>
Excess (deficiency) of receipts over disbursements	<u>418</u>	<u>77</u>	<u>-</u>	<u>(22,720)</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):						
Transfers in	-	-	-	35,881	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,881</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>418</u>	<u>77</u>	<u>-</u>	<u>13,161</u>	<u>-</u>	<u>-</u>
Cash and investments - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>(33,270)</u>	<u>128</u>	<u>-</u>
Cash and investments - ending	<u>\$ 418</u>	<u>\$ 77</u>	<u>\$ -</u>	<u>\$ (20,109)</u>	<u>\$ 128</u>	<u>\$ -</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 418	\$ 77	\$ -	\$ (20,109)	\$ 128	\$ -
Total cash and investment assets - ending	<u>\$ 418</u>	<u>\$ 77</u>	<u>\$ -</u>	<u>\$ (20,109)</u>	<u>\$ 128</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 418	\$ 77	\$ -	\$ (20,109)	\$ 128	\$ -
Total cash and investment fund balance - ending	<u>\$ 418</u>	<u>\$ 77</u>	<u>\$ -</u>	<u>\$ (20,109)</u>	<u>\$ 128</u>	<u>\$ -</u>

DUNELAND SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Indiana Next Leader 2001-02	NSTA Grant	Weather Station	Gifted and Talented	Extra- Curricular	Non-English Speaking Grant
Receipts:						
Local sources	\$ -	\$ -	\$ 5,490	\$ -	\$ -	\$ -
State sources	-	-	-	51,090	-	10,594
Federal sources	-	-	-	-	-	-
Bonds and loans	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>-</u>	<u>5,490</u>	<u>51,090</u>	<u>-</u>	<u>10,594</u>
Disbursements:						
Current:						
Instruction	-	-	-	20,456	-	9,270
Support services	-	-	-	-	40	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,456</u>	<u>40</u>	<u>9,270</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>5,490</u>	<u>30,634</u>	<u>(40)</u>	<u>1,324</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>-</u>	<u>5,490</u>	<u>30,634</u>	<u>(40)</u>	<u>1,324</u>
Cash and investments - beginning	<u>743</u>	<u>821</u>	<u>-</u>	<u>20,456</u>	<u>40</u>	<u>6,878</u>
Cash and investments - ending	<u>\$ 743</u>	<u>\$ 821</u>	<u>\$ 5,490</u>	<u>\$ 51,090</u>	<u>\$ -</u>	<u>\$ 8,202</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ 743</u>	<u>\$ 821</u>	<u>\$ 5,490</u>	<u>\$ 51,090</u>	<u>\$ -</u>	<u>\$ 8,202</u>
Total cash and investment assets - ending	<u>\$ 743</u>	<u>\$ 821</u>	<u>\$ 5,490</u>	<u>\$ 51,090</u>	<u>\$ -</u>	<u>\$ 8,202</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ 743</u>	<u>\$ 821</u>	<u>\$ 5,490</u>	<u>\$ 51,090</u>	<u>\$ -</u>	<u>\$ 8,202</u>
Total cash and investment fund balance - ending	<u>\$ 743</u>	<u>\$ 821</u>	<u>\$ 5,490</u>	<u>\$ 51,090</u>	<u>\$ -</u>	<u>\$ 8,202</u>

DUNELAND SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Regional Library	Intelenet Refund	Jackson Class	Title I 2007-08	Title I 2006-07
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-
Federal sources	-	-	-	378,519	74,616
Bonds and loans	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>378,519</u>	<u>74,616</u>
Total receipts	<u>-</u>	<u>-</u>	<u>-</u>	<u>378,519</u>	<u>74,616</u>
Disbursements:					
Current:					
Instruction	865	-	-	306,559	99,589
Support services	-	-	-	16,021	28,342
Community services	-	-	-	3,702	329
Nonprogrammed charges	-	-	-	-	-
Debt services	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>865</u>	<u>-</u>	<u>-</u>	<u>326,282</u>	<u>128,260</u>
Excess (deficiency) of receipts over disbursements	<u>(865)</u>	<u>-</u>	<u>-</u>	<u>52,237</u>	<u>(53,644)</u>
Other financing sources (uses):					
Transfers in	-	-	-	41,643	-
Transfers out	-	-	-	-	(41,643)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(41,643)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,643</u>	<u>(41,643)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(865)</u>	<u>-</u>	<u>-</u>	<u>93,880</u>	<u>(95,287)</u>
Cash and investments - beginning	<u>1,202</u>	<u>11,869</u>	<u>1,000</u>	<u>-</u>	<u>95,287</u>
Cash and investments - ending	<u>\$ 337</u>	<u>\$ 11,869</u>	<u>\$ 1,000</u>	<u>\$ 93,880</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	<u>\$ 337</u>	<u>\$ 11,869</u>	<u>\$ 1,000</u>	<u>\$ 93,880</u>	<u>\$ -</u>
Total cash and investment assets - ending	<u>\$ 337</u>	<u>\$ 11,869</u>	<u>\$ 1,000</u>	<u>\$ 93,880</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Unrestricted	<u>\$ 337</u>	<u>\$ 11,869</u>	<u>\$ 1,000</u>	<u>\$ 93,880</u>	<u>\$ -</u>
Total cash and investment fund balance - ending	<u>\$ 337</u>	<u>\$ 11,869</u>	<u>\$ 1,000</u>	<u>\$ 93,880</u>	<u>\$ -</u>

