

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

AUDIT REPORT
OF
SCHOOL TOWN OF MUNSTER
LAKE COUNTY, INDIANA
July 1, 2007 to June 30, 2009



FILED
02/15/2010

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Richard A. Sopko	07-01-07 to 06-30-10
Superintendent of Schools	William J. Pfister	07-01-07 to 06-30-10
President of the School Board	John E. Friend Judith E. Florczak Mary E. Yorke	07-01-07 to 06-30-08 07-01-08 to 06-30-09 07-01-09 to 06-30-10



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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School Town of Munster (School Corporation), as of and for the years ended June 30, 2008 and 2009, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2008 and 2009, 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 December 28, 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 School Corporation has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules or a Schedule of Funding Progress that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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

STATE BOARD OF ACCOUNTS

December 28, 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 TOWN OF MUNSTER, 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 Town of Munster (School Corporation), as of and for the years ended June 30, 2008 and 2009, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated December 28, 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.

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, 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

December 28, 2009

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

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 15,899,179	\$ -	\$ 254,158	\$ (15,645,021)
Support services	10,780,217	1,282,336	378,792	(9,119,089)
Noninstructional services	1,874,798	-	-	(1,874,798)
Facilities acquisition and construction	3,574,608	-	-	(3,574,608)
Debt service	47,780,778	-	-	(47,780,778)
Nonprogrammed charges	4,264,706	-	-	(4,264,706)
Total governmental activities	<u>\$ 84,174,286</u>	<u>\$ 1,282,336</u>	<u>\$ 632,950</u>	<u>(82,259,000)</u>
General receipts:				
Property taxes				21,312,169
Other local sources				6,449,286
State aid				10,987,328
Bonds and loans				41,036,000
Grants and contributions not restricted to specific programs				512,076
Sale of property				18,555
Investment earnings				93,738
Other				<u>2,746,129</u>
Total general receipts				<u>83,155,281</u>
Change in net assets				896,281
Net assets - beginning				<u>3,826,910</u>
Net assets - ending				<u>\$ 4,723,191</u>
<u>Assets</u>				
Cash and investments				\$ 1,457,365
Restricted assets:				
Cash and investments				<u>3,265,826</u>
Total assets				<u>\$ 4,723,191</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 1,698,070
Other purposes				1,567,756
Unrestricted				<u>1,457,365</u>
Total net assets				<u>\$ 4,723,191</u>

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

SCHOOL TOWN OF MUNSTER
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Instruction	\$ 15,848,029	\$ -	\$ 335,172	\$ (15,512,857)
Support services	12,196,788	1,800,167	422,789	(9,973,832)
Noninstructional services	1,872,153	-	-	(1,872,153)
Facilities acquisition and construction	5,727,806	-	-	(5,727,806)
Debt service	33,310,943	-	-	(33,310,943)
Nonprogrammed charges	5,281,913	-	-	(5,281,913)
Total governmental activities	<u>\$ 74,237,632</u>	<u>\$ 1,800,167</u>	<u>\$ 757,961</u>	<u>(71,679,504)</u>
General receipts:				
Property taxes				25,058,595
Other local sources				2,676,794
State aid				15,458,421
Bonds and loans				19,490,000
Grants and contributions not restricted to specific programs				2,479,720
Sale of property				2,991,434
Investment earnings				69,425
Other				2,729,658
Total general receipts				<u>70,954,047</u>
Change in net assets				(725,457)
Net assets - beginning				<u>4,723,191</u>
Net assets - ending				<u>\$ 3,997,734</u>
<u>Assets</u>				
Cash and investments				\$ 2,088,178
Restricted assets:				
Cash and investments				<u>1,909,556</u>
Total assets				<u>\$ 3,997,734</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 360,636
Other purposes				1,548,920
Unrestricted				<u>2,088,178</u>
Total net assets				<u>\$ 3,997,734</u>

