

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

AUDIT REPORT

OF

SCHOOL CITY OF WHITING

LAKE COUNTY, INDIANA

July 1, 2006 to June 30, 2008



FILED

06/24/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director of Finance	Cynthia Adams	07-01-06 to 06-30-09
Superintendent of Schools	Dr. Sandra T. Martinez	07-01-06 to 06-30-09
President of the School Board	Lindy Fisher Susan Mills-Groninger Shawn Turpin Anthony Borgo	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 SCHOOL CITY OF WHITING, LAKE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School City of Whiting (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 pre-scribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, 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 May 11, 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, Schedule of Capital Assets, 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 Capital Assets and Schedule of Long-Term Debt have 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 them.

STATE BOARD OF ACCOUNTS

May 11, 2009



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

TO: THE OFFICIALS OF THE SCHOOL CITY OF WHITING, LAKE COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School City of Whiting (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 May 11, 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.

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

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management in a separate letter dated May 11, 2009.

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

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

STATE BOARD OF ACCOUNTS

May 11, 2009

SCHOOL CITY OF WHITING
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>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 4,336,830	\$ -	\$ 80,077	\$ (4,256,753)
Support services	3,817,806	168,621	283,935	(3,365,250)
Community services	145,804	-	-	(145,804)
Nonprogrammed charges	747,379	-	-	(747,379)
Debt service	<u>6,647,033</u>	<u>-</u>	<u>-</u>	<u>(6,647,033)</u>
Total government	<u>\$ 15,694,852</u>	<u>\$ 168,621</u>	<u>\$ 364,012</u>	<u>(15,162,219)</u>
General receipts:				
Property taxes				7,615,531
Other local sources				372,541
State aid				3,172,267
Bonds and loans				4,262,000
Grants and contributions not restricted to specific programs				493,571
Sale of property, adjustments, and refunds				54,615
Investment earnings				<u>277,935</u>
Total general receipts, interfund loans, transfers, and special items				<u>16,248,460</u>
Change in net assets				1,086,241
Net assets - beginning				<u>5,223,095</u>
Net assets - ending				<u>\$ 6,309,336</u>
<u>Assets</u>				
Cash and investments				\$ 5,981,912
Restricted assets:				
Cash and investments				<u>327,424</u>
Total assets				<u>\$ 6,309,336</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 303,648
Other purposes				23,776
Unrestricted				<u>5,981,912</u>
Total net assets				<u>\$ 6,309,336</u>

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

SCHOOL CITY OF WHITING
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	
Governmental activities:				Net (Disbursement) Receipts and Changes in Net Assets
Instruction	\$ 5,623,989	\$ -	\$ 133,364	\$ (5,490,625)
Support services	4,729,299	172,058	315,670	(4,241,571)
Community services	151,088	-	-	(151,088)
Nonprogrammed charges	585,146	-	-	(585,146)
Debt service	<u>5,187,065</u>	<u>-</u>	<u>-</u>	<u>(5,187,065)</u>
Total government	<u>\$ 16,276,587</u>	<u>\$ 172,058</u>	<u>\$ 449,034</u>	<u>(15,655,495)</u>
General receipts:				
Property taxes				6,222,743
Other local sources				394,036
State aid				2,893,216
Bonds and loans				4,092,800
Grants and contributions not restricted to specific programs				546,789
Sale of property, adjustments, and refunds				44,578
Investment earnings				<u>199,621</u>
Total general receipts, interfund loans, transfers, and special items				<u>14,393,783</u>
Change in net assets				(1,261,712)
Net assets - beginning				<u>6,309,338</u>
Net assets - ending				<u>\$ 5,047,626</u>
<u>Assets</u>				
Cash and investments				\$ 4,368,233
Restricted assets:				
Cash and investments				<u>679,393</u>
Total assets				<u>\$ 5,047,626</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 639,471
Other purposes				39,922
Unrestricted				<u>4,368,233</u>
Total net assets				<u>\$ 5,047,626</u>

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

SCHOOL CITY OF WHITING
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	\$ 4,879,565	\$ 483,214	\$ -	\$ 1,115,055	\$ 1,567,260	\$ 180,428	\$ 188,987	\$ 8,414,509
Intermediate sources	20,119	-	-	-	-	-	-	20,119
State sources	3,237,985	-	-	-	57	-	72,518	3,310,560
Federal sources	167,967	-	-	-	-	-	551,323	719,290
Bonds and loans	2,700,000	184,000	-	408,000	970,000	-	-	4,262,000
Sale of property, adjustments and refunds	10,726	8,802	-	-	30,421	-	4,666	54,615
Total receipts	11,016,362	676,016	-	1,523,055	2,567,738	180,428	817,494	16,781,093
Disbursements:								
Current:								
Instruction	4,078,352	-	-	-	-	-	258,478	4,336,830
Support services	1,779,830	362,994	-	-	1,226,438	-	448,544	3,817,806
Community services	131,775	-	-	-	-	-	14,029	145,804
Nonprogrammed charges	507,000	-	197,022	-	-	-	43,357	747,379
Debt services	4,000,000	300,000	-	1,256,511	1,040,000	50,522	-	6,647,033
Total disbursements	10,496,957	662,994	197,022	1,256,511	2,266,438	50,522	764,408	15,694,852
Excess (deficiency) of receipts over disbursements	519,405	13,022	(197,022)	266,544	301,300	129,906	53,086	1,086,241
Other financing sources (uses):								
Transfers in	14,245	-	828,792	-	-	10,100	41,740	894,877
Transfers out	-	-	-	(19,291)	(247,373)	(581,419)	(46,794)	(894,877)
Total other financing sources (uses)	14,245	-	828,792	(19,291)	(247,373)	(571,319)	(5,054)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	533,650	13,022	631,770	247,253	53,927	(441,413)	48,032	1,086,241
Cash and investments - beginning	3,244,943	165,433	400,484	56,395	628,691	466,986	260,163	5,223,095
Cash and investments - ending	\$ 3,778,593	\$ 178,455	\$ 1,032,254	\$ 303,648	\$ 682,618	\$ 25,573	\$ 308,195	\$ 6,309,336
Cash and Investment Assets - Ending								
Cash and investments	\$ 3,778,593	\$ 178,455	\$ 1,032,254	\$ -	\$ 682,618	\$ 25,573	\$ 284,419	\$ 5,981,912
Restricted assets:								
Cash and investments	-	-	-	303,648	-	-	23,776	327,424
Total cash and investment assets - ending	\$ 3,778,593	\$ 178,455	\$ 1,032,254	\$ 303,648	\$ 682,618	\$ 25,573	\$ 308,195	\$ 6,309,336
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ 303,648	\$ -	\$ -	\$ -	\$ 303,648
Other purposes	-	-	-	-	-	-	23,776	23,776
Unrestricted	3,778,593	178,455	1,032,254	-	682,618	25,573	284,419	5,981,912
Total cash and investment fund balance - ending	\$ 3,778,593	\$ 178,455	\$ 1,032,254	\$ 303,648	\$ 682,618	\$ 25,573	\$ 308,195	\$ 6,309,336