DUNELAND SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Title V	Title VI	Indiana Learn and Serve	Safe and Drug Free Schools	Anti-Drug Abuse
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-
Federal sources	7,695	-	-	-	-
Bonds and loans	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-
Total receipts	<u>7,695</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:					
Current:					
Instruction	552	-	-	56,506	-
Support services	5,971	-	-	-	-
Community services	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-
Debt services	-	-	-	-	-
Total disbursements	<u>6,523</u>	<u>-</u>	<u>-</u>	<u>56,506</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>1,172</u>	<u>-</u>	<u>-</u>	<u>(56,506)</u>	<u>-</u>
Other financing sources (uses):					
Transfers in	-	-	-	40,000	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,000</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>1,172</u>	<u>-</u>	<u>-</u>	<u>(16,506)</u>	<u>-</u>
Cash and investments - beginning	<u>3,047</u>	<u>914</u>	<u>1,137</u>	<u>16,506</u>	<u>1,450</u>
Cash and investments - ending	<u>\$ 4,219</u>	<u>\$ 914</u>	<u>\$ 1,137</u>	<u>\$ -</u>	<u>\$ 1,450</u>
Cash and Investment Assets - Ending					
Cash and investments	<u>\$ 4,219</u>	<u>\$ 914</u>	<u>\$ 1,137</u>	<u>\$ -</u>	<u>\$ 1,450</u>
Total cash and investment assets - ending	<u>\$ 4,219</u>	<u>\$ 914</u>	<u>\$ 1,137</u>	<u>\$ -</u>	<u>\$ 1,450</u>
Cash and Investment Fund Balance - Ending					
Unrestricted	<u>\$ 4,219</u>	<u>\$ 914</u>	<u>\$ 1,137</u>	<u>\$ -</u>	<u>\$ 1,450</u>
Total cash and investment fund balance - ending	<u>\$ 4,219</u>	<u>\$ 914</u>	<u>\$ 1,137</u>	<u>\$ -</u>	<u>\$ 1,450</u>

DUNELAND SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	Title II Eisenhower	Title II	Title II Class Size Reduction	Pension Bond Debt Service	Totals
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ 1,236,244	\$ 3,593,743
State sources	-	-	-	-	314,577
Federal sources	-	-	-	-	997,079
Bonds and loans	-	-	-	505,221	505,221
Sale of property, adjustments and refunds	-	-	-	-	30,055
Total receipts	-	-	-	1,741,465	5,440,675
Disbursements:					
Current:					
Instruction	-	-	92,375	-	758,675
Support services	-	-	-	-	2,784,210
Community services	-	-	-	-	4,031
Nonprogrammed charges	-	-	-	-	21,833
Debt services	-	-	-	2,474,560	2,474,560
Total disbursements	-	-	92,375	2,474,560	6,043,309
Excess (deficiency) of receipts over disbursements	-	-	(92,375)	(733,095)	(602,634)
Other financing sources (uses):					
Transfers in	-	-	-	-	121,833
Transfers out	-	-	(40,000)	-	(81,643)
Total other financing sources (uses)	-	-	(40,000)	-	40,190
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(132,375)	(733,095)	(562,444)
Cash and investments - beginning	791	1,921	132,375	160,135	1,177,472
Cash and investments - ending	<u>\$ 791</u>	<u>\$ 1,921</u>	<u>\$ -</u>	<u>\$ (572,960)</u>	<u>\$ 615,028</u>
Cash and Investment Assets - Ending					
Cash and investments	\$ 791	\$ 1,921	\$ -	\$ (572,960)	\$ 615,028
Total cash and investment assets - ending	<u>\$ 791</u>	<u>\$ 1,921</u>	<u>\$ -</u>	<u>\$ (572,960)</u>	<u>\$ 615,028</u>
Cash and Investment Fund Balance - Ending					
Unrestricted	\$ 791	\$ 1,921	\$ -	\$ (572,960)	\$ 615,028
Total cash and investment fund balance - ending	<u>\$ 791</u>	<u>\$ 1,921</u>	<u>\$ -</u>	<u>\$ (572,960)</u>	<u>\$ 615,028</u>

DUNELAND SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For the Year Ended June 30, 2007

	Retirement/ Severance Bond	Post-Retirement/ Severance Future Benefit	Totals
Additions:			
Contributions:			
Employer	\$ 36,641	\$ -	\$ 36,641
Investment earnings:			
Interest	<u>305,210</u>	<u>230,574</u>	<u>535,784</u>
Total additions	<u>341,851</u>	<u>230,574</u>	<u>572,425</u>
Deductions:			
Benefits	4,003,267	6,043,700	10,046,967
Excess (deficiency) of total additions over total deductions	<u>(3,661,416)</u>	<u>(5,813,126)</u>	<u>(9,474,542)</u>
Cash and investment fund balance - beginning	<u>6,724,295</u>	<u>5,813,126</u>	<u>12,537,421</u>
Cash and investment fund balance - ending	<u>\$ 3,062,879</u>	<u>\$ -</u>	<u>\$ 3,062,879</u>
Net assets:			
Cash and investments	<u>\$ 3,062,879</u>	<u>\$ -</u>	<u>\$ 3,062,879</u>
Total net assets - cash and investment basis held in trust	<u>\$ 3,062,879</u>	<u>\$ -</u>	<u>\$ 3,062,879</u>

DUNELAND SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2008

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:		
Chesterton High School	\$ 65,686,150	\$ 6,946,000
Tax anticipation warrants	9,910,000	10,227,120
Notes and loans payable	6,577,475	1,821,800
Bonds payable:		
General obligation bonds:		
Pension bonds, 2001	5,765,000	1,197,155
Pension bonds, 2006	<u>6,085,000</u>	<u>400,664</u>
Total governmental activities debt	<u>\$ 94,023,625</u>	<u>\$ 20,592,739</u>

DUNELAND SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

RECEIPTS

The computerized software used to generate receipts allows a user to modify or change a receipt after being posted. The user, to make a change to the receipt, will enter the receipt number they wish to correct. Then, the software will first prompt the user document a reason for the change, and then the user enters the change. The new receipt will be printed, and the receipt replaced will be destroyed. The new receipt will be identical to the original, which includes the original receipt number. An inquiry was made as to whether a report can be generated from the system which will document such changes; however, no such report is available at this time. We could not determine how often receipt changes occurred.

Receipt and disbursement corrections or other errors should be corrected by memorandum entry with the issuance of a check and receipt to document the flow of the transactions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

The computerized accounting system must maintain electronic audit trails sufficient to trace all transactions from original source of entry into the system, through all system processing, and to the results produced by the system. The audit trails must also maintain sufficient information to trace all transactions from the final results produced by the system, through all system processing, and to the original source of entry into the system. Audit trails must also identify the user that processed the transaction or updated the information. These audit trails must be protected from modification and deletion. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 10)

RECEIPT ISSUANCE

The School Corporation financial records are maintained electronically. Any collections posted to the ledger are entered through an electronic receipt. The electronic receipts generated are not issued; essentially, the School Corporation uses the electronic receipts as the means to post collections to the financial records.