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

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

	General	School Lunch	Textbook Rental	Debt Service	Retirement Severance Bond	Capital Projects	Construction	Other	Totals
Receipts:									
Local sources	\$ 11,364,482	\$ 1,170,730	\$ 791,188	\$ 6,202,580	\$ 1,319,252	\$ 3,049,923	\$ 3,504,438	\$ 1,716,378	\$ 29,118,971
State sources	11,195,532	35,259	62,733	-	-	-	-	151,428	11,444,952
Federal sources	-	280,800	-	-	-	-	-	406,602	687,402
Temporary loans	22,321,000	-	-	8,723,000	1,903,000	5,032,000	-	3,057,000	41,036,000
Other	2,713,469	100	-	-	-	-	-	32,560	2,746,129
Total receipts	47,594,483	1,486,889	853,921	14,925,580	3,222,252	8,081,923	3,504,438	5,363,968	85,033,454
Disbursements:									
Current:									
Instruction	18,371,245	-	-	-	-	-	-	332,936	18,704,181
Support services	6,755,227	590	567,624	-	-	1,842,760	-	2,346,854	11,513,055
Noninstructional services	501,461	1,421,820	-	-	-	-	-	995	1,924,276
Facilities acquisition and construction	197,801	-	-	-	-	1,847,644	1,535,097	10,603	3,591,145
Debt services	22,966,000	-	-	13,698,736	3,198,042	5,036,000	-	2,882,000	47,780,778
Nonprogrammed charges	1,714,074	-	-	-	-	-	-	115,960	1,830,034
Total disbursements	50,505,808	1,422,410	567,624	13,698,736	3,198,042	8,726,404	1,535,097	5,689,348	85,343,469
Excess (deficiency) of receipts over disbursements	(2,911,325)	64,479	286,297	1,226,844	24,210	(644,481)	1,969,341	(325,380)	(310,015)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	18,555	18,555
Transfers in	-	-	9,433	-	-	-	-	75,082	84,515
Transfers out	-	-	-	(9,433)	-	-	-	(75,082)	(84,515)
Total other financing sources (uses)	-	-	9,433	(9,433)	-	-	-	18,555	18,555
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,911,325)	64,479	295,730	1,217,411	24,210	(644,481)	1,969,341	(306,825)	(291,460)
Cash and investments - beginning	1,399,769	345,046	75,287	393,485	62,964	351,178	593,699	225,467	3,446,895
Cash and investments - ending	\$ (1,511,556)	\$ 409,525	\$ 371,017	\$ 1,610,896	\$ 87,174	\$ (293,303)	\$ 2,563,040	\$ (81,358)	3,155,435
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:									
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.									
									1,567,756
Net assets of governmental activities									<u>\$ 4,723,191</u>
Cash and Investment Assets - Ending									
Cash and investments	\$ (1,511,556)	\$ 409,525	\$ 371,017	\$ -	\$ -	\$ (293,303)	\$ 2,563,040	\$ (81,358)	\$ 1,457,365
Restricted assets:									
Cash and investments	-	-	-	1,610,896	87,174	-	-	-	1,698,070
Total cash and investment assets - ending	\$ (1,511,556)	\$ 409,525	\$ 371,017	\$ 1,610,896	\$ 87,174	\$ (293,303)	\$ 2,563,040	\$ (81,358)	\$ 3,155,435
Cash and Investment Fund Balance - Ending									
Restricted for:									
Debt service	\$ -	\$ -	\$ -	\$ 1,610,896	\$ 87,174	\$ -	\$ -	\$ -	\$ 1,698,070
Unrestricted	(1,511,556)	409,525	371,017	-	-	(293,303)	2,563,040	(81,358)	1,457,365
Total cash and investment fund balance - ending	\$ (1,511,556)	\$ 409,525	\$ 371,017	\$ 1,610,896	\$ 87,174	\$ (293,303)	\$ 2,563,040	\$ (81,358)	\$ 3,155,435

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

SCHOOL TOWN OF MUNSTER
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	General	School Lunch	Textbook Rental	Fiscal Stabilization	Debt Service	Retirement Severance Bond	Capital Projects	Construction	Other	Totals
Receipts:										
Local sources	\$ 12,447,624	\$ 1,182,828	\$ 786,471	\$ -	\$ 7,785,197	\$ 1,383,312	\$ 3,449,516	\$ 197,038	\$ 2,352,321	\$ 29,584,307
State sources	15,745,286	35,051	58,472	-	-	-	-	-	186,230	16,025,039
Federal sources	25,690	297,617	-	1,940,055	-	-	-	-	407,701	2,671,063
Temporary loans	13,453,000	-	-	-	945,000	349,000	2,889,000	-	1,854,000	19,490,000
Other	2,655,166	100	-	-	-	-	-	-	74,392	2,729,658
Total receipts	44,326,766	1,515,596	844,943	1,940,055	8,730,197	1,732,312	6,338,516	197,038	4,874,644	70,500,067
Disbursements:										
Current:										
Instruction	17,005,011	-	-	518,640	-	-	-	-	310,269	17,833,920
Support services	7,645,433	932	1,278,157	199,496	-	-	1,992,283	-	2,312,015	13,428,316
Noninstructional services	507,666	1,392,838	-	15,155	-	-	-	-	58	1,915,717
Facilities acquisition and construction	92,673	-	-	1,941	-	-	1,384,923	4,277,697	1,082	5,758,316
Debt services	16,931,000	-	-	-	10,295,092	1,504,851	2,761,000	-	1,819,000	33,310,943
Nonprogrammed charges	1,796,000	-	-	-	-	-	-	-	154,910	1,950,910
Total disbursements	43,977,783	1,393,770	1,278,157	735,232	10,295,092	1,504,851	6,138,206	4,277,697	4,597,334	74,198,122
Excess (deficiency) of receipts over disbursements	348,983	121,826	(433,214)	1,204,823	(1,564,895)	227,461	200,310	(4,080,659)	277,310	(3,698,055)
Other financing sources (uses):										
Sale of capital assets	12,366	-	-	-	-	-	-	2,979,068	-	2,991,434
Transfers in	-	-	-	-	-	-	-	-	58,089	58,089
Transfers out	-	-	-	-	-	-	-	-	(58,089)	(58,089)
Total other financing sources (uses)	12,366	-	-	-	-	-	-	2,979,068	-	2,991,434
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	361,349	121,826	(433,214)	1,204,823	(1,564,895)	227,461	200,310	(1,101,591)	277,310	(706,621)
Cash and investments - beginning	(1,511,556)	409,525	371,017	-	1,610,896	87,174	(293,303)	2,563,040	(81,358)	3,155,435
Cash and investments - ending	<u>\$ (1,150,207)</u>	<u>\$ 531,351</u>	<u>\$ (62,197)</u>	<u>\$ 1,204,823</u>	<u>\$ 46,001</u>	<u>\$ 314,635</u>	<u>\$ (92,993)</u>	<u>\$ 1,461,449</u>	<u>\$ 195,952</u>	<u>\$ 2,448,814</u>
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:										
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.										1,548,920
Net assets of governmental activities										<u>\$ 3,997,734</u>
Cash and Investment Assets - Ending										
Cash and investments	\$ (1,150,207)	\$ 531,351	\$ (62,197)	\$ 1,204,823	\$ -	\$ -	\$ (92,993)	\$ 1,461,449	\$ 195,952	\$ 2,088,178
Restricted assets:										
Cash and investments	-	-	-	-	46,001	314,635	-	-	-	360,636
Total cash and investment assets - ending	<u>\$ (1,150,207)</u>	<u>\$ 531,351</u>	<u>\$ (62,197)</u>	<u>\$ 1,204,823</u>	<u>\$ 46,001</u>	<u>\$ 314,635</u>	<u>\$ (92,993)</u>	<u>\$ 1,461,449</u>	<u>\$ 195,952</u>	<u>\$ 2,448,814</u>
Cash and Investment Fund Balance - Ending										
Restricted for:										
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 46,001	\$ 314,635	\$ -	\$ -	\$ -	\$ 360,636
Unrestricted	(1,150,207)	531,351	(62,197)	1,204,823	-	-	(92,993)	1,461,449	195,952	2,088,178
Total cash and investment fund balance - ending	<u>\$ (1,150,207)</u>	<u>\$ 531,351</u>	<u>\$ (62,197)</u>	<u>\$ 1,204,823</u>	<u>\$ 46,001</u>	<u>\$ 314,635</u>	<u>\$ (92,993)</u>	<u>\$ 1,461,449</u>	<u>\$ 195,952</u>	<u>\$ 2,448,814</u>

