

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

AUDIT REPORT
OF
DUNELAND SCHOOL CORPORATION
PORTER COUNTY, INDIANA
July 1, 2008 to June 30, 2010



FILED
03/01/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Bonita K. Gaston	07-01-08 to 06-30-11
Superintendent of Schools	Dr. Dirk Baer	07-01-08 to 06-30-11
President of the School Board	John Marshall Nick Jurasevich Michael Trout	01-01-08 to 12-31-08 01-01-09 to 12-31-09 01-01-10 to 12-31-11



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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Duneland School Corporation (School Corporation), as of and for the years ended June 30, 2009 and 2010, 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, 2009 and 2010, 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 16, 2010, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards 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 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

STATE BOARD OF ACCOUNTS

December 16, 2010



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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 DUNELAND SCHOOL CORPORATION, PORTER COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Duneland School Corporation (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated December 16, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in item 2010-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider item 2010-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2010-1.

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

This report is intended solely for the information and use of the School Corporation's management, School Board, 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 16, 2010

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

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 23,032,229	\$ -	\$ 397,330	\$ (22,634,899)
Support services	13,872,119	2,097,388	771,947	(11,002,784)
Noninstructional services	3,039,930	-	-	(3,039,930)
Facilities acquisition and construction	4,783,568	-	-	(4,783,568)
Debt service	19,160,149	-	-	(19,160,149)
Nonprogrammed charges	<u>8,686,403</u>	<u>-</u>	<u>-</u>	<u>(8,686,403)</u>
Total governmental activities	<u>\$ 72,574,398</u>	<u>\$ 2,097,388</u>	<u>\$ 1,169,277</u>	<u>(69,307,733)</u>
General receipts:				
Property taxes				38,653,384
Other local sources				4,205,881
State aid				18,243,361
Bonds and loans				3,160,000
Grants and contributions not restricted to specific programs				3,751,345
Sale of property				304
Investment earnings				213,665
Other				<u>3,186</u>
Total general receipts				<u>68,231,126</u>
Change in net assets				(1,076,607)
Net assets - beginning				16,070,087
Prior period adjustment (note III. C.)				<u>646,744</u>
Restated net assets - beginning				<u>16,716,831</u>
Net assets - ending				<u>\$ 15,640,224</u>
<u>Assets</u>				
Cash and investments				\$ 10,583,721
Restricted assets:				
Cash and investments				<u>5,056,503</u>
Total assets				<u>\$ 15,640,224</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 654,557
Other purposes				4,401,946
Unrestricted				<u>10,583,721</u>
Total net assets				<u>\$ 15,640,224</u>

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

DUNELAND SCHOOL CORPORATION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2010

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Totals
Governmental activities:				
Instruction	\$ 23,221,035	\$ -	\$ 399,385	\$ (22,821,650)
Support services	13,016,007	1,917,630	961,796	(10,136,581)
Noninstructional services	3,153,716	-	-	(3,153,716)
Facilities acquisition and construction	13,519,736	-	-	(13,519,736)
Debt service	21,727,705	-	-	(21,727,705)
Nonprogrammed charges	8,674,744	-	-	(8,674,744)
Total governmental activities	\$ 83,312,943	\$ 1,917,630	\$ 1,361,181	(80,034,133)
General receipts:				
Property taxes				35,883,057
Other local sources				3,914,662
State aid				32,156,072
Bonds and loans				14,421,020
Lease proceeds				9,121,818
Grants and contributions not restricted to specific programs				2,643,227
Sale of property				751
Investment earnings				133,164
Other				765,531
Total general receipts				99,039,302
Change in net assets				19,005,169
Net assets - beginning				15,640,224
Net assets - ending				\$ 34,645,394
<u>Assets</u>				
Cash and investments				\$ 25,246,640
Restricted assets:				
Cash and investments				9,398,754
Total assets				\$ 34,645,394
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 4,843,581
Other purposes				4,555,173
Unrestricted				25,246,640
Total net assets				\$ 34,645,394