The majority of the collections are in the form of checks, or electronic transfers of funds; however, some collections are in the form of cash. The collections received at the administration office at the front desk for cash tuition and delinquent textbook rental are at times in the form of cash. When fees are received at the administration office, prescribed or approved prenumbered receipts are not issued. A form is filled out indicating from whom the money was collected and amount, and the form of payment is copied along with the filled out form. The copied form and the collections are then placed in an interoffice mailbox for the Corporation Treasurer. Additionally, in the summer when the Extra-Curricular Treasurers are not working, school lunch collections are remitted directly to the Administration Office. Again, receipts are not issued for collections which include both cash and checks. A form is filled out in this case which shows the amount of cash and checks collected, the collections are verified, and the form signed by the party who remitted the collections, and the party who received the collections.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

DUNELAND SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

SCHOOL NUTRITION PROGRAM CONTROLS

The School Corporation Food Service Department requires each school to print an "Emergency Roster." The Emergency Roster is a report which provides a detail listing of the students and their account balances, as well as an overall total. Each school also prints a Monthly Liability Report which provides an overall total of the account balances. The total of the Emergency Roster and the Monthly Liability Report should agree; however, no attempts had been made to reconcile the Emergency Roster to the Monthly Liability Report by the School Food Service personnel. We attempted to verify the account balances being reported on the Monthly Liability Report to the Emergency Roster as of June 30, 2008, for all nine schools. The account balances per the Emergency Roster agreed to the Monthly Liability Report for only four schools. Differences for the other schools ranged from the \$81 to \$165 where the Emergency Roster account balances were less than the Monthly Liability Report account balance, and one school had a difference of \$211 in which the Emergency Roster total account balances exceeded the Monthly Liability Report.

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

COMPOSITION OF DAILY CAFETERIA SALES FOR SCHOOL LUNCH

The cafeteria managers at each school manually complete a Cafeteria Daily Sheet which documents amounts collected for sales of daily lunches, and collections on prepaid accounts. A worksheet is completed at some of the schools to indicate the composition of the collections (amount of collections in the form of cash and checks). The schools remit the worksheet, the Cafeteria Daily Sheet, and the collections to the extra-curricular treasurer each day; however, some of the managers who do complete the worksheets are not remitting them to the extra-curricular treasurer. The extra-curricular treasurer will prepare an official receipt from the reports and deposit the collections. Because the cafeteria collections and sales are recorded electronically through a computerized software program, we requested a computer generated report of collections. (A report which would provide a detail of collections by composition (cash and checks.) Officials generated a Prepaid Collections Report, which provides the composition of the collections for all prepaid sales, but not daily meal sales. Officials can also generate a checks report, which documents all checks entered from daily and prepaid sales. Officials were not generating such reports until the requests were made for such documentation.

We inquired at each school what documentation, if any, is also given to the extra-curricular treasurer that would indicate the breakdown of cash and checks for the deposits, handwritten by the cafeteria manager, or if the system could generate a report indicating cash and checks for student and adult sales. Only Chesterton Middle, Westchester Intermediate, and Brummitt Elementary Schools were able to provide handwritten documentation of the composition of the collections.

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

Public records, financial statement information and supporting information generated through the computer system must be maintained in a manner that will allow access for audit and public inquiry on equipment of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 10)

DUNELAND SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS
 (Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 10)

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

The information presented for audit indicates enrollment figures on Form Number 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for the school years ending June 30, 2007 and 2008.

The enrollment count dates for the years ended June 30, 2007 and 2008, were September 15, 2006, and September 14, 2007, respectively. A comparison was made not only of the number of students reported, but also of the lists of names submitted. The difference between the count reported on the ADM and the verified figures are shown below:

<u>School Year</u>	<u>Grade</u>	<u>Count as Reported on Form Number 30A</u>	<u>Actual Enrollment Figures</u>	<u>Difference</u>
2006-2007	Kindergarten	221	219	2
2006-2007	1 Through 12	5,387	5,388	(1)
2007-2008	Kindergarten	193	192.5	.5
2007-2008	1 Through 12	5,552	5,552	-

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)

TRANSFER TUITION AND FORM 515

Although a Transfer Tuition Statement (Form 515) is prepared to determine the amount of tuition to be charged to out-of-district students, the amounts calculated on the Form 515 were not used in the billings of the out-of-district students. The School Board establishes a transfer tuition rate for out-of-district students. The School Board has been establishing the tuition since 2002. Based upon the tuition calculated on the Form 515 (which is based upon calculations set forth in the Indiana Code) the School Corporation under charged for tuition from \$4,303 to \$2,071 (based upon grade level) per student for the school year ended June 30, 2007, and \$4,610 to \$2,354 per student for the school year ended June 30, 2008.

DUNELAND SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

IC 20-26-11-6 states in part:

"(a) A school corporation may accept a transferring student without approval of the transferor corporation under section 5 of this chapter. (b) A transfer may not be accepted unless the requesting parents or students pays transfer tuition in an amount determined under the formula established . . ."

PAYROLL

Two individuals (a Title I Aide, and a Cafeteria employee at Bailly Elementary School) for the school year ended June 30, 2008, recorded time worked on their time sheets on a date in which the school was closed for a holiday. The same Title I Aide on two other occasions recorded time worked for a scheduled day off, and for a snow day (the school was closed due to the weather).

Educational instructional aides during the school year ended June 30, 2007, received additional pay to compensate for a 2 hour delay, regardless of whether the employee worked those two hours or not. We could not determine that the employee worked during that two hour period based upon the time sheets. Special circumstances were not reported in writing to the Superintendent for his/her review. Educational instructional aides have contracts with the School Corporation in which pay is based upon an hourly rate.

Policy 8220A - Work Schedules on Days Schools are Closed, Opening Delayed, or Dismissed Early states in part that:

"In those special circumstances when school has been closed, the opening delayed, or for an early dismissal and when in the supervisor's judgment, work must be performed and cannot be postponed to a later date, the supervisor may authorize the work to be performed. All special circumstances must be reported in writing to the Superintendent for his/her review.
. . .

Compensation for a partial day, whether the start of the school day is delayed or there is an early dismissal due to weather conditions, or an emergency, will be at the employee's daily rate of pay."