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

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

	Internal Service Fund
Operating receipts:	
Employer contributions	\$ 3,603,855
Miscellaneous	18,558
Total operating receipts	3,622,413
Operating disbursements:	
Insurance claims and expense	2,434,672
Excess (deficiency) of operating receipts over operating disbursements	1,187,741
Cash and investment fund balance - beginning	380,015
Cash and investment fund balance - ending	\$ 1,567,756
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	\$ 1,567,756
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	\$ 1,567,756

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

SCHOOL TOWN OF MUNSTER
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2009

	<u>Internal Service Fund</u>
Operating receipts:	
Employer contributions	\$ 3,291,493
Miscellaneous	<u>20,674</u>
Total operating receipts	<u>3,312,167</u>
Operating disbursements:	
Insurance claims and expense	<u>3,331,003</u>
Excess (deficiency) of operating receipts over operating disbursements	(18,836)
Cash and investment fund balance - beginning	<u>1,567,756</u>
Cash and investment fund balance - ending	<u>\$ 1,548,920</u>
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	<u>\$ 1,548,920</u>
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	<u>\$ 1,548,920</u>

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

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

	<u>Pension Trust Fund</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Fund</u>
Additions:			
Contributions:			
Repayment of loan to school corporation	\$ 1,850,000	\$ -	
Other	<u>160,401</u>	<u>-</u>	
Total contributions	<u>2,010,401</u>	<u>-</u>	
Investment earnings:			
Interest	<u>191,686</u>	<u>624</u>	
Total additions	<u>2,202,087</u>	<u>624</u>	
Deductions:			
Benefits	1,773,730	-	
Loan to school corporation	3,150,000	-	
Administrative and general	<u>-</u>	<u>1,725</u>	
Total deductions	<u>4,923,730</u>	<u>1,725</u>	
Excess (deficiency) of total additions over total deductions	(2,721,643)	(1,101)	
Cash and investment fund balance - beginning	<u>7,278,538</u>	<u>22,353</u>	
Cash and investment fund balance - ending	<u>\$ 4,556,895</u>	<u>\$ 21,252</u>	<u>\$ 118,445</u>
Net assets:			
Cash and investments	<u>\$ 4,556,895</u>	<u>\$ 21,252</u>	

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

SCHOOL TOWN OF MUNSTER
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2009

	Pension Trust Fund	Private-Purpose Trust Funds	Agency Fund
Additions:			
Contributions:			
Repayment of loan to school corporation	\$ 5,800,000	\$ -	
Other	101,215	-	
Total contributions	5,901,215	-	
Investment earnings:			
Interest	80,083	320	
Total additions	5,981,298	320	
Deductions:			
Benefits	1,629,535	-	
Loan to school corporation	8,400,000	-	
Administrative and general	-	1,489	
Total deductions	10,029,535	1,489	
Excess (deficiency) of total additions over total deductions	(4,048,237)	(1,169)	
Cash and investment fund balance - beginning	4,556,895	21,252	
Cash and investment fund balance - ending	\$ 508,658	\$ 20,083	\$ 178,909
Net assets:			
Cash and investments	\$ 508,658	\$ 20,083	

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

SCHOOL TOWN OF MUNSTER
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

Primary Government: School Town of Munster

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

Joint Venture

The School Corporation is a participant with the Lake Central School Corporation in a joint venture to operate West Lake Special Education Cooperative (Cooperative), which was created to provide instruction for disabled children. The School Corporation is obligated by contract to remit its share of expenses according to the number of children enrolled at the Cooperative. The Cooperative's continued existence depends on continued funding by the School Corporation. Complete financial statements for the Cooperative can be obtained from the Lake Central School Corporation, 8260 Wicker Avenue, Saint John, Indiana 46373.

The School Corporation is a participant in the Northwest Indiana Educational Services Center (Service Center), a joint school services program established May 30, 1985, for participating school corporations to cooperate and share programs such as curriculum development, instructional materials, needs assessment, computer utilization, and in-service education. The School Corporation provides funding based on Average Daily Membership, determined annually. Complete financial statements for the Service Center can be obtained from the Service Center's administrative offices, 2939 41st Avenue, 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. A board composed of a member from each participating School Corporation governs the Study Council. The School Corporation pays \$1,250 annually to belong to the Study Council. Complete financial statements for the Study Council can be obtained from the Merrillville Community School Corporation, 6701 Delaware Street, Merrillville, Indiana 46410.