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

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

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	Other	Totals
Receipts:							
Local sources	\$ 20,891,827	\$ 3,161,542	\$ -	\$ 7,867,222	\$ 8,755,118	\$ 4,463,134	\$ 45,138,843
State sources	18,631,199	-	-	-	-	320,774	18,951,973
Federal sources	-	-	-	-	-	4,212,010	4,212,010
Sale of property, adjustments and refunds	304	-	-	-	-	-	304
Temporary loans	-	-	-	846,000	1,423,000	891,000	3,160,000
Other	-	2,026	-	-	1,160	-	3,186
Total receipts	39,523,330	3,163,568	-	8,713,222	10,179,278	9,886,918	71,466,316
Disbursements:							
Current:							
Instruction	20,476,300	-	-	-	-	2,555,929	23,032,229
Support services	12,233,462	2,987,960	500,000	-	2,548,616	1,967,653	20,237,691
Noninstructional services	582,813	-	-	-	-	2,457,117	3,039,930
Facilities acquisition and construction	-	-	343,667	-	4,439,901	-	4,783,568
Debt services	5,500,000	350,000	-	9,376,578	2,000,000	1,933,571	19,160,149
Nonprogrammed charges	2,277,739	-	-	-	-	153,167	2,430,906
Total disbursements	41,070,314	3,337,960	843,667	9,376,578	8,988,517	9,067,437	72,684,473
Excess (deficiency) of receipts over disbursements	(1,546,984)	(174,392)	(843,667)	(663,356)	1,190,761	819,481	(1,218,157)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	763,261	763,261
Transfers out	(32,764)	(8,874)	(681,623)	-	-	(40,000)	(763,261)
Total other financing sources (uses)	(32,764)	(8,874)	(681,623)	-	-	723,261	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,579,748)	(183,266)	(1,525,290)	(663,356)	1,190,761	1,542,742	(1,218,157)
Cash and investments - beginning	2,435,787	816,701	5,227,077	805,075	1,606,922	918,129	11,809,691
Prior period adjustment (note III.C.)	-	-	-	-	-	646,744	646,744
Restated cash and investments - beginning	2,435,787	816,701	5,227,077	805,075	1,606,922	1,564,873	12,456,435
Cash and investments - ending	\$ 856,039	\$ 633,435	\$ 3,701,787	\$ 141,719	\$ 2,797,683	\$ 3,107,615	11,238,278
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.							
							4,401,946
Net assets of governmental activities							\$ 15,640,224
Cash and Investment Assets - Ending							
Cash and investments	\$ 856,039	\$ 633,435	\$ 3,701,787	\$ -	\$ 2,797,683	\$ 2,594,777	\$ 10,583,721
Restricted assets:							
Cash and investments	-	-	-	141,719	-	512,838	654,557
Total cash and investment assets - ending	\$ 856,039	\$ 633,435	\$ 3,701,787	\$ 141,719	\$ 2,797,683	\$ 3,107,615	\$ 11,238,278
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ 141,719	\$ -	\$ 512,838	\$ 654,557
Unrestricted	856,039	633,435	3,701,787	-	2,797,683	2,594,777	10,583,721
Total cash and investment fund balance - ending	\$ 856,039	\$ 633,435	\$ 3,701,787	\$ 141,719	\$ 2,797,683	\$ 3,107,615	\$ 11,238,278