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

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

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

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

DUNELAND SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS
 (Continued)

APPROPRIATIONS

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

Fund	As of December 31, 2007	As of December 31, 2008
Bus Replacement	\$ 13,537	\$ -
Rainy Day	9,933	-
Bus Replacement	-	4,120

IC 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."

TEMPORARY LOAN

Temporary loans in the amounts of \$48,061 and \$97,612 were made in the 2006-2007 and 2007-2008 school years, respectively, from the General Fund to the Bus Replacement Fund and were not repaid by December 31, 2008. These loans have not been repaid as of March 9, 2009.

IC 36-1-8-4 concerning temporary loans states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . ."

"(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following: (1) Passes an ordinance or a resolution that contains the following: (A) A statement that the fiscal body has determined that an emergency exists. (B) A brief description of the grounds for the emergency. (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs. (2) Immediately forwards the ordinance or resolution to the state board of accounts and the Department of Local Government Finance."

BOARD APPROVAL OF ACCOUNTS PAYABLE VOUCHERS (CLAIMS)

A majority of the accounts payable vouchers (claims) are paid prior to the School Board meeting in which the claims are submitted for approval for payment. Some of the claims paid in advance of School Board approval included the purchases of school buses, reimbursement of employee travel expenses, purchases of supplies and computer equipment, consulting services, legal fees, credit card invoices, and the buy-out of the teacher severance package.

DUNELAND SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

IC 20-26-4-1 states in part:

"(d) The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds. The treasurer shall:

...

- (3) issue all warrants in payment of expenses lawfully incurred on behalf of the school corporation. However, except as otherwise provided by law, warrants described in this subdivision must be issued only after proper allowance or approval by the governing body. The governing body may not require an allowance or approval for amounts lawfully due in payment of indebtedness or payments due the state, the United States government, or agencies and instrumentalities of the state or the United States government. . . .

(e) Notwithstanding subsection (d), a treasurer may transact school corporation financial business with a financial institution or a public retirement fund through the use of electronic funds transfer. The treasurer must provide adequate documentation to the governing body of transfers made under this subsection. This subsection applies only to agreements for joint investment of money under IC 5-13-9 and to payments to:

- (1) the Indiana state teachers' retirement fund; or
- (2) the public employees' retirement fund; from participating employers."

IC 20-26-3-5 states in part:

"(b) If there is not a constitutional or statutory provision requiring a specific manner for exercising a power, a school corporation that exercises the power shall:

- (1) adopt a written policy prescribing a specific manner for exercising the power; or
- (2) comply with a statutory provision permitting a specific manner for exercising the power.

(c) A written policy under subsection (b) (1) must be adopted by the governing body of the school corporation."

CREDIT CARD USAGE

The School Corporation personnel use a credit card issued in the School Corporation's name for various purchases.

When the credit card is used to pay for travel expenses, the claim does not document who traveled or the nature of the travel. When an individual is reimbursed for travel, there were professional meeting approval sheets attached which indicated the person requesting the travel, the number of days, and the estimated cost. These sheets are not attached to the claims when the credit cards are used. Additionally, the School Board minutes do not document travel approvals.

Interest was incurred and paid on the credit card due to untimely remittance.

DUNELAND SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed: . . .

7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

All business transacted by the governing body must be recorded in the minutes of the meetings. It is the duty of the secretary of the governing body to keep the minutes and the minutes of each meeting should be approved by the governing body and signed by the members attending.

The minutes must be accurate and complete since the governing body speaks from its minutes. Not all documents acted upon, such as bids and contracts, must be copied in the minutes but reference thereto and the action taken thereon should be recorded in the minutes and the documents carefully preserved. Important papers and documents; however, will need to be completely recorded in the minutes, such as proceedings to issue bonds. You should consult the school corporation attorney if a question arises as to the need for making a complete record on any matter.

Examples of school business decisions and transactions which should be recorded in the minutes are: . . .

3. Decision to allow teachers and other school employees to attend conventions or educational meetings, or to visit model schools, and the expense to be allowed on such trips. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

DISBURSEMENTS FROM THE CAPITAL PROJECTS FUND

Some items paid from the Capital Projects Fund were not in accordance with the prescribed accounting system. A teacher for example went to a seminar to learn about teaching computer skills. A portion of the travel expenses were paid from the Capital Projects Fund Professional Services Account.

Some other disbursements posted to the Capital Projects Fund were not paid from the prescribed account within the fund. Specifically, the School Corporation paid claims to extend a parking lot at a school. Some of the expenses (\$24,000) were paid from Building Acquisition, Construction, and Improvement Account and another \$22,275 was paid from the Sports Facility Account.

For the purposes of this manual and the prescribed accounting system for Indiana's public schools, the Expenditure Accounts are separated into classifications dependent upon the program area and purpose affected. The Expenditure Accounts are identified by numerical designations related as closely as possible to those used by the U.S. Department of Education.

Expenditure Accounts are defined within each appropriation classification or budget and accounting program by the specific area or purpose which they serve. These accounts are identified by account titles basically comparable to the U.S. Department of Education which also serve to provide definitions of each.

DUNELAND SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

43000 Professional Services. Services of architects, engineers, attorneys and fiscal consultants related to land acquisition, site improvement and improvements to buildings. Could include payments to professionals to conduct non-recurring in-service technology training of school corporation employees in accordance with IC 20-46-6-11.

45100 Building Acquisition, Construction and Improvement. Activities concerned with building acquisition through purchase or construction; also, improvements to existing buildings and initial installation or extension of service systems and other build-in equipment as well as building additions, alterations and remodeling.

45400 Sports Facilities. Expenditures for school sport facilities in accordance with IC 20-46-6. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 5)

CONTRACTS

Payments were made to the School Corporation Attorney, a computer technician, and a roofing contractor without a contract.

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

PUBLIC PURCHASE THROUGH A SERVICE CENTER

Buses were purchased based upon a public purchases bid. Northwestern Indiana Educational Services Center (NIESC) accumulated the specifications and buses to be traded - in provided from each member school corporation (including Duneland School Corporation). NIESC then advertised for bids, opened the bids at a public meeting, and made a bid tally sheet for each school documenting who would be the lowest bidder for that school. Each school corporation was then provided the bid tally sheets, specifications, and options. Each school corporation could then determine which would be the lowest most responsive bid after taking into consideration any trade-ins and options. There was nothing mentioned in the minutes of the Duneland School Board as to which bid was deemed the lowest and most responsive. Additionally, the contract was not awarded by the School Board but by the Director of Transportation.