The School Corporation is a participant with fifteen other school corporations in Lake County in a joint venture to operate the Lake County Safe Schools Commission (Commission). The Commission was authorized in 1999 by Indiana Code 5-2-10.1. The Commission was established to improve school safety issues. The Commission is governed by a board composed of a member

SCHOOL TOWN OF MUNSTER
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Related Organizations

The School Corporation's officials are also responsible for appointing the members of the boards of other organizations, but the School Corporation's accountability for these organizations does not extend beyond making the appointments. The School Corporation appoints one board member of the Park Board of the Town of Munster.

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. 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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

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

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

The textbook rental fund accounts for receipts related to the rental of textbooks and workbooks furnished to students for a designated fee, for the repair of textbooks, and for the purchase of textbooks and workbooks.

The fiscal stabilization fund accounts for receipts and disbursements of cash received from the federal government (fiscal stabilization – education stimulus) to be used to supplement funding of local, state, and federal programs.

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.

SCHOOL TOWN OF MUNSTER
NOTES TO FINANCIAL STATEMENTS
(Continued)

The retirement severance bond fund accounts for financial resources for the repayment of retirement/severance bonds in accordance with Indiana Code 20-48-1-2.

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

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

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for health insurance transactions.

The pension trust fund accounts for the activities of the pension trust retirement severance fund, which accumulates resources for pension benefit payments.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

SCHOOL TOWN OF MUNSTER
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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 (Indiana Code 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. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

The final distribution of the 2006 taxes payable 2007 was made on March 31, 2008. The School Corporation received an advance on the 2007 payable 2008 property taxes on November 21, 2008. The final distribution of the 2007 taxes payable 2008 was made on March 27, 2009.

In accordance with state statutes, all counties were required to reassess property values prior to billing taxes in 2009. Significant delays in the trending of assessments process have resulted in delays in billing, collection, and distribution of tax revenues by the County for the School Corporation in 2009. The assessed valuations of Lake County were not finalized by February 1, 2009, as required. The Lake County 2008 pay 2009 property tax rates and levies, as well as related budget orders for 2009, were not established until July 31, 2009. The County billed the 2008 pay 2009 taxes in two installments with due dates of October 29 and November 30, 2009. The School Corporation received the first distribution of the 2008 pay 2009 property taxes on November 25, 2009. This delay has hampered the School Corporation's ability to appropriately budget and expend funds and has forced the School Corporation to borrow extensively in anticipation of tax revenues.

3. Capital Assets

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

SCHOOL TOWN OF MUNSTER
NOTES TO FINANCIAL STATEMENTS
(Continued)

4. Long-Term Debt

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

5. Equity Classification

Government-Wide Statements

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

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

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

Fund Financial Statements

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

E. Receipts and Disbursements

1. Program Receipts

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

2. Operating Receipts and Disbursements

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

F. Internal and Interfund Balances and Activities

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

SCHOOL TOWN OF MUNSTER
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

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

Government-Wide Financial Statements

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

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

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

SCHOOL TOWN OF MUNSTER
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Disbursements in Excess of Appropriations

For the calendar years ended December 31, 2007 and 2008, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2007	2008
General	\$ 593,049	\$ -
Transportation Operating	1,138	170,563
School Bus Replacement	-	5,543
Totals	\$ 594,187	\$ 176,106

These disbursements were funded by excess cash balances of other funds, or were greater than anticipated when budgeted.

C. Cash and Investment Balance Deficits

At June 30, 2008 and 2009, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

Fund	2008	2009
General	\$ 1,511,556	\$ 1,150,207
Transportation Operating	185,246	-
Textbook Rental	-	62,197
Capital Projects	293,303	92,993
School Bus Replacement	39,626	107,348

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

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The School Corporation's deposit policy for custodial credit risk is the same as allowed by law. At June 30, 2009, the School Corporation had deposit balances in the amount of \$4,705,384. Of this amount, none was exposed to custodial credit risk.

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.

SCHOOL TOWN OF MUNSTER
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2008 and 2009, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2008</u>	<u>2009</u>
Debt Service Fund	Textbook Rental Fund	\$ 9,433	\$ -
Other Governmental Funds	Other Governmental Funds	<u>75,082</u>	<u>58,089</u>
Totals		<u>\$ 84,515</u>	<u>\$ 58,089</u>

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

C. Interfund Loans

Interfund loans for the years ended June 30, 2008 and 2009, were as follows:

<u>Interfund Loan From</u>	<u>Interfund Loan To</u>	<u>2008</u>	<u>2009</u>
Pension Trust Fund	General Fund	<u>\$ 3,150,000</u>	<u>\$ 8,400,000</u>
<u>Interfund Loan Repaid From</u>	<u>Interfund Loan Repaid To</u>		
General Fund	Pension Trust Fund	<u>\$ 1,850,000</u>	<u>\$ 5,800,000</u>
Outstanding Interfund Loans as of June 30		<u>\$ 1,300,000</u>	<u>\$ 3,900,000</u>

The \$3,900,000 outstanding interfund loan was repaid on December 4, 2009.

The School Corporation used interfund loans for cash flow purposes since the property tax distributions were not received at the usual intervals.

D. Tax Anticipation Warrants

The School Board passed resolutions authorizing the issuance of tax anticipation warrants (TAW's) in 2007, 2008, and 2009. The TAW's were authorized due to property taxes not being billed or collected by the County in a timely manner, as required by state statute. Tax anticipation warrant transactions for the years ended June 30, 2008 and 2009, were as follows:

SCHOOL TOWN OF MUNSTER
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund	Principal Outstanding July 1, 2007	Warrant Proceeds	Warrant Repayments	Principal Outstanding June 30, 2008
General	\$ 8,023,000	\$ 19,171,000	\$ 21,116,000	\$ 6,078,000
Transportation Operating	1,053,000	2,163,000	2,332,000	884,000
Debt Service	333,000	8,723,000	6,782,000	2,274,000
Retirement Severance Bond	512,000	1,903,000	2,040,000	375,000
Capital Projects	1,540,000	5,032,000	5,036,000	1,536,000
School Bus Replacement	275,000	894,000	550,000	619,000
Totals	<u>\$ 11,736,000</u>	<u>\$ 37,886,000</u>	<u>\$ 37,856,000</u>	<u>\$ 11,766,000</u>