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

SCHOOL CITY OF WHITING
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	\$ 3,447,825	\$ 460,327	\$ -	\$ 1,567,081	\$ 1,160,391	\$ 144,575	\$ 191,328	\$ 6,971,527
Intermediate sources	16,931	-	-	-	-	-	-	16,931
State sources	2,967,492	-	-	-	-	-	135,147	3,102,639
Federal sources	174,787	-	-	-	-	-	611,615	786,402
Bonds and loans	2,835,000	172,000	-	124,000	883,000	-	78,800	4,092,800
Sale of property, adjustments and refunds	8,783	6	-	-	32,465	-	3,324	44,578
Total receipts	9,450,818	632,333	-	1,691,081	2,075,856	144,575	1,020,214	15,014,877
Disbursements:								
Current:								
Instruction	4,232,060	-	1,032,254	-	-	-	359,675	5,623,989
Support services	2,428,653	372,466	-	8,077	1,218,903	116,892	597,712	4,742,703
Community services	148,303	-	-	-	-	-	2,785	151,088
Nonprogrammed charges	539,286	-	-	-	-	-	32,456	571,742
Debt services	2,700,000	184,000	-	1,333,065	970,000	-	-	5,187,065
Total disbursements	10,048,302	556,466	1,032,254	1,341,142	2,188,903	116,892	992,628	16,276,587
Excess (deficiency) of receipts over disbursements	(597,484)	75,867	(1,032,254)	349,939	(113,047)	27,683	27,586	(1,261,710)
Other financing sources (uses):								
Transfers in	250,460	-	-	150,000	-	100,000	56,144	556,604
Transfers out	(259,600)	-	-	(164,116)	-	(100,000)	(32,888)	(556,604)
Total other financing sources (uses)	(9,140)	-	-	(14,116)	-	-	23,256	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(606,624)	75,867	(1,032,254)	335,823	(113,047)	27,683	50,842	(1,261,710)
Cash and investments - beginning	3,778,593	178,455	1,032,254	303,648	682,618	25,573	308,195	6,309,336
Cash and investments - ending	\$ 3,171,969	\$ 254,322	\$ -	\$ 639,471	\$ 569,571	\$ 53,256	\$ 359,037	\$ 5,047,626
Cash and Investment Assets - Ending								
Cash and investments	\$ 3,171,969	\$ 254,322	\$ -	\$ -	\$ 569,571	\$ 53,256	\$ 319,115	\$ 4,368,233
Restricted assets:								
Cash and investments	-	-	-	639,471	-	-	39,922	679,393
Total cash and investment assets - ending	\$ 3,171,969	\$ 254,322	\$ -	\$ 639,471	\$ 569,571	\$ 53,256	\$ 359,037	\$ 5,047,626
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ 639,471	\$ -	\$ -	\$ -	\$ 639,471
Other purposes	-	-	-	-	-	-	39,922	39,922
Unrestricted	3,171,969	254,322	-	-	569,571	53,256	319,115	4,368,233
Total cash and investment fund balance - ending	\$ 3,171,969	\$ 254,322	\$ -	\$ 639,471	\$ 569,571	\$ 53,256	\$ 359,037	\$ 5,047,626

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

SCHOOL CITY OF WHITING
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUND
For the Year Ended June 30, 2008

	<u>Pension Trust Fund</u>
Additions:	
Contributions:	
Employer	\$ 1,732,254
Total additions	<u>1,732,254</u>
Cash and investment fund balance - beginning	<u>-</u>
Cash and investment fund balance - ending	<u>\$ 1,732,254</u>
Net assets:	
Cash and investments held in trust	<u>\$ 1,732,254</u>

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

SCHOOL CITY OF WHITING
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.

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

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

The School Corporation is a participant with fifteen other school corporations in Lake County in a joint venture to operate the Lake County Safe Schools Commission. The Commission was authorized in 1999 by IC 5-2-10.1. The Commission was established to improve school safety issues. The Commission is governed by a board composed of a member from each school corporation in Lake County. Although the member schools may fund the Commission, the Commission has generated sufficient revenue without member payments. Complete financial statements for the Commission can be obtained through the Lake Station Community School Corporation, 2500 Pike Street, Lake Station, Indiana 46405.

The School Corporation is a participant with other participating school corporations in a joint venture to operate the Northwest Indiana Natural Gas Cooperative (Gas Cooperative), which was created to procure natural gas in a more economical and efficient manner. The Gas Cooperative operates under the authority of the Northwest Indiana Educational Service Center (Service Center). The School Corporation provides funding for administrative costs based upon a percentage of the Average Daily Membership counts not to exceed \$10,000. Complete financial statements of the Gas Cooperative can be obtained from the Service Center Administration Offices, 2939 – 41st Street, Highland, Indiana 46322.

SCHOOL CITY OF WHITING
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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, 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 is used to account for funds in accordance with IC 36-1-8-5.1 and a locally adopted resolution.

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

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

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

Additionally, the School Corporation reports the following fund type:

The pension trust fund accounts for the resources for pension benefit payments.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental 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.

SCHOOL CITY OF WHITING
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

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 fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

4. Long-Term Debt

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

5. Equity Classification

Government-Wide Statements

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

SCHOOL CITY OF WHITING
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts and Disbursements

Program Receipts

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

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

Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

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

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. 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.

SCHOOL CITY OF WHITING
NOTES TO FINANCIAL STATEMENTS
(Continued)

II. Stewardship, Compliance and Accountability

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.

III. Detailed Notes on All Funds

A. 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. At June 30, 2008, the School Corporation had deposit balances in the amount of \$6,779,880.

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.

B. Interfund Transfers

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

SCHOOL CITY OF WHITING
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Transfer From</u>	<u>Transfer To</u>	<u>2006-2007</u>	<u>2007-2008</u>
General Fund	Debt Service	\$ -	\$ 150,000
General Fund	Bus Replacement	-	100,000
General Fund	Other governmental	-	9,600
Debt Service	General Fund	-	150,000
Bus Replacement	General Fund	-	100,000
Capital Projects	Rainy Day	247,373	-
Debt Service	Other governmental	19,291	14,116
Other governmental	General Fund	14,245	460
Other governmental	Rainy Day	581,419	-
Other governmental	School Bus Replacement	10,100	-
Other governmental	Other governmental	22,449	32,428
		<u>\$ 894,877</u>	<u>\$ 556,604</u>
Totals		<u>\$ 894,877</u>	<u>\$ 556,604</u>

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

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, Retirees, and Dependents (Excluding Post Employment Benefits)

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 Fund, a trust fund accounted for separately from the corporation records, where employee premiums fully pay claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$50,000 per person, per year and \$5,000,000 aggregate per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years.

SCHOOL CITY OF WHITING
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Holding Corporation

The School Corporation has entered into a capital lease with the School City of Whiting 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 2006-2007 and 2007-2008 totaled \$645,000 and \$665,000, respectively.

C. Termination Benefits

Teachers/Administrators Early Retirement Benefit

An individual teacher/administrator may qualify for early retirement benefits from age 50 until the day they are eligible for reduced social security benefits. To qualify, he/she must have a minimum of 15 years of service in the Whiting Schools. The Superintendent must have a minimum of 12 years of service in the Whiting Schools. The retiring teacher must indicate his/her intention to retire in writing to the Superintendent prior to May 1st of the year previous to the teacher's last contractual year.