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

DUNELAND SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	Liberty Elementary Construction	Qualified School Construction Lease	Other	Totals
Receipts:									
Local sources	\$ 3,890,014	\$ 5,433,879	\$ -	\$ 13,793,337	\$ 12,777,235	\$ -	\$ -	\$ 5,912,647	\$ 41,807,112
State sources	32,545,949	-	-	-	-	-	-	269,843	32,815,792
Federal sources	-	-	-	-	-	-	-	3,344,688	3,344,688
Temporary loans	-	1,720,000	-	4,320,000	1,973,000	-	-	519,000	8,532,000
Other	7,223	17,354	-	-	740,953	-	-	-	765,530
Total receipts	36,443,186	7,171,233	-	18,113,337	15,491,188	-	-	10,046,178	87,265,122
Disbursements:									
Current:									
Instruction	21,060,589	-	-	-	-	-	-	2,160,446	23,221,035
Support services	11,291,484	3,002,917	-	-	2,835,569	-	-	1,865,020	18,994,990
Noninstructional services	604,680	-	-	-	-	-	-	2,549,036	3,153,716
Facilities acquisition and construction	-	-	-	-	5,892,372	3,435,151	4,192,213	-	13,519,736
Debt services	-	1,720,000	-	13,549,580	3,396,000	-	-	3,062,125	21,727,705
Nonprogrammed charges	2,684,379	-	-	-	-	-	-	123,207	2,807,586
Total disbursements	35,641,132	4,722,917	-	13,549,580	12,123,941	3,435,151	4,192,213	9,759,834	83,424,768
Excess (deficiency) of receipts over disbursements	802,054	2,448,316	-	4,563,757	3,367,247	(3,435,151)	(4,192,213)	286,343	3,840,353
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	5,889,020	-	-	5,889,020
Lease proceeds	-	-	-	-	-	-	9,121,818	-	9,121,818
Sale of capital assets	751	-	-	-	-	-	-	-	751
Transfers in	234,369	329,360	681,623	-	-	-	-	413,941	1,659,293
Transfers out	(154,759)	(28,749)	(47,443)	(55,123)	(65,489)	-	-	(1,307,730)	(1,659,293)
Total other financing sources (uses)	80,361	300,611	634,180	(55,123)	(65,489)	5,889,020	9,121,818	(893,789)	15,011,589
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	882,415	2,748,927	634,180	4,508,634	3,301,758	2,453,869	4,929,605	(607,446)	18,851,942
Cash and investments - beginning	856,039	633,435	3,701,787	141,719	2,797,683	-	-	3,107,615	11,238,278
Cash and investments - ending	\$ 1,738,454	\$ 3,382,362	\$ 4,335,967	\$ 4,650,353	\$ 6,099,441	\$ 2,453,869	\$ 4,929,605	\$ 2,500,170	30,090,221
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:									
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.									
									<u>4,555,173</u>
Net assets of governmental activities									\$ 34,645,394
Cash and Investment Assets - Ending									
Cash and investments	\$ 1,738,454	\$ 3,382,362	\$ 4,335,967	\$ -	\$ 6,099,441	\$ 2,453,869	\$ 4,929,605	\$ 2,306,942	\$ 25,246,640
Restricted assets:									
Cash and investments	-	-	-	4,650,353	-	-	-	193,228	4,843,581
Total cash and investment assets - ending	\$ 1,738,454	\$ 3,382,362	\$ 4,335,967	\$ 4,650,353	\$ 6,099,441	\$ 2,453,869	\$ 4,929,605	\$ 2,500,170	\$ 30,090,221
Cash and Investment Fund Balance - Ending									
Restricted for:									
Debt service	\$ -	\$ -	\$ -	\$ 4,650,353	\$ -	\$ -	\$ -	\$ 193,228	\$ 4,843,581
Unrestricted	1,738,454	3,382,362	4,335,967	-	6,099,441	2,453,869	4,929,605	2,306,942	25,246,640
Total cash and investment fund balance - ending	\$ 1,738,454	\$ 3,382,362	\$ 4,335,967	\$ 4,650,353	\$ 6,099,441	\$ 2,453,869	\$ 4,929,605	\$ 2,500,170	\$ 30,090,221

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

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

	Internal Service Fund
Operating receipts:	
Charges for services	\$ 6,365,572
Miscellaneous	31,475
Total operating receipts	6,397,047
Operating disbursements:	
Insurance claims and expense	6,255,497
Total operating disbursements	6,255,497
Excess (deficiency) of operating receipts over operating disbursements	141,550
Cash and investment fund balance - beginning	4,260,396
Cash and investment fund balance - ending	\$ 4,401,946
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	\$ 4,401,946
Total cash and investment assets - ending	\$ 4,401,946
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	\$ 4,401,946
Total cash and investment fund balance - ending	\$ 4,401,946

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

DUNELAND SCHOOL CORPORATION
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
For the Year Ended June 30, 2010

	Internal Service Fund
Operating receipts:	
Charges for services	\$ 5,978,983
Miscellaneous	41,402
Total operating receipts	6,020,385
Operating disbursements:	
Insurance claims and expense	5,867,158
Total operating disbursements	5,867,158
Excess (deficiency) of operating receipts over operating disbursements	153,227
Cash and investment fund balance - beginning	4,401,946
Cash and investment fund balance - ending	\$ 4,555,173
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	\$ 4,555,173
Total cash and investment assets - ending	\$ 4,555,173
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	\$ 4,555,173
Total cash and investment fund balance - ending	\$ 4,555,173