Fund	Principal Outstanding July 1, 2008	Warrant Proceeds	Warrant Repayments	Principal Outstanding June 30, 2009
General	\$ 6,078,000	\$ 5,053,000	\$ 11,131,000	\$ -
Transportation Operating	884,000	1,377,000	1,200,000	1,061,000
Debt Service	2,274,000	945,000	3,219,000	-
Retirement Severance Bond	375,000	349,000	375,000	349,000
Capital Projects	1,536,000	2,889,000	2,761,000	1,664,000
School Bus Replacement	619,000	477,000	619,000	477,000
Totals	<u>\$ 11,766,000</u>	<u>\$ 11,090,000</u>	<u>\$ 19,305,000</u>	<u>\$ 3,551,000</u>

IV. Other Information

A. Risk Management

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

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

Employee Health Benefits

The School Corporation has chosen to establish a risk financing fund for risks associated with employee health benefits. The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through

SCHOOL TOWN OF MUNSTER
NOTES TO FINANCIAL STATEMENTS
(Continued)

commercial insurance covers individual claims in excess of \$100,000 per employee per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund. Amounts transferred in are reported as charges for services on the Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Proprietary Fund.

B. Holding Corporation

The School Corporation has entered into a capital lease with the Munster Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the two years totaled \$12,596,463.

C. Subsequent Events

Tax Anticipation Warrants

On July 13, 2009, the School Board of Trustees approved issuing 2009 tax anticipation warrants (TAW) for the Debt Service Fund totaling \$2,942,000. On August 13, 2009, \$2,942,000 was received with a maturity date of December 31, 2009.

On November 9, 2009, the School Board of Trustees approved issuing 2009 refunding tax anticipation time warrants (TAW) maturing June 30, 2010. The refunding TAW would refund the \$6,493,000 TAW maturing on December 31, 2009. As of December 8, 2009, no money has been received on the refunding TAW.

Also on November 9, 2009, the School Board of Trustees approved issuing 2010 tax anticipation warrants (TAW) for various school funds totaling \$6,648,000 maturing December 31, 2010. The anticipated closing date is January 7, 2010.

D. Other Postemployment Benefits

Single-Employer Defined Benefit Healthcare Plan

Plan Description

The School Town of Munster Healthcare Plan is a single-employer defined benefit healthcare plan administered by the School Corporation. The plan provides postemployment health care benefits to eligible retirees and their spouses. The School Corporation combines the receipts and disbursements for the retirees with the current employees who are on the same plan in the Self Insurance Fund, an internal service fund of the School Corporation. The various administrator and teacher contracts assign the authority to establish and amend benefit provisions to the School Corporation. The School Town of Munster Healthcare Plan does not issue a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for the participants.

SCHOOL TOWN OF MUNSTER
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy

The contribution requirements of plan members for the School Town of Munster Healthcare Plan are established by the School Corporation's Board of School Trustees. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended June 30, 2009, the School Corporation contributed \$238,868 to the plan, including \$238,868 for current premiums (approximately 70% of total premiums). Plan members receiving benefits contributed \$104,181, or approximately 30% of the total premiums, through their required contribution of between \$388 and \$4,680 per year for retiree-only coverage and between \$160 and \$7,995 per year for retiree and spouse coverage, depending upon retirement date.

E. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the School Corporation during the period were \$747,074.

SCHOOL TOWN OF MUNSTER
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (Indiana Code 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

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's contributions to the plan during the period were \$970,481.

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

	Transportation Operating	Special Education Preschool	Safe Haven Grant	Early Intervention Grant	Gifted Talented	Non-English Speaking	Title I
Receipts:							
Local sources	\$ 1,394,248	\$ 22,048	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	92,746	5,018	1,000	44,716	7,948	-
Federal sources	-	-	-	-	-	-	319,896
Temporary loans	2,163,000	-	-	-	-	-	-
Other	32,560	-	-	-	-	-	-
Total receipts	3,589,808	114,794	5,018	1,000	44,716	7,948	319,896
Disbursements:							
Current:							
Instruction	-	-	-	1,000	43,353	-	278,733
Support services	1,650,196	873	5,018	-	-	3,855	8,085
Noninstructional services	-	-	-	-	-	-	995
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	2,332,000	-	-	-	-	-	-
Nonprogrammed charges	-	113,921	-	-	-	-	-
Total disbursements	3,982,196	114,794	5,018	1,000	43,353	3,855	287,813
Excess (deficiency) of receipts over disbursements	(392,388)	-	-	-	1,363	4,093	32,083
Other financing sources (uses):							
Sale of capital assets	18,555	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	18,555	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(373,833)	-	-	-	1,363	4,093	32,083
Cash and investments - beginning	188,587	-	-	-	2,861	-	22,895
Cash and investments - ending	\$ (185,246)	\$ -	\$ -	\$ -	\$ 4,224	\$ 4,093	\$ 54,978
Cash and Investment Assets - Ending							
Cash and investments	\$ (185,246)	\$ -	\$ -	\$ -	\$ 4,224	\$ 4,093	\$ 54,978
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ (185,246)	\$ -	\$ -	\$ -	\$ 4,224	\$ 4,093	\$ 54,978