IC 20-26-4-6 states in part:

"(c) The bids described in subsection (a) must be reported to and the tabulation entered upon the records of the governing body at the governing body's next meeting following the bid opening.

(d) A bid described in subsection (a) may not be accepted or rejected by the committee, but the bid must be accepted or rejected solely by the governing body in a board meeting open to the public as provided in section 3 of this chapter."

DUNELAND SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

IC 20-26-4-8 states:

"Notwithstanding any other law, the president and secretary of the governing body of a school corporation are entitled, on behalf of the school corporation, to sign any contract, including employment contracts and contracts for goods and services. However, each contract must be approved by a majority of all members of the governing body. In the absence of either the president or secretary of the governing body, the vice president is entitled to sign the contracts with the officer who is present."

PUBLIC WORKS BIDS

Projects were bid for sheet metal work, a parking lot, wall coating and repair, and a ventilator system. As part of the bid package, bidders were to include financial statements, a bid bond, and a non-collusion affidavit. The contractor awarded the bid would subsequently be required to provide a performance bond. All items provided were to be retained with the bid packets. One or more of these items were missing from the bid packets for each of these projects. The bid packet for the contractor, who was awarded the contract for the sheet metal work, was missing the financial statements and the bid bond. The packet for the successful bidder on the ventilator system did not contain the performance bond. Additionally, there were seven bids on the parking lot but only two bid packets were available for review, one of which included the bid provided by the successful bidder.

In determining whether a bidder is responsive, the board may consider the following factors:

1. Whether the bidder has submitted a bid or quote that conforms in all material respects to the specifications.
2. Whether the bidder has submitted a bid that complies specifically with the invitation to bid and the instructions to bidders.
3. Whether the bidder has complied with all applicable statutes, ordinances, resolutions, or rules pertaining to the award of a public contract. [IC 36-1-12-4(b)(10)]

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 16)

IC 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission." (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 11)

ROOFING PROJECTS

Roofing projects performed during the audit period included roofs at Bailly, Brummitt, and Liberty Elementary Schools, Westchester Intermediate School, and Chesterton Middle School. All of these projects were performed by either Waterproofing Technologies, Inc., which is a division of Tremco, Incorporated, or by Tremco, Inc. Payments made on the projects are as follows:

DUNELAND SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS
 (Continued)

Periods	Amounts
07-01-05 to 06-30-06	\$ 1,045,812
07-01-06 to 06-30-07	1,624,263
07-01-07 to 06-30-08	2,044,387
07-01-08 to 12-31-08	599,876

Duneland School Corporation did not bid the project; instead, the materials were purchased through the Wilson Education Service Center. According to School Corporation officials, Wilson Education Service Center accepted an agreement to purchase roofing materials from a company designated by the Association of Education Purchasing Agencies (AEPA), who were believed to have bid the materials following public purchases laws. Bid specifications were determined by AEPA. Statutes over public works projects were not followed. The Indiana Attorney General issued an official opinion in late 2008 that roofing projects are considered public works projects. We noted that the invoices from the vendor were an "Application and Certification for Payment" Form which is used by Contractors performing public works projects. The invoices include the original contract price, and the amount being requested on the contract to date; however, School Corporation officials could not provide a contract. Additionally, the form allows for the architect, who is hired to oversee the project, to certify the amount paid. This portion of the form was not filled out, as an architect was not employed by the School Corporation to oversee the progress. Furthermore, the claimant or contractor was Waterproofing Technologies, Inc. for some of the claims reviewed; however, the checks were made payable to Tremco, Inc.

IC 36-1-12-2 states:

"As used in this chapter, 'public work' means the construction, reconstruction, alteration, or renovation of a public building, airport facility, or other structure that is paid for out of a public fund or out of a special assessment. The term includes the construction, alteration, or repair of a highway, street, alley, bridge, sewer, drain, or other improvement that is paid for out of a public fund or out of a special assessment. The term also includes any public work leased by a political subdivision under a lease containing an option to purchase."

IC 36-1-12-3 (a) states:

"The board may purchase or lease materials in the manner provided in IC 5-22 and perform any public work, by means of its own workforce, without awarding a contract whenever the cost of that public work project is estimated to be less than one hundred thousand dollars (\$100,000). Before a board may perform any work under this section by means of its own workforce, the political subdivision or agency must have a group of employees on its staff who are capable of performing the construction, maintenance, and repair applicable to that work. For purposes of this subsection, the cost of a public work project includes the actual cost of materials, labor, equipment, rental, a reasonable rate for use of trucks and heavy equipment owned, and all other expenses incidental to the performance of the project."

IC 36-1-12-7 states:

"Public work performed or contracted for on a public building, the cost of which is more than one hundred thousand dollars (\$100,000) may be undertaken by the board only in accordance with plans and specifications approved by an architect or engineer licensed under IC 25-4 or IC 25-31."

DUNELAND SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS

The School Corporation has not inventoried or updated capital asset records since June 30, 2002.

Every governmental unit should have a complete inventory of all fixed assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Asset 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)

CREDIT CARDS (Applies to All Schools)

Credit cards are being used at the schools. The School Board has not adopted a resolution authorizing the use of credit cards by the individual schools.

Credit card payments at Westchester Intermediate and Liberty Elementary Schools are being made based upon a credit card statement only, original vendor receipts are not retained for all items charged as required. A late payment fee of \$29.00 and finance charges of \$6.77 were also paid at Westchester Intermediate School.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.

DUNELAND SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

(7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.

(8) If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

BANK ACCOUNT RECONCILIATIONS (Applies to Chesterton High School)

Depository reconciliations of the fund balances to the bank account balances were incorrect. The bank balances were \$1,169.60 and \$1.44 greater than the ledger balances at June 30, 2007 and 2008, respectively. A review of the reconciliations subsequent to June 30, 2008, noted that the bank accounts are still not being properly reconciled to the record balances.

IC 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

SCHOLARSHIP FUND (Applies to Chesterton High School)

The reconciled bank balances for the Scholarship Fund did not agree to the ledger balances at June 30, 2007, and June 30 2008. The scholarship cash balances exceed the reconciled bank balances by \$349.90 and \$359.84 at June 30, 2007 and 2008, respectively. The differences were due in part to a disbursement made in June 2006 that was never posted.