Upon retiring, the teacher qualified for early retirement benefits will receive \$10,000 per year in bi-weekly payments for two consecutive years, or until the date the retiree is eligible for reduced social security benefits, whichever occurs first. The first payment will start on the first pay of the next school year following retirement. No retired teachers or administrators received this benefit over the years 2006-2007 and 2007-2008.

Special One Time Retirement Supplement Offer for Teachers/
Administrators not Eligible for Early Retirement

The School City of Whiting extended a one-time Retirement Supplement Offer to qualifying employees who chose or will choose to retire at the end of 2006-2007, 2007-2008, or 2008-2009 school years.

The School City extended the offer of a Retirement Supplement to all certified employees of the School City of Whiting who met the eligibility requirements.

The eligibility requirements are as follows:

1. The teacher must have a minimum of 15 years of service in the Whiting Schools. The Superintendent must have a minimum of 12 years of service in the Whiting Schools.
2. The teacher's age and years of service must satisfy the rule of 85 (age plus years of service = 85) at the time of retirement. The teacher must be qualified for a full pension under the Indiana Teacher's Retirement Fund.
3. The retiring teacher must have indicated his/her intention to retire in writing to the Superintendent prior to May 1st of the year previous to the teacher's last contractual year.
4. The retiring teacher must not be eligible for the Early Retirement provisions provided in the Professional Negotiations Agreement.

SCHOOL CITY OF WHITING
NOTES TO FINANCIAL STATEMENTS
(Continued)

Upon retiring, the teacher qualified for the one-time Retirement Supplement Offer will receive \$5,000 per year in bi-weekly payments for two consecutive years, or until the date the retiree is eligible for full social security benefits, whichever occurs first. The first payment will start on the first pay of the next school year following retirement. As of June 30, 2008, two retired teachers received \$3,076 for this benefit.

The offer is extended to a maximum of two certified teachers accepting this offer per year at the end of each of the school years. In the event more than two eligible employees indicate their intention to retire in the same year while this offer is in effect, then the two teachers with the most years teaching in the School City of Whiting will qualify.

Teacher/Administrator Severance Pay

Severance pay upon retirement shall be granted to eligible teachers. To be eligible for severance pay, a minimum of fifteen (15) years of employment in the Whiting Public Schools as a teacher is necessary and said eligible teacher may retire at the end of school year during which the teacher reaches age fifty (50). The Superintendent must have a minimum of 12 years of service in the Whiting Schools.

Retirement severance pay in the School City of Whiting is calculated by multiplying \$100.00 per day times the number of unused sick leave days the retiring person has accumulated.

If a teacher has used most of his/her sick days because of a major illness during the ten (10) years prior to his/her retirement, the teacher may select retirement severance pay computed at a rate of \$150.00 for each year of full-time service as a teacher in the Whiting Public Schools.

If a teacher is forced to retire as a result of ill health, accident, or other unforeseen event, and has not given notice as required, such notice may be waived by the school employer upon presentation of a doctor's certificate.

The teacher eligible for severance must be under contract to the Whiting Public School System at the time of his/her request for severance.

In case of permanent disability, verification of disability for severance pay purposes will be in accordance with Indiana State Teachers Retirement Fund and Social Security Regulations, subject, however, to the fifteen (15) years employment in the Whiting Public Schools regulation. The Superintendent must have a minimum of 12 years of service in the Whiting Schools. No retired teachers or administrators received this benefit as of June 30, 2008.

Payment of eligible teacher severance pay shall be made with one-half (1/2) of the severance amount to be paid on the payroll of the last month of employment and with the remaining one-half (1/2) payment to be paid during the first month of the year following retirement. At the option of the eligible teacher the severance payments may be made to the eligible teacher's deferred tax annuity, provided such annuity complies with prevailing federal and state tax laws. For the school year ended June 30, 2008, \$23,125 was paid to deferred tax annuities for two retirees.

If any teacher who would otherwise be eligible for this benefit dies in service, the benefit will be paid to his/her estate.

SCHOOL CITY OF WHITING
NOTES TO FINANCIAL STATEMENTS
(Continued)

Support Staff Severance Program

Support staff will be eligible for severance pay if he or she has satisfied the following requirements:

- 1) The support staff has attained the age of fifty-five (55).
- 2) The support staff has a minimum of ten (10) consecutive years experience with the School City of Whiting.
- 3) The support staff has resigned while in good standing.
- 4) The support staff has given the Superintendent advance notice in writing by May 1st of the year preceding the resignation, including the reason for this resignation/severance.
- 5) The support staff has been categorized as a twelve (12) month or contracted employee.

Severance pay shall be calculated at the rate of one hundred fifty dollars (\$155.00) per year of service in the School City of Whiting, up to a maximum of thirty (30) years. In addition, thirty dollars (\$30) will be paid to the employee for each day of sick leave the employee has accumulated at retirement up to a maximum of two hundred fifty (250) days. As of June 30, 2008, one person qualified and was paid \$3,050 under this benefit.

D. Other Postemployment Benefits

Teacher/Administrator Early Retirement Health Insurance

The Board will provide to the retiree who qualifies for early retirement benefits, single plan health insurance coverage at no cost until the retiree becomes eligible for Medicare. Or, if the retiree so chooses, a family plan may be purchased by the retiree paying the difference between the single plan and the family plan. As of June 30, 2008, \$15,808 was paid for single plan health insurance coverage for two retirees.

Teacher/Administrator Health Insurance

The Board will provide to the retiree who qualifies for a full pension under the Indiana Teacher's Retirement Fund and who has a minimum of 15 years of service in the Whiting Schools, single plan health insurance coverage at no cost until the retiree becomes eligible for Medicare. The Superintendent must have a minimum of 12 years of service in the Whiting Schools. Or, if the retiree so chooses, a family plan may be purchased by the retiree paying the difference between the single plan and the family plan. As of June 30, 2008, the School Corporation paid \$47,708 for health insurance coverage for seven retirees.

Support Staff Postemployment Health Insurance

The School City of Whiting will pay the single premium for health insurance for any support staff employee who retires at or after the age of 62 and has worked a minimum of ten (10) consecutive years with the School City of Whiting. This benefit will terminate when the employee is eligible for Medicare. No retired support staff received this benefit.

SCHOOL CITY OF WHITING
NOTES TO FINANCIAL STATEMENTS
(Continued)

Teacher/Administrator Postemployment Life Insurance

Upon retiring, the \$50,000.00 term life insurance provided to all teachers in Addendum I (Insurance) in the union agreement, shall be converted to a term policy with a face value of 25% of the original amount which will be in force for the life of the retiree. The Board will provide written notice of this insurance coverage to the retired teachers. As of June 30, 2008, the School Corporation paid \$45 for term life insurance for two retirees.

Support Staff Post Employment Life Insurance

If a support staff employee meets the severance eligibility, the School City of Whiting will pay the premium on a \$5,000 term life insurance policy for the duration of the employee's life. As of June 30, 2008, the School Corporation paid \$9 for life insurance for one qualifying employee.