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

	Title V	Title IV	Title IIA	Title IID	Title III	School Bus Replacement	Totals
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 300,082	\$ 1,716,378
State sources	-	-	-	-	-	-	151,428
Federal sources	-	11,346	75,360	-	-	-	406,602
Temporary loans	-	-	-	-	-	894,000	3,057,000
Other	-	-	-	-	-	-	32,560
Total receipts	-	11,346	75,360	-	-	1,194,082	5,363,968
Disbursements:							
Current:							
Instruction	-	9,612	238	-	-	-	332,936
Support services	30,260	1,325	45,979	2,116	9,470	589,677	2,346,854
Noninstructional services	-	-	-	-	-	-	995
Facilities acquisition and construction	10,152	-	-	451	-	-	10,603
Debt services	-	-	-	-	-	550,000	2,882,000
Nonprogrammed charges	-	-	1,931	108	-	-	115,960
Total disbursements	40,412	10,937	48,148	2,675	9,470	1,139,677	5,689,348
Excess (deficiency) of receipts over disbursements	(40,412)	409	27,212	(2,675)	(9,470)	54,405	(325,380)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	18,555
Transfers in	75,082	-	-	-	-	-	75,082
Transfers out	-	-	(75,082)	-	-	-	(75,082)
Total other financing sources (uses)	75,082	-	(75,082)	-	-	-	18,555
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	34,670	409	(47,870)	(2,675)	(9,470)	54,405	(306,825)
Cash and investments - beginning	14,030	1,676	77,304	2,675	9,470	(94,031)	225,467
Cash and investments - ending	\$ 48,700	\$ 2,085	\$ 29,434	\$ -	\$ -	\$ (39,626)	\$ (81,358)
Cash and Investment Assets - Ending							
Cash and investments	\$ 48,700	\$ 2,085	\$ 29,434	\$ -	\$ -	\$ (39,626)	\$ (81,358)
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 48,700	\$ 2,085	\$ 29,434	\$ -	\$ -	\$ (39,626)	\$ (81,358)

SCHOOL TOWN OF MUNSTER
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009

	Transportation Operating	Special Education Preschool	Safe Haven Grant	Early Intervention Grant	Gifted Talented	Non-English Speaking	Title I
Receipts:							
Local sources	\$ 1,683,042	\$ 24,411	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	129,721	-	1,000	44,716	10,793	-
Federal sources	5,960	-	-	-	-	-	300,566
Temporary loans	1,377,000	-	-	-	-	-	-
Other	74,392	-	-	-	-	-	-
Total receipts	3,140,394	154,132	-	1,000	44,716	10,793	300,566
Disbursements:							
Current:							
Instruction	-	-	-	1,000	43,036	10,793	247,041
Support services	1,583,401	-	-	-	-	4,093	58,975
Noninstructional services	-	-	-	-	-	-	58
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	1,200,000	-	-	-	-	-	-
Nonprogrammed charges	-	154,132	-	-	-	-	-
Total disbursements	2,783,401	154,132	-	1,000	43,036	14,886	306,074
Excess (deficiency) of receipts over disbursements	356,993	-	-	-	1,680	(4,093)	(5,508)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	20,309
Transfers out	-	-	-	-	-	-	(20,309)
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	356,993	-	-	-	1,680	(4,093)	(5,508)
Cash and investments - beginning	(185,246)	-	-	-	4,224	4,093	54,978
Cash and investments - ending	\$ 171,747	\$ -	\$ -	\$ -	\$ 5,904	\$ -	\$ 49,470
Cash and Investment Assets - Ending							
Cash and investments	\$ 171,747	\$ -	\$ -	\$ -	\$ 5,904	\$ -	\$ 49,470
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 171,747	\$ -	\$ -	\$ -	\$ 5,904	\$ -	\$ 49,470

SCHOOL TOWN OF MUNSTER
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009
 (Continued)

	Title V	Title IV	Title IIA	Title IID	Title III	School Bus Replacement	Totals
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 644,868	\$ 2,352,321
State sources	-	-	-	-	-	-	186,230
Federal sources	8,544	9,828	82,803	-	-	-	407,701
Temporary loans	-	-	-	-	-	477,000	1,854,000
Other	-	-	-	-	-	-	74,392
Total receipts	8,544	9,828	82,803	-	-	1,121,868	4,874,644
Disbursements:							
Current:							
Instruction	-	8,399	-	-	-	-	310,269
Support services	47,258	2,165	45,533	-	-	570,590	2,312,015
Noninstructional services	-	-	-	-	-	-	58
Facilities acquisition and construction	1,082	-	-	-	-	-	1,082
Debt services	-	-	-	-	-	619,000	1,819,000
Nonprogrammed charges	-	-	778	-	-	-	154,910
Total disbursements	48,340	10,564	46,311	-	-	1,189,590	4,597,334
Excess (deficiency) of receipts over disbursements	(39,796)	(736)	36,492	-	-	(67,722)	277,310
Other financing sources (uses):							
Transfers in	37,780	-	-	-	-	-	58,089
Transfers out	-	-	(37,780)	-	-	-	(58,089)
Total other financing sources (uses)	37,780	-	(37,780)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,016)	(736)	(1,288)	-	-	(67,722)	277,310
Cash and investments - beginning	48,700	2,085	29,434	-	-	(39,626)	(81,358)
Cash and investments - ending	\$ 46,684	\$ 1,349	\$ 28,146	\$ -	\$ -	\$ (107,348)	\$ 195,952
Cash and Investment Assets - Ending							
Cash and investments	\$ 46,684	\$ 1,349	\$ 28,146	\$ -	\$ -	\$ (107,348)	\$ 195,952
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 46,684	\$ 1,349	\$ 28,146	\$ -	\$ -	\$ (107,348)	\$ 195,952