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

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

	<u>Pension Trust Fund</u>	<u>Private-Purpose Trust Fund</u>	<u>Agency Fund</u>
Additions:			
Contributions:			
Other	\$ -	\$ 773	
Investment earnings:			
Interest	38,287	-	
Total additions	<u>38,287</u>	<u>773</u>	
Deductions:			
Administrative and general	678	1,000	
Total deductions	<u>678</u>	<u>1,000</u>	
Excess (deficiency) of total additions over total deductions	37,609	(227)	
Cash and investment fund balance - beginning	<u>2,728,618</u>	<u>6,283</u>	
Cash and investment fund balance - ending	<u>\$ 2,766,227</u>	<u>\$ 6,056</u>	<u>\$ 539,011</u>
Net assets:			
Cash and investments	<u>\$ 2,766,227</u>	<u>\$ 6,056</u>	<u>\$ 539,011</u>
Total net assets - cash and investment basis held in trust	<u>\$ 2,766,227</u>	<u>\$ 6,056</u>	<u>\$ 539,011</u>

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

DUNELAND SCHOOL CORPORATION
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2010

	<u>Pension Trust Fund</u>	<u>Private-Purpose Trust Fund</u>	<u>Agency Fund</u>
Additions:			
Contributions:			
Other	\$ -	\$ 115	
Investment earnings:			
Interest	927	-	
Total additions	<u>927</u>	<u>115</u>	
Deductions:			
Benefits	<u>324,658</u>	-	
Total deductions	<u>324,658</u>	-	
Excess (deficiency) of total additions over total deductions	(323,731)	115	
Cash and investment fund balance - beginning	<u>2,766,227</u>	<u>6,056</u>	
Cash and investment fund balance - ending	<u>\$ 2,442,496</u>	<u>\$ 6,171</u>	<u>\$ 607,993</u>
Net assets:			
Cash and investments	<u>\$ 2,442,496</u>	<u>\$ 6,171</u>	<u>\$ 607,993</u>
Total net assets - cash and investment basis held in trust	<u>\$ 2,442,496</u>	<u>\$ 6,171</u>	<u>\$ 607,993</u>

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

DUNELAND SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

Primary Government: Duneland School Corporation

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

Joint Venture

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

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

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

The School Corporation is a participant with twenty-five (25) other school corporations in a joint venture to operate the Northwest Indiana Natural Gas Cooperative (Cooperative) with the Northwest Indiana Educational Service Center (Service Center) as the administrative agency

DUNELAND SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

which was created to purchase natural gas. The Cooperative's governing board has full authority to manage the Cooperative, including responsibility for fiscal matters. Complete financial statements for the Cooperative can be obtained from the Service Center's administrative office at 2939 - 41st Street, Highland, Indiana 46322-2790.

Related Organizations

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. However, at this time, the School Corporation has not established any business-type activities.

Fund Financial Statements

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

The School Corporation reports the following major governmental funds:

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

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

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

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

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

DUNELAND SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

The Liberty Elementary construction fund accounts for planned construction, repair, replacement and remodeling of Liberty Elementary School.

The qualified school construction lease fund accounts for the lease proceeds and energy savings equipment purchases at various schools in the corporation.

Additionally, the School Corporation reports the following fund types:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

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

DUNELAND SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Assets and Cash and Investment Balances

1. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. 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.

3. Property Taxes

Normally, 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. 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 may 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.

4. Capital Assets

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

5. Long-Term Debt

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

6. Equity Classification

Government-Wide Statements

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

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

DUNELAND SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

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

E. Receipts and Disbursements

1. Program Receipts

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

2. Operating Receipts and Disbursements

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

F. Internal and Interfund 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 in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

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

Government-Wide Financial Statements

Interfund activity, if any, is 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 loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

DUNELAND SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

G. Rounding Differences

The financial statements may contain immaterial differences due to rounding of amounts when the statements were compiled. These differences are considered trivial and do not affect the overall presentation of the financial statements.