In the subsequent period, the Extra-Curricular Treasurer transferred the scholarship money to a new bank account at another depository. When she made the transfer, she posted the transaction as a disbursement of funds, which had the effect of eliminating the fund cash balance. Since the scholarship funds are maintained separately from the other extra-curricular account funds, there is potential that the scholarship fund activity and cash balances will not be reported.

IC 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations.

Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

DUNELAND SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

RECEIPTS (Applies to Chesterton High School)

1. Receipts are not written and issued at the time money is collected.
2. Receipts are written after the deposit is made.
3. The cash and check marked on the receipts does not agree to deposit composition.
4. Receipts numbers were not used in sequential order.

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

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

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations.

Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

CHRISTMAS FOR TEENS FUND (Applies to Chesterton High School)

Money is collected through donations from individuals and corporations to purchase gifts for families in need. Some collections were not receipted or deposited into the records and some disbursements were not properly supported by itemized vendor invoices. Specifically, for the school year ended June 30, 2007, \$2,635 was receipted and deposited with \$3,175 being spent; however, vendor invoices to support amounts spent totaled \$4,516 indicating not all donations were receipted. The sponsor was reimbursed \$5,457 for the school year ended June 30, 2008, when only \$3,938 of the amount reimbursed was supported by vendor invoices. Because the donations are accepted by the sponsors, we could not determine the dollar amount of the donations not receipted into the fund.

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

All claims, invoices, receipts, and accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for which amounts are claimed, including the nature, name, and purpose of the business meeting, to enable

DUNELAND SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

PAYROLL DISBURSEMENTS (Applies to Chesterton High School, Chesterton Middle School, and Brummitt Elementary School)

Chesterton High and Middle Schools

Employees of the School Corporation work at the sporting events doing various jobs from ticket taker to time keeper. The employees were paid using the extra-curricular claim process instead of through the payroll process.

Nonemployees who work at athletic events at both the high school and middle school are also paid through the extra-curricular account claim process. In these cases also, since the School Corporation's payroll process is bypassed, compensation among all the schools is not accumulated at the close of a calendar year to determine if the income should be reported to federal and state agencies.

Brummitt Elementary School

Payments were made at the rate of \$10 per hour from the Level Special Activity Fund, and from the Interest Income Fund directly to a person called in to substitute for an office employee. The School Board approved substitute office staff to be paid at the rate of \$9 per hour. There was no record of these payments being processed through the School Corporation's payroll function.

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

LACK OF DOCUMENTATION (Applies to Bailly Elementary School)

Checks were issued in the amounts of \$245, (two for) \$500, and \$680 to staff members for purchases which were not supported by vendor invoices.

All claims, invoices, receipts, and accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for which amounts are claimed, including the nature, name, and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Treasurers, Chapter 7)

DUNELAND SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

RECEIPTS (Applies to Westchester Intermediate School,
Liberty Elementary School, and Yost Elementary School)

Westchester Intermediate School

General receipts were not always deposited within a reasonable period of time. Receipts, in some instances, were held for periods in excess of 11 days before depositing, amounts held ranged from \$41 to \$856.70.

Textbook rental receipts for the school years ended June 30, 2007, and June 30, 2008, exceeded amounts posted to the records by \$479 and \$262.45, respectively. The composition (cash or check) on the textbook rental receipts could not be verified to the general (official) receipts and deposits. The majority of textbook rental fees collected are during registration, which is two days before school officially starts. The textbook rental receipts were dated August 9, 2006, and August 10, 2006, official receipts were dated September 7, 2006, and September 8, 2006, and collections were deposited to the bank on September 12, 2006, and September 14, 2006, respectively. The textbook rental receipts were dated August 8, 2007, and August 9, 2007, official receipts were dated September 10, 2007, and collections were deposited to the bank on September 12, 2007. Collections were held up to 35 days in 2006 and 32 days in 2007 before being deposited.

Liberty Elementary School

Textbook rental receipts did not always indicate composition (cash or check). Some official receipts designated collections were comprised of both cash and checks, but the designations did not indicate the dollar amount of each; therefore, the composition could not be verified to the deposit composition.

Yost Elementary School

Some receipts were written for amounts which could not be verified to bank deposits. The Treasurer issued textbook rental receipts for full day kindergarten students for the school year ended June 30, 2008; however, the textbook rental was receipted with the tuition payments. Generic (nonprescribed, nonapproved) receipts were used for full day kindergarten tuition payments receipted at the school. Furthermore, some of the generic receipts had notations made "Holding Check." The deposits were short for these dates, but subsequent deposits were in excess of amounts receipted. Finally, the composition (cash or check) of the amounts collected were not always noted on either the textbook rental receipts or the generic receipts issued.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations.

Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

DUNELAND SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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

IC 20-5-7-4 states in part: ". . . receipts shall be deposited without unreasonable delay."

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

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE DUNELAND SCHOOL CORPORATION, PORTER COUNTY, INDIANA

Compliance

We have audited the compliance of the Duneland School Corporation (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2007 and 2008. 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, 2007 and 2008. 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 as items 2008-4 and 2008-5.

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 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.

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)

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

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

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.

Our consideration of the internal control over compliance 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 compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

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

This report is intended solely for the information and use of the School Corporation's management, 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