SCHOOL TOWN OF MUNSTER
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2008

	<u>Niksic Scholarship</u>	<u>STM/Underwood Scholarship</u>	<u>Gammon Foundation Grant</u>	<u>Totals</u>
Additions:				
Investment earnings:				
Interest	\$ 475	\$ 149	\$ -	\$ 624
Deductions:				
Administrative and general	<u>1,475</u>	<u>250</u>	<u>-</u>	<u>1,725</u>
Excess (deficiency) of total additions over total deductions	(1,000)	(101)	-	(1,101)
Cash and investment fund balance - beginning	<u>9,400</u>	<u>2,953</u>	<u>10,000</u>	<u>22,353</u>
Cash and investments - June 30	<u>\$ 8,400</u>	<u>\$ 2,852</u>	<u>\$ 10,000</u>	<u>\$ 21,252</u>
Net assets:				
Cash and investments	<u>\$ 8,400</u>	<u>\$ 2,852</u>	<u>\$ 10,000</u>	<u>\$ 21,252</u>

SCHOOL TOWN OF MUNSTER
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2009

	<u>Niksic Scholarship</u>	<u>STM/Underwood Scholarship</u>	<u>Gammon Foundation Grant</u>	<u>Totals</u>
Additions:				
Investment earnings:				
Interest	\$ 239	\$ 81	\$ -	\$ 320
Deductions:				
Administrative and general	<u>1,239</u>	<u>250</u>	<u>-</u>	<u>1,489</u>
Excess (deficiency) of total additions over total deductions	(1,000)	(169)	-	(1,169)
Cash and investment fund balance - beginning	<u>8,400</u>	<u>2,852</u>	<u>10,000</u>	<u>21,252</u>
Cash and investments - June 30	<u>\$ 7,400</u>	<u>\$ 2,683</u>	<u>\$ 10,000</u>	<u>\$ 20,083</u>
Net assets:				
Cash and investments	<u>\$ 7,400</u>	<u>\$ 2,683</u>	<u>\$ 10,000</u>	<u>\$ 20,083</u>

SCHOOL TOWN OF MUNSTER
 SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES
 IN CASH AND INVESTMENT BALANCES
 AGENCY FUND
 For the Year Ended June 30, 2008

	<u>Payroll Deductions</u>
Additions:	
Agency fund additions	\$ <u>18,199,084</u>
Deductions:	
Agency fund deductions	<u>18,186,646</u>
Excess of total additions over total deductions	12,438
Cash and investment fund balance - beginning	<u>106,007</u>
Cash and investment fund balance - ending	<u><u>\$ 118,445</u></u>

SCHOOL TOWN OF MUNSTER
 SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES
 IN CASH AND INVESTMENT BALANCES
 AGENCY FUND
 For the Year Ended June 30, 2009

	<u>Payroll Deductions</u>
Additions: Agency fund additions	<u>\$ 21,774,439</u>
Deductions: Agency fund deductions	<u>21,713,975</u>
Excess of total additions over total deductions	60,464
Cash and investment fund balance - beginning	<u>118,445</u>
Cash and investment fund balance - ending	<u><u>\$ 178,909</u></u>

SCHOOL TOWN OF MUNSTER
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For The Year Ended June 30, 2009

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Munster Building Corporation	\$ 92,805,000	\$ 7,651,236
Bonds payable:		
General obligation bonds:		
2002 Pension bonds	1,940,000	491,588
2007 Pension bonds	<u>6,730,000</u>	<u>637,929</u>
Total governmental activities debt	<u>\$ 101,475,000</u>	<u>\$ 8,780,752</u>

SCHOOL TOWN OF MUNSTER
AUDIT RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

Capital asset records were not maintained by the School Corporation for the audit period. A similar comment appeared in prior reports.

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

APPROPRIATIONS

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

Fund	2007	2008
General	\$ 593,049	\$ -
Transportation Operating	1,138	170,563
School Bus Replacement	-	5,543

A similar comment appeared in the prior report.

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

NEGATIVE CASH BALANCES

The following funds had negative cash balances at June 30, 2008 and 2009:

Fund	2008	2009
General	\$ 1,511,556	\$ 1,150,207
Transportation Operating	185,246	-
Textbook Rental	-	62,197
Capital Projects	293,303	92,993
School Bus Replacement	39,626	107,348

A similar comment appeared in the prior report.

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

SCHOOL TOWN OF MUNSTER
AUDIT RESULTS AND COMMENTS
(Continued)

TRANSFER TUITION

The School Corporation completes a transfer tuition form (Form 515 – Transfer Tuition Statement) that has been developed for school corporations to use to compute the amount charged for transfer tuition in accordance with State statute. However, the School Corporation is also charging an annual \$600 assessment for capital costs concerning technology and computers, and if the student resides out-of-state, an annual \$1,480 nonresident fee.

A similar comment appeared in the prior report.

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

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

IC 20-26-11-13 states in part:

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

(1) capital outlay; . . ."

IC 20-26-3-4 states in part:

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

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

BUS RIDER FEES AND PARKING FEES

The School Corporation charges the following fees:

1. A \$50 per semester bus rider fee for the transportation of students to and from school.
2. Students in high school who drive to school a fee for parking.

A similar comment appeared in the prior report.

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

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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 TOWN OF MUNSTER, LAKE COUNTY, INDIANA

Compliance

We have audited the compliance of the School Town of Munster (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2008 and 2009. 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, 2008 and 2009.