E. Subsequent Events

Reassessment and Property Taxes

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 trending process have resulted in delays in billing taxes for 2008. Lake County 2007 pay 2008 tax rates were approved on November 14, 2008. The School Corporation received the final distribution March 27, 2009.

Tax Anticipation Warrants

The School Board passed resolutions authorizing the issuance of tax anticipation warrants, in the amounts of \$4,014,000 and \$1,727,000 to be repaid by December 31, 2008, and December 31, 2009, respectively. As of March 31, 2009, repayments of \$4,014,000 had been made.

General Obligation Bonds

On November 19, 2008, the Corporation issued General Obligation bonds in the amount of \$1,000,000. The bonds are to be repaid in 5 years and are for various capital improvement projects at the administrative and educational complexes.

F. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

a. 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

SCHOOL CITY OF WHITING
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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.

Information to segregate the assets/liabilities and the actuarial study figures between the School Corporation and the Utilities is not available.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 80,141
Interest on net pension obligation	(5,912)
Adjustment to annual required contribution	6,738
	-
Annual pension cost	80,967
Contributions made	64,540
Increase (decrease) in net pension obligation	16,427
Net pension obligation, beginning of year	(81,549)
Net pension obligation, end of year	\$ (65,122)

SCHOOL CITY OF WHITING
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF
Contribution rates:	
School Corporation	7.75%
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

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	\$ 65,377	95%	\$ (89,557)
	06-30-06	69,741	89%	(81,549)
	06-30-07	80,967	80%	(65,122)

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

SCHOOL CITY OF WHITING
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Funding Policy and Annual Pension Costs

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

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2008, 2007, and 2006, were \$105,905, \$99,161, and \$97,436, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years, respectively.

SCHOOL CITY OF WHITING
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-05	\$ 832,744	\$ 1,086,020	\$ (253,276)	77%	\$ 927,683	(27%)
07-01-06	869,611	1,164,783	(295,172)	75%	920,899	(32%)
07-01-07	1,018,811	1,273,869	(255,058)	80%	940,976	(27%)

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

	Special Education Preschool	School Lunch	Textbook Rental	Safe Haven Grant	Parents as Teachers Donation	Buckley Wall of Fame Donation	Nathan Hale Library Donation
Receipts:							
Local sources	\$ 9,333	\$ 131,933	\$ 28,118	\$ -	\$ 11,000	\$ 2,300	\$ 3,608
State sources	23,787	2,527	30,046	1,800	-	-	-
Federal sources	-	236,363	-	-	-	-	-
Sale of property, adjustments and refunds	-	4,574	92	-	-	-	-
Total receipts	<u>33,120</u>	<u>375,397</u>	<u>58,256</u>	<u>1,800</u>	<u>11,000</u>	<u>2,300</u>	<u>3,608</u>
Disbursements:							
Current:							
Instruction	-	-	28,477	-	-	-	-
Support services	-	343,021	-	-	-	2,483	4,151
Community services	-	-	-	1,800	-	-	-
Nonprogrammed charges	40,646	-	-	-	-	-	-
Total disbursements	<u>40,646</u>	<u>343,021</u>	<u>28,477</u>	<u>1,800</u>	<u>-</u>	<u>2,483</u>	<u>4,151</u>
Excess (deficiency) of receipts over disbursements	<u>(7,526)</u>	<u>32,376</u>	<u>29,779</u>	<u>-</u>	<u>11,000</u>	<u>(183)</u>	<u>(543)</u>
Other financing sources (uses):							
Transfers in	-	-	19,291	-	-	-	-
Transfers out	(3,907)	-	(10,100)	-	-	-	-
Total other financing sources (uses)	<u>(3,907)</u>	<u>-</u>	<u>9,191</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(11,433)	32,376	38,970	-	11,000	(183)	(543)
Cash and investments - beginning	<u>39,957</u>	<u>96,139</u>	<u>7,314</u>	<u>-</u>	<u>10,000</u>	<u>1,184</u>	<u>1,494</u>
Cash and investments - ending	<u>\$ 28,524</u>	<u>\$ 128,515</u>	<u>\$ 46,284</u>	<u>\$ -</u>	<u>\$ 21,000</u>	<u>\$ 1,001</u>	<u>\$ 951</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 28,524	\$ 128,515	\$ 46,284	\$ -	\$ -	\$ -	\$ 951
Restricted assets:							
Cash and investments	-	-	-	-	21,000	1,001	-
Total cash and investment assets - ending	<u>\$ 28,524</u>	<u>\$ 128,515</u>	<u>\$ 46,284</u>	<u>\$ -</u>	<u>\$ 21,000</u>	<u>\$ 1,001</u>	<u>\$ 951</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Other purposes	\$ -	\$ -	\$ -	\$ -	\$ 21,000	\$ 1,001	\$ -
Unrestricted	28,524	128,515	46,284	-	-	-	951
Total cash and investment fund balance - ending	<u>\$ 28,524</u>	<u>\$ 128,515</u>	<u>\$ 46,284</u>	<u>\$ -</u>	<u>\$ 21,000</u>	<u>\$ 1,001</u>	<u>\$ 951</u>

SCHOOL CITY OF WHITING
 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)

	Bill Rebey Donation	Top Ten Dinner	Gifted and Talented Grant	Education Technology Grant	Non English Speaking Grant	Title I	Innovative Education Program Strategies
Receipts:							
Local sources	\$ 2,340	\$ 355	\$ -	\$ -	\$ -	\$ -	\$ -
State sources			11,661	-	2,697	-	-
Federal sources			-	-	-	207,620	1,518
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	2,340	355	11,661	-	2,697	207,620	1,518
Disbursements:							
Current:							
Instruction	-	-	400	-	1,952	204,797	1,765
Support services	565	355	9,530	-	982	4,499	22,275
Community services	-	-	-	-	-	12,229	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	565	355	9,930	-	2,934	221,525	24,040
Excess (deficiency) of receipts over disbursements	1,775	-	1,731	-	(237)	(13,905)	(22,522)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	22,449
Transfers out	-	-	-	-	-	(7,900)	(2,438)
Total other financing sources (uses)	-	-	-	-	-	(7,900)	20,011
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,775	-	1,731	-	(237)	(21,805)	(2,511)
Cash and investments - beginning	-	-	955	-	2,286	46,307	16,025
Cash and investments - ending	\$ 1,775	\$ -	\$ 2,686	\$ -	\$ 2,049	\$ 24,502	\$ 13,514
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ -	\$ 2,686	\$ -	\$ 2,049	\$ 24,502	\$ 13,514
Restricted assets:							
Cash and investments	1,775	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 1,775	\$ -	\$ 2,686	\$ -	\$ 2,049	\$ 24,502	\$ 13,514
Cash and Investment Fund Balance - Ending							
Restricted for:							
Other purposes	\$ 1,775	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	-	2,686	-	2,049	24,502	13,514
Total cash and investment fund balance - ending	\$ 1,775	\$ -	\$ 2,686	\$ -	\$ 2,049	\$ 24,502	\$ 13,514

SCHOOL CITY OF WHITING
 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)