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 January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. Prior to November 1, 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 are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

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

B. Cash Balance Deficits

At June 30, 2009 and 2010, the following funds reported deficits in cash, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

Fund	2009	2010
Parents As Teachers	\$ 17,559	\$ 43,221
Special Education Part B - ARRA	-	28,702

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements for the Parents As Teachers Fund and the reimbursable requirement of the stimulus funds for the Special Education Part B - ARRA Fund; these deficits are to be repaid from future receipts.

DUNELAND SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. IC 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 does not have a deposit policy for custodial credit risk. At June 30, 2010, the School Corporation had deposit balances in the amount of \$34,193,529.

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, 2009 and 2010, were as follows:

Transfer From	Transfer To	2009	2010
General Fund	Other Governmental Funds	\$ 32,764	\$ 154,759
Transportation Operating Fund	Other Governmental Funds	8,874	28,749
Rainy Day Fund	Other Governmental Funds	681,623	47,443
Debt Service Fund	Other Governmental Funds	-	55,123
Capital Projects Fund	Other Governmental Funds	-	65,489
Other Governmental Funds	Rainy Day Fund	-	681,623
Other Governmental Funds	General Fund	-	234,369
Other Governmental Funds	Transportation Operating Fund	-	329,360
Other Governmental Funds	Other Governmental Funds	40,000	62,378
Totals		<u>\$ 763,261</u>	<u>\$ 1,659,293</u>

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

C. Restatements and Reclassifications

Prior period adjustment represents an insurance reimbursement received in 2004 for roof damage to the high school, which was deposited into a trust account and was not receipted into the unit's records. In 2009, the trust account was closed and the amount was receipted into a newly created Roof Settlement Fund.

DUNELAND SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Opinion Unit	as Reported June 30, 2008	Prior Period Adjustment	as Restated July 1, 2008
Statement of Activities and Net Assets - Cash and Investments Basis	\$ 16,070,087	\$ 646,744	\$ 16,716,831
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances - Cash and Investment Basis			
Governmental Funds	11,809,691	646,744	12,456,435
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances - Cash and Investment Basis			
Other Governmental Funds	918,129	646,744	1,564,873

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.

Medical Benefits to Employees

The School Corporation has chosen to establish a risk financing fund for risks associated with Medical Benefits to Employees. The risk financing fund is accounted for in the Self-Insurance Health Fund, an internal service fund, where assets are set aside for claim settlements. The School Corporation purchases commercial insurance for claims in excess of coverage provided by the fund. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund and are reported as quasi-external interfund transactions.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

DUNELAND SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Holding Corporation

The School Corporation has entered into a capital lease with Duneland School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2009 and 2010, totaled \$6,948,000, and \$6,946,000 respectively.

C. Subsequent Events

Cost Reduction Measures

School officials are reducing costs through workforce reductions. As of the end of 2009-2010 school year, twenty-seven (27) teachers retired, of which only fifty percent (50%) were replaced. Additionally, school administrators are taking between three (3) and five (5) unpaid leave days. Finally, aides and clerical staff hours have been reduced between ½ and 1 hour per day for the remainder of the 2010-2011 school year.

D. Contingent Liabilities

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

E. Termination Benefits

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

F. Other Postemployment Benefits

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

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

Health Insurance Benefits

For teachers who retired on or before June 30, 2006, the School Corporation contributes a maximum of \$1,500 annually toward the payment of each retiree's participation in the Group Health Insurance program. As of June 30, 2010, eight (8) were eligible for participation. The School Corporation contributed \$10,500 from the General Fund. Participation in the Group Health Insurance program cannot extend past eligibility for Medicare.

DUNELAND SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Teacher Retirement Benefit Buy-Out Program

Voluntary Employees' Beneficiary Association (VEBA) Accounts:

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

401(a) Plan:

The School Corporation also established a qualified retirement plan as described in section 401(a) of the Code. The total sum of the amount calculated for all eligible employees by the Educational Services Corporation as the present value for the retirement (years of service) benefit was contributed to the individual's 401(a) account and, if applicable, less the amount contributed to his or her VEBA account. This calculated amount for each employee was invested in each employee's separate 401(a) account with each employee determining his or her own investment options. Except as specifically required by IRS regulations, beyond its obligation to make contributions to the 401(a) accounts of participating and eligible teachers, the School Corporation shall have no responsibility or liability for the administration of the 401(a) accounts or the assets or investment results of the 401(a) accounts.