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, 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

December 28, 2009

SCHOOL TOWN OF MUNSTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Years Ended June 30, 2008 and 2009

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 6/30/2008	Total Federal Awards Expended 6/30/2009
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 7,225	\$ 9,947
National School Lunch Program	10.555		<u>332,196</u>	<u>377,976</u>
Total for cluster			<u>339,421</u>	<u>387,923</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010	07 4740	42,196	-
		08 4740	245,618	83,978
		09 4740	<u>-</u>	<u>242,405</u>
Total for cluster			<u>287,814</u>	<u>326,383</u>
State Fiscal Stabilization Fund Cluster				
ARRA-State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394	7950	<u>-</u>	<u>735,232</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	4740-06	1,326	351
		4740-07	9,611	1,735
		08 4740	<u>-</u>	<u>8,479</u>
Total for program			<u>10,937</u>	<u>10,565</u>
State Grants for Innovative Programs	84.298	05 241	7,783	-
		06 4740	32,628	10,299
		07 4740	<u>-</u>	<u>38,041</u>
Total for program			<u>40,411</u>	<u>48,340</u>
Education Technology State Grants	84.318	SY02-03	<u>2,675</u>	<u>-</u>
English Language Acquisition Grants	84.365	07 4740	<u>9,470</u>	<u>-</u>
Improving Teacher Quality State Grants	84.367	05-212	37,304	-
		06 4740	47,524	25,836
		07 4740	38,402	20,476
		08 4455	<u>-</u>	<u>37,779</u>
Total for program			<u>123,230</u>	<u>84,091</u>
Total for federal grantor agency			<u>474,537</u>	<u>1,204,611</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Pass-Through Indiana Department of Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Disaster 1795	<u>-</u>	<u>32,496</u>
Total federal awards expended			<u>\$ 813,958</u>	<u>\$ 1,625,030</u>

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

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

I. Basis of Presentation

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

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of School 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, 2008 and 2009. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	2008	2009
Child Nutrition Cluster	\$ 79,405	\$ 83,618
	\$ 79,405	\$ 83,618

SCHOOL TOWN OF MUNSTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
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:

Name of Federal Program or Cluster

Child Nutrition Cluster
State Fiscal Stabilization Fund Cluster

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.



ADMINISTRATION
CENTER

8616 COLUMBIA AVENUE • MUNSTER, INDIANA 46321
PHONE: 219.836.9111 FAX: 219.836.3215

MR. WILLIAM PFISTER
SUPERINTENDENT

MR. RICHARD SOPKO
ASSISTANT SUPERINTENDENT

MR. RANDY HARKABUS
ASSISTANT TO THE SUPERINTENDENT

MRS. MAUREEN STAFFORD
DIRECTOR OF INSTRUCTIONAL
PROGRAMS AND ASSESSMENT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDING

Finding Number 2007-1, REPORTING

Original SBA Audit Report Number:	B31765
Fiscal Year	2005-06 and 2006-07
Auditee Contact Person	<u>Richard A. Sopko</u>
Title of Contact Person	<u>Ass't. Superintendent – Business</u>
Phone Number	<u>219-836-9111, ext. 1025</u>

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

Status of Finding:

The Deputy Treasurer has taken action with the Food Service Director to coordinate the school corporations receipt and expenditure ledgers with the state reports submitted by the Food Service Director. These actions were based upon recommendations provided by the SBOA Field Representative.

Previously the Food Service Director submitted state reports reflecting transactions as they were incurred (delivery of food & supplies) and the school corporation ledgers were reflecting the actual effective date of receipts and expenditures. The discrepancies were found when comparing the two sets of reports for the same period of time. The Food Service Director has modified her method of reporting to coincide with the effective date of transactions in the school corporation's ledgers.

Richard A. Sopko
Richard A. Sopko, Ass't. Superintendent – Business

11/17/09
Date

SCHOOL TOWN OF MUNSTER
EXIT CONFERENCE

The contents of this report were discussed on January 13, 2010, with Richard A. Sopko, Treasurer; William J. Pfister, Superintendent of Schools; Mary E. Yorke, President of the School Board; John Friend, School Board member; and Janice Swanson, Deputy Treasurer. The official response has been made a part of this report and may be found on pages 47 and 48.



January 25, 2010

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

RE: Official Response

To Whom It May Concern:

This letter is in response to the exit interview held on January 13, 2010 for the audit period of July 1, 2007, to June 30, 2009. The School Town of Munster wishes to respond to each of the items which were discussed at the exit interview. In addition, the School Town of Munster expresses its gratitude and appreciation for the courteous and professional manner in which the exit audit process was conducted.

There is a comment in the audit concerning the absence of capital assets inventory. A current audit of fixed assets was being conducted during the time of the audit. That report has been completed. The School Town of Munster is currently in full compliance with the requirement for a fixed asset inventory.

The report indicated instances where the school district exceeded appropriations for the 2007 and 2008 Transportation Operating Budget, the 2007 General Fund Budget and the 2008 School Bus Replacement Budget. All of these took place due to the delay by the Department of Local Government Finance to issue Budget orders in a timely fashion. This was the direct result in certification of assessed value for the school district due to trending and assessment delays by the Lake County Officials. In each instance, the expended dollars were within the parameter of the advertised budgets.

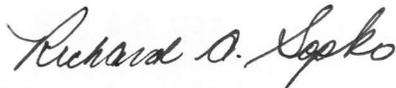
The audit cited some negative cash balances in various funds during the audit period. This was due to late property tax distributions and statutory limits on borrowing. At no time during the audit period was the overall cash balance of the school district in a negative situation.

The audit further noted that voluntary transfer tuition students are charged an assessment for capital costs of \$600.00. This charge was in addition to the Form 515 calculation for students and this charge was removed for any court ordered transfers. The charge was clearly stated to be voluntary in order that these students might pay their fair share for technology and facility costs not included in the Form 515 calculations.

Regarding the school corporations practice of assessing a \$50.00 bus rider fee for transportation of students to and from school, the school district cites past practice and home-rule. The school district has filed local attorney's opinion validating this practice in prior audits. Also, the school district transports any student, even those who reside less than one mile from school, on a daily basis.

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

Sincerely,



Richard Sopko
Assistant Superintendent

cc: William Pfister