	Safe and Drug-Free Schools and Communities	Federal Hurricane Relief Grant	Improving Teacher Quality	Technology Literacy Challenge Fund Grant	English Acquisition Grant	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 188,987
State sources	-	-	-	-	-	72,518
Federal sources	4,328	15,000	44,899	-	41,595	551,323
Sale of property, adjustments and refunds	-	-	-	-	-	4,666
Total receipts	4,328	15,000	44,899	-	41,595	817,494
Disbursements:						
Current:						
Instruction	455	15,000	1,659	71	3,902	258,478
Support services	4,640	-	14,565	477	41,001	448,544
Community services	-	-	-	-	-	14,029
Nonprogrammed charges	316	-	1,565	-	830	43,357
Total disbursements	5,411	15,000	17,789	548	45,733	764,408
Excess (deficiency) of receipts over disbursements	(1,083)	-	27,110	(548)	(4,138)	53,086
Other financing sources (uses):						
Transfers in	-	-	-	-	-	41,740
Transfers out	-	-	(22,449)	-	-	(46,794)
Total other financing sources (uses)	-	-	(22,449)	-	-	(5,054)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,083)	-	4,661	(548)	(4,138)	48,032
Cash and investments - beginning	3,756	-	22,575	1,639	10,532	260,163
Cash and investments - ending	<u>\$ 2,673</u>	<u>\$ -</u>	<u>\$ 27,236</u>	<u>\$ 1,091</u>	<u>\$ 6,394</u>	<u>\$ 308,195</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 2,673	\$ -	\$ 27,236	\$ 1,091	\$ 6,394	\$ 284,419
Restricted assets:						
Cash and investments	-	-	-	-	-	23,776
Total cash and investment assets - ending	<u>\$ 2,673</u>	<u>\$ -</u>	<u>\$ 27,236</u>	<u>\$ 1,091</u>	<u>\$ 6,394</u>	<u>\$ 308,195</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Other purposes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,776
Unrestricted	2,673	-	27,236	1,091	6,394	284,419
Total cash and investment fund balance - ending	<u>\$ 2,673</u>	<u>\$ -</u>	<u>\$ 27,236</u>	<u>\$ 1,091</u>	<u>\$ 6,394</u>	<u>\$ 308,195</u>

SCHOOL CITY OF WHITING
 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

	Special Education Preschool	School Lunch	Textbook Rental	Safe Haven Grant	Parents as Teachers Donation	Afternoons ROCK	Buckley Wall of Fame Donation
Receipts:							
Local sources	\$ 6,914	\$ 134,962	\$ 29,502	\$ -	\$ 10,000	\$ 6,450	\$ 2,900
State sources	17,133	2,352	55,096	1,477	-	-	-
Federal sources	-	258,223	-	-	-	-	-
Bonds and loans	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	3,214	110	-	-	-	-
Total receipts	24,047	398,751	84,708	1,477	10,000	6,450	2,900
Disbursements:							
Current:							
Instruction	-	-	67,278	-	-	-	-
Support services	-	388,714	-	-	-	9,429	2,600
Community services	-	-	-	1,477	-	-	-
Nonprogrammed charges	28,524	-	-	-	-	-	-
Total disbursements	28,524	388,714	67,278	1,477	-	9,429	2,600
Excess (deficiency) of receipts over disbursements	(4,477)	10,037	17,430	-	10,000	(2,979)	300
Other financing sources (uses):							
Transfers in	-	-	22,193	-	-	9,600	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	22,193	-	-	9,600	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,477)	10,037	39,623	-	10,000	6,621	300
Cash and investments - beginning	28,524	128,515	46,284	-	21,000	-	1,001
Cash and investments - ending	\$ 24,047	\$ 138,552	\$ 85,907	\$ -	\$ 31,000	\$ 6,621	\$ 1,301
Cash and Investment Assets - Ending							
Cash and investments	\$ 24,047	\$ 138,552	\$ 85,907	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	31,000	6,621	1,301
Total cash and investment assets - ending	\$ 24,047	\$ 138,552	\$ 85,907	\$ -	\$ 31,000	\$ 6,621	\$ 1,301
Cash and Investment Fund Balance - Ending							
Restricted for:							
Other purposes	\$ -	\$ -	\$ -	\$ -	\$ 31,000	\$ 6,621	\$ 1,301
Unrestricted	24,047	138,552	85,907	-	-	-	-
Total cash and investment fund balance - ending	\$ 24,047	\$ 138,552	\$ 85,907	\$ -	\$ 31,000	\$ 6,621	\$ 1,301

SCHOOL CITY OF WHITING
 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)

	Nathan Hale Library Donation	Bill Rebey Donation	Top Ten Dinner	Gifted and Talented Grant	Education Technology Grant	Non English Speaking Grant	Title I
Receipts:							
Local sources	\$ -	\$ 225	\$ 375	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	28,920	-	30,169	-
Federal sources	-	-	-	-	-	-	277,535
Bonds and loans	-	-	-	-	78,800	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	-	225	375	28,920	78,800	30,169	277,535
Disbursements:							
Current:							
Instruction	-	-	-	371	-	26,861	263,044
Support services	951	1,000	375	25,043	78,800	-	1,941
Community services	-	-	-	-	-	723	585
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	951	1,000	375	25,414	78,800	27,584	265,570
Excess (deficiency) of receipts over disbursements	(951)	(775)	-	3,506	-	2,585	11,965
Other financing sources (uses):							
Transfers in	951	-	-	-	-	-	-
Transfers out	(951)	-	-	-	-	-	(8,077)
Total other financing sources (uses)	-	-	-	-	-	-	(8,077)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(951)	(775)	-	3,506	-	2,585	3,888
Cash and investments - beginning	951	1,775	-	2,686	-	2,049	24,502
Cash and investments - ending	\$ -	\$ 1,000	\$ -	\$ 6,192	\$ -	\$ 4,634	\$ 28,390
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ -	\$ -	\$ 6,192	\$ -	\$ 4,634	\$ 28,390
Restricted assets:							
Cash and investments	-	1,000	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 1,000	\$ -	\$ 6,192	\$ -	\$ 4,634	\$ 28,390
Cash and Investment Fund Balance - Ending							
Restricted for:							
Other purposes	\$ -	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	-	-	6,192	-	4,634	28,390
Total cash and investment fund balance - ending	\$ -	\$ 1,000	\$ -	\$ 6,192	\$ -	\$ 4,634	\$ 28,390

SCHOOL CITY OF WHITING
 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)