April 21, 2009

DUNELAND SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2007 and 2008

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 06-30-07	Total Federal Awards Expended 06-30-08
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 99,883	\$ 107,466
National School Lunch Program	10.555		<u>498,702</u>	<u>525,462</u>
Total for federal grantor agency			<u>598,585</u>	<u>632,928</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Indiana Department of Education				
Title I Grants to Local Educational Agencies				
06-6470	84.010		39,866	-
07-6470			213,964	128,260
08-6470			<u>-</u>	<u>326,282</u>
Total for program			<u>253,830</u>	<u>454,542</u>
Safe and Drug-Free Schools and Communities - State Grants				
04-168	84.186		58,492	-
05-206		Q186A040015	<u>-</u>	<u>56,506</u>
Total for program			<u>58,492</u>	<u>56,506</u>
State Grants for Innovative Programs				
04-000	84.298		2,101	-
05-103			10,957	13
05-206		06-6470	5,795	3,030
07-6470			<u>-</u>	<u>3,480</u>
Total for program			<u>18,853</u>	<u>6,523</u>
Education Technology State Grants				
02-04	84.318		111	852
		5318X060014	666	13
		5318X040014	5,000	-
		S318X050014	<u>4,387</u>	<u>-</u>
Total for program			<u>10,164</u>	<u>865</u>
Improving Teacher Quality State Grants				
04-237	84.367		134,408	-
05-277			<u>-</u>	<u>92,375</u>
Total for program			<u>134,408</u>	<u>92,375</u>
Total for federal grantor agency			<u>475,747</u>	<u>610,811</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>				
Indiana Department of Homeland Security				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)				
Snow Emergency 3274	97.036		<u>-</u>	<u>6,101</u>
Total for federal grantor agency			<u>-</u>	<u>6,101</u>
Total federal awards expended			<u>\$ 1,074,332</u>	<u>\$ 1,249,840</u>

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

DUNELAND SCHOOL CORPORATION
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Duneland School Corporation (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 Corporations 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, 2007 and 2008. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2007	2008
School Breakfast Program	10.553	\$ 10,331	\$ 15,857
National School Lunch Program	10.555	86,545	76,966

DUNELAND SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	yes

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	no

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

FINDING 2008-1, RECEIPTS

The computerized software used to generate receipts allows a user to modify or change a receipt after being posted. The user, to make a change to the receipt, will enter the receipt number they wish to correct. Then, the software will first prompt the user document a reason for the change, and then the user enters the change. The new receipt will be printed, and the receipt replaced will be destroyed. The new receipt will be identical to the original, which includes the original receipt number. An inquiry was made as to whether a report can be generated from the system which will document such changes; however, no such report is available at this time. We could not be determine how often receipt changes occurred.

DUNELAND SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The ability to change receipt information without an audit trail could allow for the user to manipulate financial information.

Receipt and disbursement corrections or other errors should be corrected by memorandum entry with the issuance of a check and receipt to document the flow of the transactions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

The computerized accounting system must maintain electronic audit trails sufficient to trace all transactions from original source of entry into the system, through all system processing, and to the results produced by the system. The audit trails must also maintain sufficient information to trace all transactions from the final results produced by the system, through all system processing, and to the original source of entry into the system. Audit trails must also identify the user that processed the transaction or updated the information. These audit trails must be protected from modification and deletion. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 10)

We recommended that when errors are made on receipt, that the original receipt be voided, and a new receipt issued so that an audit trail is maintained.

FINDING 2008-2, RECEIPT ISSUANCE

The School Corporation financial records are maintained electronically. Any collections posted to the ledger are entered through an electronic receipt. The electronic receipts generated are not issued; essentially, the School Corporation uses the electronic receipts as the means to post collections to the financial records.

The majority of the collections are in the form of checks, or electronic transfers of funds; however, some collections are in the form of cash. The collections received at the administration office at the front desk for cash tuition and delinquent textbook rental are at times in the form of cash. When fees are received at the administration office, prescribed or approved prenumbered receipts are not issued. A form is filled out indicating from whom the money was collected and amount, and the form of payment is copied along with the filled out form. The copied form and the collections are then placed in an interoffice mailbox for the Corporation Treasurer. Additionally, in the summer when the Extra-Curricular Treasurers are not working, school lunch collections are remitted directly to the Administration Office. Again, receipts are not issued for these collections which would include both cash and checks. A form is filled out in this case which shows the amount of cash and checks collected, the collections are verified, and the form signed by the party who remitted the collections, and the party who received the collections.

When receipts are not issued at the time collections are received, there is a risk that not all collections will be accounted for in the financial records.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

We recommended that officials issue receipts as collections are received.

DUNELAND SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2008-3, SCHOOL NUTRITION PROGRAM CONTROLS

The School Corporation Food Service Department requires each school to print an "Emergency Roster." The Emergency Roster is a report which provides a detail listing of the students and their account balances, as well as an overall total. Each school also prints a Monthly Liability Report which provides an overall total of the account balances. The total of the Emergency Roster and the Monthly Liability Report should agree; however, no attempts had been made to reconcile the Emergency Roster to the Monthly Liability Report by the School Food Service personnel. We attempted to verify the account balances being reported on the Monthly Liability Report to the Emergency Roster as of June 30, 2008, for all nine schools. The account balances per the Emergency Roster agreed to the Monthly Liability Report for only four schools. Differences for the other schools ranged from the \$81 to \$165 where the Emergency Roster account balances were less than the Monthly Liability Report account balance, and one school had a difference of \$211 in which the Emergency Roster total account balances exceeded the Monthly Liability Report.

Officials need to ensure that all transactions are properly accounted for in the system. Reports should be balanced and reconciled on a regular basis to ensure complete and accurate reporting.

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

We recommended that officials begin reconciling the Monthly Liability Report (control report) to Emergency Roster (detail reports) to ensure all information is complete and accurate, as well as to ensure that the cash collections are properly accounted for in the records.

Section III – Federal Award Findings and Questioned Costs

FINDING 2008-4, ALLOWABLE COSTS

Federal Agency: U.S. Department of Education
Federal Programs: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Pass-Through Entity: Indiana Department of Education

Nonteaching staff are required to complete time sheets to support payroll expenditures. The time sheets are to be signed by the department head (school principal) indicating that he or she has reviewed the time sheet and is certifying that the employee did work the hours claimed. After the time sheets are transmitted to the payroll clerk, she or another member of the administrative staff are to review the time sheets to ensure time claimed is correct.

A Title I Aide claimed time worked on three separate occasions on her time sheets when she did not work. Two days claimed were days when school was closed due to weather conditions, and one day was a scheduled holiday.

DUNELAND SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The employee may be filling out her time sheet in advance of actually working the time. The employee fills out her time sheets in pencil, and on some time sheets where school was delayed for weather, we observed eraser marks to correct the start time. Also, we observed that some time sheets were copies of the Principal's signatures, but the penciled in time was original; this indicates that the Principal may be signing the time sheets prior to the work period being completed.

Internal controls were bypassed in this case, which had the effect of compensating at least one employee for work not performed, and the cost was charged to the Title I program.