For the school year 2008-2009, the School Corporation contributed \$160,195 to individual 401(a) accounts. The contributions were made on behalf of three hundred (300) employees.

For the school year 2009-2010, the School Corporation contributed \$697,500 to individual employee VEBA accounts for thirty-one (31) retirees during that school year.

Retirement Benefits for Teachers Hired After July 1, 2002

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

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

As of June 30, 2010, one hundred twenty-seven (127) employees were eligible for participation, with the School Corporation contributing \$95,250, paid from the General Fund.

DUNELAND SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Retirement Benefits for Administrators and Directors

401(a) Plan:

For the school year ended June 30, 2010, the School Corporation agreed to pay annually not less than \$5,400, plus \$7,200 for the Superintendent and the two (2) Assistant Superintendents, to each administrator or director's 401(a) plan account. Each administrator and director is considered fully vested in the 401(a) Retirement Plan program with the first contribution. The contributions are made in monthly installments.

As of June 30, 2010, the School Corporation contributed to twenty-three (23) 401(a) plan accounts at a cost of \$124,200. The Transportation Fund paid \$2,700 of this contribution, with the balance being paid from the General Fund.

If any vacation days remain on June 30 of each year, eligible administrators or directors have the option of carrying up to ten (10) days to the following school year, or having a payment for such days made to his or her 401(a) account. For the school year ended June 30, 2010, four (4) employees chose to have their unused vacation days paid. The total amount the School Corporation paid into 401(a) accounts for unused vacation days for these employees was \$10,733.

Voluntary Employees' Beneficiary Association (VEBA) Accounts:

For the school year ended June 30, 2010, the School Corporation agreed to pay annually not less than \$3,000 to each administrator or directors' VEBA account. Each administrator and director is considered fully vested in the VEBA plan from its beginning. Contributions are made monthly.

As of June 30, 2010, the School Corporation contributed to twenty-three (23) VEBA accounts at a cost of \$69,000.

At the end of each school year each administrator and director shall receive payment to his or her VEBA account at the rate of 0.2% of his or her annual base salary for unused sick days that exceed days beyond the wait period for long term disability. As of June 30, 2010, the School Corporation will pay \$66,508 to administrator and directors' VEBA accounts for unused sick leave days.

G. Pension Plans

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

Public Employees' Retirement Fund

Plan Description

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

DUNELAND SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 \$956,219.

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

Teachers' Retirement Fund

Plan Description

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

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

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

DUNELAND SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy

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 \$1,401,513.

DUNELAND SCHOOL CORPORATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-07	\$ 8,587,365	\$ 8,965,113	\$ (377,748)	96%	\$ 6,015,746	(6%)
07-01-08	8,997,932	9,509,552	(511,620)	95%	6,624,597	(8%)
07-01-09	8,412,025	10,094,988	(1,682,963)	83%	7,093,086	(24%)

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

	Pre-School Special Education	School Lunch	Textbook Rental	Alternative Education	Safe Haven	Guidance Grant
Receipts:						
Local sources	\$ 62,906	\$ 1,657,418	\$ 587,238	\$ -	\$ -	\$ -
State sources	158,609	29,822	96,895	23,593	1,449	-
Federal sources	-	645,230	-	-	-	-
Temporary loans	-	-	-	-	-	-
Total receipts	221,515	2,332,470	684,133	23,593	1,449	-
Disbursements:						
Current:						
Instruction	-	-	-	48,622	1,449	271
Support services	-	-	695,151	-	-	-
Noninstructional services	-	2,392,572	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	153,167	-	-	-	-	-
Total disbursements	153,167	2,392,572	695,151	48,622	1,449	271
Excess (deficiency) of receipts over disbursements	68,348	(60,102)	(11,018)	(25,029)	-	(271)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	68,348	(60,102)	(11,018)	(25,029)	-	(271)
Cash and investments - beginning	97,086	283,839	539,451	49,828	-	605
Prior period adjustment (note III.C.)	-	-	-	-	-	-
Restated cash and investments - beginning	97,086	283,839	539,451	49,828	-	605
Cash and investments - ending	\$ 165,434	\$ 223,737	\$ 528,433	\$ 24,799	\$ -	\$ 334
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 165,434	\$ 223,737	\$ 528,433	\$ 24,799	\$ -	\$ 334
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 165,434	\$ 223,737	\$ 528,433	\$ 24,799	\$ -	\$ 334
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	165,434	223,737	528,433	24,799	-	334
Total cash and investment fund balance - ending	\$ 165,434	\$ 223,737	\$ 528,433	\$ 24,799	\$ -	\$ 334