	Innovative Education Program Strategies	Safe and Drug-Free Schools and Communities	Federal Hurricane Relief Grant	Improving Teacher Quality	Technology Literacy Challenge Fund Grant	English Acquisition Grant	Totals
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 191,328
State sources	-	-	-	-	-	-	135,147
Federal sources	1,572	4,341	-	46,898	-	23,046	611,615
Bonds and loans	-	-	-	-	-	-	78,800
Sale of property, adjustments and refunds	-	-	-	-	-	-	3,324
Total receipts	1,572	4,341	-	46,898	-	23,046	1,020,214
Disbursements:							
Current:							
Instruction	181	6	-	523	111	1,300	359,675
Support services	11,374	3,916	-	45,057	832	27,680	597,712
Community services	-	-	-	-	-	-	2,785
Nonprogrammed charges	2,186	-	-	1,598	148	-	32,456
Total disbursements	13,741	3,922	-	47,178	1,091	28,980	992,628
Excess (deficiency) of receipts over disbursements	(12,169)	419	-	(280)	(1,091)	(5,934)	27,586
Other financing sources (uses):							
Transfers in	23,400	-	-	-	-	-	56,144
Transfers out	-	-	-	(23,400)	-	(460)	(32,888)
Total other financing sources (uses)	23,400	-	-	(23,400)	-	(460)	23,256
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	11,231	419	-	(23,680)	(1,091)	(6,394)	50,842
Cash and investments - beginning	13,514	2,673	-	27,236	1,091	6,394	308,195
Cash and investments - ending	\$ 24,745	\$ 3,092	\$ -	\$ 3,556	\$ -	\$ -	\$ 359,037
Cash and Investment Assets - Ending							
Cash and investments	\$ 24,745	\$ 3,092	\$ -	\$ 3,556	\$ -	\$ -	\$ 319,115
Restricted assets:							
Cash and investments	-	-	-	-	-	-	39,922
Total cash and investment assets - ending	\$ 24,745	\$ 3,092	\$ -	\$ 3,556	\$ -	\$ -	\$ 359,037
Cash and Investment Fund Balance - Ending							
Restricted for:							
Other purposes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,922
Unrestricted	24,745	3,092	-	3,556	-	-	319,115
Total cash and investment fund balance - ending	\$ 24,745	\$ 3,092	\$ -	\$ 3,556	\$ -	\$ -	\$ 359,037

SCHOOL CITY OF WHITING
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended June 30, 2008

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 374,988
Buildings	29,288,181
Improvements other than buildings	2,099,999
Machinery and equipment	<u>1,027,880</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 32,791,048</u>

SCHOOL CITY OF WHITING
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2008

The School City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Notes and loans payable	\$ 224,811	\$ 60,913

SCHOOL CITY OF WHITING
AUDIT RESULTS AND COMMENTS

TRANSFER TUITION

The School Corporation accepts cash transfer tuition students. The transfer tuition charged by the School Corporation is a flat rate set by the School Board. The School Corporation does not charge transfer tuition based on the Transfer Tuition Statement - Form 515. A similar comment appeared in prior reports.

IC 20-26-11-6 (b) states in part: "A transfer may not be accepted unless the requesting parents or student pays transfer tuition in an amount determined under the formula established . . ."

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 Indiana Public School Corporations, Chapter 9)

TRANSPORTATION FUND EXPENDITURES

A portion of the salaries of the Superintendent and the Treasurer were paid from the Transportation Fund. A similar comment appeared in prior reports.

IC 5-11-9-4 requires in part: ". . . records be maintained showing which hours were worked each day by officers and employees . . . employed . . . in more than one (1) position by the same public agency . . ."

Some positions have been formally established by boards of school trustees, through job description, duties assigned, title, salary schedules, etc., as transportation related (for example, Assistant Superintendent-Transportation Director). We will not take audit exception, in these situations (other than positions excluded by statute), to direct transportation related employees having direct transportation related expenses being paid from the transportation fund if a cost allocation system based upon auditable statistics is established tracking costs attributable to the transportation program and therefore payable from the transportation fund. The use of time cards, time logs, or other means of accumulating auditable statistics upon which to base costs would have to be maintained. The time spent on such programs by persons serving in more than one program area must be specific if costs are to be separated. These costs cannot be accurately maintained on a percentage basis and requires the use of one of the methods mentioned above to provide auditable statistics and should cover all program areas in which a person serves or for which the service, materials, supplies, etc., are provided. (The School Administrator and Uniform Compliance Guidelines, Volume 157)

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 difference between the count reported on the ADM and the verified figures are shown below:

SCHOOL CITY OF WHITING
 AUDIT RESULTS AND COMMENTS
 (Continued)

School Year	Grade	Count as Reported on Form Number 30A	Actual Enrollment Figures	Difference
2006-2007	Kindergarten	35	33.5	1.50
2007-2008	Kindergarten	31.5	32	(0.50)
2007-2008	1 Through 12	786	789	(3.00)

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)

SCHOOL LUNCH REIMBURSEMENT

Monthly, the Food Service Director generates a Sales Activity Report which documents the number of free, reduced and paid meals served to students. The Food Service Director reports monthly to the Indiana Department of Education the number of free, reduced and paid meals served to students using the Sales Activity Report. In November 2007, the number of students reported buying reduced breakfast and free lunch when compared to the Sales Activity Report did not agree. The number of students buying reduced breakfast was overstated 208 students and the students receiving free lunch was understated 14. This caused the Indiana Department of Education to pay the School Corporation too much money for the month of November.

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)

COLLECTION OF AMOUNTS DUE

The collection of delinquent textbook rental is not pursued by the School Corporation.

IC 20-33-5-11 does state: "(a) A school corporation may not: (1) withhold school books and supplies; (2) require any special services from a child; or (3) deny the child any benefit or privilege; because the parent fails to pay required fees. (b) Notwithstanding subsection (a), a school corporation may take any action authorized by law to collect unpaid fees from parents who are determined to be ineligible for assistance, including recovery of reasonable attorney's fees and court costs in addition to a judgment award against those parents."

SCHOOL CITY OF WHITING
AUDIT RESULTS AND COMMENTS
(Continued)

PRESCRIBED FORMS

The following prescribed or approved forms were not always in use:

Accounts Payable Voucher (School Form No. 523)
Payroll Schedule and Voucher (General Form No. 99)
Accounts Payable Voucher Register (General Form No. 364)
Ledger of Appropriations, Allotments, Encumbrances, Disbursements,
and Balances (School Form No. 512)
Teacher's Service Record (School Form No. 514)
Employee's Earnings Record (General Form No. 99B)

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 Indiana Public School Corporations, Chapter 9)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE SCHOOL CITY OF WHITING, LAKE COUNTY, INDIANA

Compliance

We have audited the compliance of the School City of Whiting (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.

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)

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 Official Response. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