EDGAR Part 80 Subpart C (Post Award Requirements) Sec. 80.20 states in part:

"(b) The financial management systems of other grantees and subgrantees must meet the following standards: (3) Internal control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes."

We recommended that officials take steps to enforce established internal controls, and communicate and implement consequences for not following established controls.

FINDING 2008-5, CASH MANAGEMENT

Federal Agency: U.S. Department of Education
Federal Programs: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Pass-Through Entity: Indiana Department of Education

The School Corporation maintained cash balances in excess of current needs. Ending monthly cash balances for the period July 1, 2006 to June 30, 2008, exceeded the following month's disbursements for 20 out of 24 months for the Title I grants.

The Corporation Treasurer indicated that she was filing a form to indicate the School Corporation did not need certain drawdowns, but she was not filling out the form correctly. Essentially the form asked the official to indicate the amount of the drawdown not required for a given time period and the Treasurer was writing down a zero. The Treasurer indicated that by inserting a zero she was instructing the Department of Education to not remit the drawdown, but the request had the opposite effect.

Failure to comply with the Cash Management requirement could cause the School Corporation to be deemed ineligible to receive federal awards in the future.

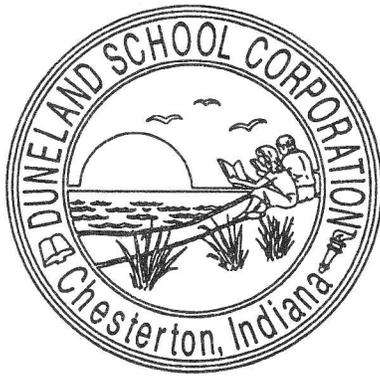
Edgar Part 80 Subpart C (7) states:

"Cash management. Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash

DUNELAND SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their sub-grantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

We reviewed the drawdown modification form with the Treasurer to clear up any misunderstandings. We then recommended that she indicate the dollar amount by which she wishes to reduce the drawdown request.



Duneland School Corporation

ADMINISTRATION CENTER

601 West Morgan Avenue

Chesterton, Indiana 46304-2205

Phone: 219-983-3600 FAX: 219-983-3614

March 17, 2009

State Board of Accounts
Room E418 302 Washington Street
Indianapolis IN 46204-2765

To Whom It May Concern:

In response to what remediation has occurred to address two findings in the Federal portion of our 2006 audit, I would offer the following:

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding No. 2006-2 Allowable Costs

Federal Agency: U. S. Department of Agriculture

Federal Program: Child Nutrition Cluster

CFDA Number 10.553, 10.555

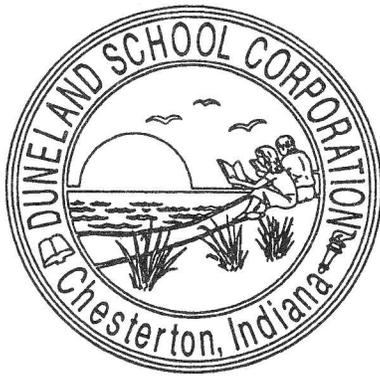
Pass-through Entity: Indiana Department of Education

To Whom It May Concern:

Upon the discovery of the above Findings in the last audit, the corrective action was to move all of the extracurricular accounts to the Corporation accounting system. These accounts now have the same internal controls as the Corporation accounts.

Sincerely,

Bonita K. Gaston
Business Manager/Treasurer



Duneland School Corporation

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March 17, 2009

State Board of Accounts
Room E418 302 Washington Street
Indianapolis IN 46204-2765

To Whom It May Concern:

In response to what remediation has occurred to address two findings in the Federal portion of our 2006 audit, I would offer the following:

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding No. 2006-3 Cash Management

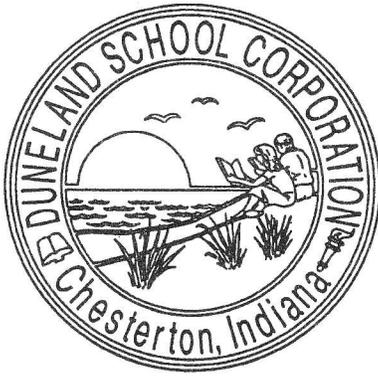
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number 84.010
Pass-through Entity: Indiana Department of Revenue

In regard to the concern of cash management, it still continues to be a problem controlling the cash available at the end of each quarter. Again, the effort will be made to have a lesser balance each quarter, with the assistance of the Title I Administrator.

We will request reductions in our monthly distributions on our quarterly monitoring reports.

Sincerely,

Bonita K. Gaston
Business Manager/Treasurer



Duneland School Corporation

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April 21, 2009

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DUNELAND SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND
QUESTIONED COSTS CORRECTIVE
ACTION PLAN

Section II – Financial Statement Findings

FINDINGS NO. 2008-1 CHANGES TO RECEIPTS

We have been in contact with our software vendor to request a report for any changes that need to be made to a receipt. If we are unable to receive this report, we will void the original receipt and reissue a new receipt.

FINDING NO. 2008-2 RECEIPT ISSUANCE

All future collections of cash or checks will be issued a receipt at the time of receipt by a pre-numbered receipt when a Corporation receipt cannot be issued immediately

FINDING NO. 2008-3 SCHOOL NUTRITION PROGRAM CONTROLS

A Prepaid Collection Report, a Check Report, and the Liability Report will be printed each month and compared to insure collections are properly accounted for.

Section III – Federal Award Findings and Questioned Costs

FINDING NO. 2008-4 ACTIVITIES ALLOWED OR UNALLOWED

Federal Agency: U. S. Department of Education
Federal Programs: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Pass-through Entity: Indiana Department of Education

Principals and Supervisors have been made aware that they are responsible for the accuracy of the timesheets prior to signing for approval. Any over payments will be corrected.

FINDING 2008.5 CASH MANAGEMENT

Efforts will be made to request funds more accurately. Since the misunderstanding has been clarified, efforts already have been made on the current quarterly reporting to reduce next month's draw by the total amount expected to be received.

Sincerely,



Bonita K. Gaston
Treasurer

DUNELAND SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on April 21, 2009, with Bonita K. Gaston, Treasurer; Dr. Dave Pruis, Superintendent of Operations/Human Resources; Dr. Dirk Baer, Superintendent of Schools; and Nick Jurasevich, President of the School Board. The officials concurred with our findings.