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

STATE BOARD OF ACCOUNTS

May 11, 2009

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

<u>Federal Grantor Agency/Pass-Through Entity</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity (or Other) Identifying Number</u>	<u>Total Federal Awards Expended 06-30-07</u>	<u>Total Federal Awards Expended 06-30-08</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 34,320	\$ 42,441
National School Lunch Program	10.555		198,444	205,554
Special Milk Program for Children	10.556		503	655
Summer Food Service Program for Children	10.559		<u>19,078</u>	<u>18,876</u>
Total for federal grantor agency			<u>252,345</u>	<u>267,526</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through School City of East Chicago				
Special Education Cluster				
Special Education - Grants to States	84.027	FY 05-06	25,853	-
		FY 06-07	144,675	17,439
		FY 07-08	<u>-</u>	<u>204,647</u>
Total for program			<u>170,528</u>	<u>222,086</u>
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies				
	84.010	FY 06-4760	64,673	887
		FY 07-4760	164,752	50,617
		FY 08-4760	<u>-</u>	<u>222,143</u>
Total for program			<u>229,425</u>	<u>273,647</u>
Safe and Drug-Free Schools and Communities - State Grants				
	84.186	05-034	3,756	-
		4760-06	1,655	1,740
		4760-07	<u>-</u>	<u>2,182</u>
Total for program			<u>5,411</u>	<u>3,922</u>
State Grants for Innovative Programs				
	84.298	05-047	16,025	-
		FY 06-4760	10,453	13,514
		FY 07-4760	<u>-</u>	<u>228</u>
Total for program			<u>26,478</u>	<u>13,742</u>
Education Technology State Grants				
	84.318	05-4760	<u>548</u>	<u>1,091</u>
English Language Acquisition Grants				
	84.365	FY 05-06	10,532	-
		FY 06-07	35,201	6,394
		FY 07-08	<u>-</u>	<u>23,046</u>
Total for program			<u>45,733</u>	<u>29,440</u>
Improving Teacher Quality State Grants				
	84.367	04-209	305	-
		05-043	17,065	5,206
		06-4760	22,869	22,030
		07-4760	<u>-</u>	<u>43,343</u>
Total for program			<u>40,239</u>	<u>70,579</u>
Hurricane Education Recovery				
	84.938	4760	<u>15,000</u>	<u>-</u>
Total for federal grantor agency			<u>533,362</u>	<u>614,507</u>
Total federal awards expended			<u>\$ 785,707</u>	<u>\$ 882,033</u>

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

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

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the School City of Whiting (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	\$ 2,229	\$ 2,027
National School Lunch Program	10.555	12,754	9,713

SCHOOL CITY OF WHITING
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?	none reported

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?	none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	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? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

SCHOOL CITY OF WHITING
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters were reportable.

SCHOOL CITY OF WHITING
EXIT CONFERENCE

The contents of this report were discussed on May 11, 2009, with Anthony Borgo, President of the School Board; Dr. Sandra T. Martinez, Superintendent of Schools; Cynthia Adams, Director of Finance; Jay Harker, High School Principal; Cynthia Scroggins, Middle School Principal; and Penny Banfield, Elementary School Principal. The official response has been made a part of this report and may be found on pages 45 through 52.

SCHOOL CITY OF WHITING

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BOARD OF SCHOOL TRUSTEES

Anthony Borgo, President
Stephanic Stamper-Strabavy, Vice President
Lindy Fisher, Secretary
Michael J. Toth, Trustee
Shawn M. Turpin, Trustee

<p style="text-align: center;">SCHOOL CITY OF WHITING OFFICIAL RESPONSE AUDIT PERIOD: July 1, 2006 – June 30, 2008</p>

I. TRANSFER TUITION

Please see the written opinion of Board Attorney, Joseph L. Curosh.

II. TRANSPORTATION FUND EXPENDITURES

Please see the written opinion of Board Attorney, Joseph L. Curosh.

III. AVERAGE DAILY MEMBERSHIP (ADM) – INCORRECT REPORTING TO THE STATE

The ADM was reported incorrectly in both school years due to human error and resulted in the school corporation losing funding for two students. Corrective procedures will be implemented to require the school buildings to provide the detailed list of students to the corporate office for verification before submission to the Department of Education.

IV. SCHOOL LUNCH REIMBURSEMENT

The Indiana Department of Education was advised of the error and corrections will be made to subsequent distributions.

V. COLLECTIONS OF AMOUNTS DUE

I.C. 20-33-5-11 states in part that “a school corporation **MAY** take any action authorized by law to collect unpaid fees from parents who are determined to be ineligible for assistance...” I.C. 20-33-5-11 is a permissive and not a mandatory statute. The School City of Whiting Board of School Trustees has viewed I.C. 20-33-5-11 as providing one option and not as a mandate for taking legal action to collect unpaid fees.

VI. PRESCRIBED FORMS

The district currently uses the prescribed Accounts Payable Voucher (School Form # 523) and will have the other computer generated forms approved by the State Board of Accounts.

May 19, 2009

Dr. Sandra Martinez
Superintendent of Schools
School City of Whiting
1500 Center Street
Whiting, Indiana 46394

RE: STATE BOARD OF ACCOUNTS AUDIT FOR THE TWO YEAR PERIOD ENDING 6/30/08
RESPONSE TO AUDIT RESULTS AND COMMENTS
SCHOOL CITY OF WHITING CASH TRANSFER TUITION RECEIPTS

Dear Dr. Martinez:

This letter is written in reference to the *Audit Results and Comments* issued by the State Board of Accounts in their Audit of the School City of Whiting for the two-year period ending 6/30/08 concerning Cash Transfer Tuition.

I. BACKGROUND

During the Two Year Audit Period ending 6/30/08, the School City of Whiting accepted cash transfer tuition students for Whiting Middle School and Whiting High School. The cash transfer tuition students were only accepted if there was space available to absorb the additional cash transfer student without increasing the fixed costs of the school. The School City of Whiting did not accept cash transfer tuition students for Whiting Elementary School because it did not have space available. The transfer tuition charged by the Whiting School City was a flat rate which was set by the Whiting School Board. The Whiting School City did not charge transfer tuition based on the calculations set on the Transfer Tuition Statement - Form No. 515. By accepting transfer tuition students, the Whiting School City annually generated approximately an additional One Hundred Thousand Dollars (\$100,000.00) per year for its general fund. This amount was generated without the addition of any staff as it was the district's

policy not to accept a cash transfer student unless there was classroom space/seats available. The tuition payments for the cash transfer students were paid entirely by the parents/guardians of the transfer students. None of the district's cash transfer students were enrolled due to court foster-home placement. The Whiting School City only accepted students who were residents of Indiana.

II. PRESENT STATUS OF APPLICATION OF TRANSFER TUITION POLICY

In 2008 the Indiana General Assembly passed HEA 1001, which is the property tax reform bill. As a direct result of HEA 1001, on January 1, 2009 the State of Indiana began funding the General Fund of all Indiana Public School Corporations. The direct result of HEA 1001 was that after January 1, 2009 transfer tuition no longer exists for the monies spent from the General Fund since the former transfer tuition formula was based on General Fund expenditures which were generated through local property taxes and excise taxes. There may be a small amount of funding for the other accounts of Indiana Public School Corporations which are generated through local property taxes and excise taxes. An estimate of the proration of the Capital Fund to be passed on a transfer tuition after January 1, 2009 is approximately seventy-five dollars (\$75.00) per transfer student. *Accordingly this issue concerning transfer tuition is now resolved effective January 1, 2009.*

III. ANALYSIS OF PRE 01/01/2009 TRANSFER TUITION

The School City of Whiting is a small school district with large assessed valuation relative to its size. Prior to the implementation of HEA 1001, most of its operating funds came from local property taxes.

The former funding formula was sensitive to the amount of tuition support provided by the State to the School District, and if the tuition support amount under the formula was low, then the tuition rate set under IC 20-8.1-6.1-3 became very high. Due to this quirk in funding under the funding formula as applied to the Whiting School District, the calculation of the transfer tuition under IC 20-8.1-6.1-3 in part

(b) created a tuition rate of such magnitude that it was prohibitive for the potential transfer students and in effect eliminated this source of revenue for the Whiting School District. In addition, since only a small portion of the transfer tuition came from any governmental bodies, the State of Indiana saved the payment of Tuition Support which it would have had to expend if the transfer students had attended the school district in which they resided. The transfer students to the Whiting School District came almost exclusively from the Hammond and East Chicago City School Districts.

If the School City of Whiting attempted to set the amount it charged for cash transfer tuition on the calculations set out on the Transfer Tuition Statement - Form No. 515, the absolute net effect of this action would be to totally eliminate the approximate One Hundred Thousand Dollars (\$100,000.00) of cash transfer tuition receipts from the Whiting School District. It would also require the State of Indiana to pay tuition support if the cash transfer students were forced to attend the school district in which they resided. If the cash transfer tuition for the School City of Whiting was calculated in accordance with the Transfer Tuition Statement - Form No. 515, it would significantly exceed the cash transfer tuition rate for all of the nearby school districts. This change would be an increase in the cash transfer tuition of approximately two times the present tuition rate. The only conclusion that can reasonably be drawn is that the Whiting School District would have eliminated all cash transfer students if its cash transfer tuition was set with the Transfer Tuition Statement - Form No. 515.

The benefit derived by setting the cash transfer tuition at an affordable rate was to generate approximately One Hundred Thousand Dollars (\$100,000.00) per year for the Whiting School District's general fund and to reduce the tuition support paid by the State of Indiana to the school district in which the transfer students resided. Simply put, the School City of Whiting received approximately Three Thousand Eight Hundred Dollars (\$3,800.00) per year per cash transfer student and the State of Indiana was relieved of paying approximately Three Thousand One Hundred Thirteen Dollars (\$3,113.00) in tuition support for each of these cash transfer students. This was a total net swing of approximately Six thousand Nine Hundred Dollars (\$6,900.00) in a combined benefit for both the School City of Whiting

and the State of Indiana which would have been lost if the School City of Whiting was compelled to set its cash transfer tuition with the Transfer Tuition Statement - Form No. 515.

IV. CONCLUSION

As a direct result of HEA 1001, on January 1, 2009 the State of Indiana began funding the General Fund of all Indiana Public School Corporations. The direct result of HEA 1001 was that after January 1, 2009 transfer tuition no longer exists for the monies spent from the General Fund since the former transfer tuition formula was based on General Fund expenditures which were generated through local property taxes and excise taxes. Accordingly, the conditions which created the transfer tuition issue which was noted in the audit by the State Board of Accounts in their Audit of the School City of Whiting for the two-year period ending 6/30/08 concerning Cash Transfer Tuition have changed and this issue no longer existed after January 1, 2009.

Sincerely yours,



JOSEPH L. CUROSH

Attorney for the School City of Whiting

May 19, 2009

Dr. Sandra Martinez
Superintendent of Schools
School City of Whiting
1500 Center Street
Whiting, Indiana 46394

RE: *BOARD OF ACCOUNTS AUDIT FOR TWO YEAR PERIOD ENDING 6/30/08*
RESPONSE TO AUDIT RESULTS AND COMMENTS
SCHOOL CITY OF WHITING TRANSPORTATION FUND EXPENDITURES

Dear Dr. Martinez:

This letter is written in reference to the *Audit Results and Comments* issued by the State Board of Accounts in their Audit of the School City of Whiting for the two year period ending 6/30/08 concerning the practice of paying portions of the salaries for the Superintendent and the Treasurer from the Transportation Fund during the audit period.

I. BACKGROUND

The practice of allocating 5% of the Superintendent's salary and 5% of the Treasurer's salary to the Transportation Fund reflects that a portion of the duties of the Superintendent and the Treasurer are devoted and attributable to the transportation function. The performance of some transportation duties by both the Superintendent and the Treasurer are due to the small size of the school district and the necessity that these positions perform responsibilities and duties that include both the transportation function and the operation function. The paying of portions of the salaries for the Superintendent and the Treasurer from the Transportation Fund is consistent with, rather than contrary to, I.C. §20-40-6-6(a)(1). It should be noted in analyzing this matter that the Whiting School System only pays positions which have transportation-related responsibilities included in their duties from the Transportation Fund. Furthermore, the portions of the salaries of the Superintendent and the Treasurer which are paid out of the

Transportation Fund are set to reflect the percentage of transportation related duties performed by the position.

Finally, effective July 25, 2008 the School City of Whiting discontinued the practice of paying any of the Corporate Treasurer's salary from the Transportation fund. The School City of Whiting presently allocates 5% of the Superintendent's salary to the Transportation Fund. This 5% reflects the portion of the duties of the Superintendent which are devoted and attributable to the transportation function.

II. ANALYSIS

I.C. §20-40-6-6(a), School Transportation Fund, states in part: "The following costs are payable from the fund: (1) The salaries paid to bus drivers, transportation supervisors, mechanics and garage employees, clerks, and other transportation related employees." (*Emphasis added*)

Clearly the above-cited statute is not a prohibition against paying "other transportation related employees" out of the Transportation Fund. The list of costs attributable to transportation set out above in I.C. §20-40-6-6(a)(1) is not intended to exhaust all possible types of costs which can be attributable to the transportation function. The practice of the School City of Whiting merely follows this statute and conservatively apportions the percentages of the transportation related duties of the Superintendent and Treasurer to the Transportation Fund.

The conclusion of Attorney General Advisory No. 96-78 states in part: "The school transportation fund was established to cover costs which are attributable to transportation. I.C. §20-40-6-6(a) sets forth the costs that may be attributed to transportation, including "other transportation related employees" may be paid from this fund. As the school superintendent and school corporation treasurer do not appear to be positions that are transportation-related, payment from the transportation fund of the salaries attached to these positions would be improper." (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Page 8-23)

The Attorney General Advisory Opinion No. 96-78 clearly sets forth that the salaries of "transportation related" employees may be paid from this fund. He further only says that "the school superintendent and school corporation treasurer do not appear to be positions that are transportation-related, payment from the transportation fund of the salaries attached to these positions would be improper." In the Whiting School City, a 5% portion of both the Superintendent's and the Corporation Treasurer's salaries are in fact transportation-related and as such these portions of each of these salaries can appropriately be paid from the transportation account.

Based on the transportation duties included in the responsibilities of the Superintendent and the Treasurer, it is clear that the portions of their duties that are transportation-related can be paid out of the Transportation Fund. It is noted that the transportation duties of the Superintendent and the Corporation Treasurer are included in the job description of each, respectively.

With regard to the Audit's comment that I.C. §5-11-9-4 requires in part "... records be maintained showing which hours were worked each day by officers and employees ... employed ... in more than one (1) position by the same public agency ..." It is noted that neither the Superintendent nor the Corporation Treasurer are employed in more than one (1) position by the School City of Whiting as contemplated in I.C. §5-11-9-4.

III. CONCLUSION

Finally, effective July 25, 2008 the School City of Whiting discontinued the practice of paying any of the Corporate Treasurer's salary from the Transportation fund. The School City of Whiting presently continues to allocate 5% of the Superintendent's salary to the Transportation Fund. This 5% reflects the portion of the duties of the Superintendent which are devoted and attributable to the transportation function.

Sincerely yours,



JOSEPH L. CUROSH

Attorney for the School City of Whiting