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

	Soft Drink Account	BP Grant I	BP Grant II	Parents As Teachers	Indiana Next Leader 2002-03	Porter Calendar
Receipts:						
Local sources	\$ 39,372	\$ -	\$ 5,000	\$ 26,337	\$ -	\$ 2,795
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-
Total receipts	<u>39,372</u>	<u>-</u>	<u>5,000</u>	<u>26,337</u>	<u>-</u>	<u>2,795</u>
Disbursements:						
Current:						
Instruction	64,968	418	5,039	56,551	-	-
Support services	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	<u>64,968</u>	<u>418</u>	<u>5,039</u>	<u>56,551</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(25,596)</u>	<u>(418)</u>	<u>(39)</u>	<u>(30,214)</u>	<u>-</u>	<u>2,795</u>
Other financing sources (uses):						
Transfers in	-	-	-	32,764	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,764</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(25,596)</u>	<u>(418)</u>	<u>(39)</u>	<u>2,550</u>	<u>-</u>	<u>2,795</u>
Cash and investments - beginning	52,801	418	77	(20,109)	128	-
Prior period adjustment (note III.C.)	-	-	-	-	-	-
Restated cash and investments - beginning	<u>52,801</u>	<u>418</u>	<u>77</u>	<u>(20,109)</u>	<u>128</u>	<u>-</u>
Cash and investments - ending	<u>\$ 27,205</u>	<u>\$ -</u>	<u>\$ 38</u>	<u>\$ (17,559)</u>	<u>\$ 128</u>	<u>\$ 2,795</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 27,205	\$ -	\$ 38	\$ (17,559)	\$ 128	\$ 2,795
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 27,205</u>	<u>\$ -</u>	<u>\$ 38</u>	<u>\$ (17,559)</u>	<u>\$ 128</u>	<u>\$ 2,795</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>27,205</u>	<u>-</u>	<u>38</u>	<u>(17,559)</u>	<u>128</u>	<u>2,795</u>
Total cash and investment fund balance - ending	<u>\$ 27,205</u>	<u>\$ -</u>	<u>\$ 38</u>	<u>\$ (17,559)</u>	<u>\$ 128</u>	<u>\$ 2,795</u>

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

	Indiana Next Leader 2001-02	NSTA Grant	Weather Station	Gifted and Talented	Non English Speaking	Regional Library
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	10,406	-
Federal sources	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-
Total receipts	-	-	-	-	10,406	-
Disbursements:						
Current:						
Instruction	-	-	5,490	-	14,174	337
Support services	-	-	-	-	2,808	-
Noninstructional services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	-	-	5,490	-	16,982	337
Excess (deficiency) of receipts over disbursements	-	-	(5,490)	-	(6,576)	(337)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(5,490)	-	(6,576)	(337)
Cash and investments - beginning	743	821	5,490	51,090	8,202	337
Prior period adjustment (note III.C.)	-	-	-	-	-	-
Restated cash and investments - beginning	743	821	5,490	51,090	8,202	337
Cash and investments - ending	\$ 743	\$ 821	\$ -	\$ 51,090	\$ 1,626	\$ -
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 743	\$ 821	\$ -	\$ 51,090	\$ 1,626	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 743	\$ 821	\$ -	\$ 51,090	\$ 1,626	\$ -
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	743	821	-	51,090	1,626	-
Total cash and investment fund balance - ending	\$ 743	\$ 821	\$ -	\$ 51,090	\$ 1,626	\$ -

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

	Intelenet Refund	Jackson Class	Title I	Title V	Title VI	Indiana Learn and Service
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	-	-	471,103	-	-	-
Temporary loans	-	-	-	-	-	-
Total receipts	-	-	471,103	-	-	-
Disbursements:						
Current:						
Instruction	-	-	435,095	-	-	-
Support services	-	-	32,908	3,735	-	-
Noninstructional services	-	-	4,714	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	-	-	472,717	3,735	-	-
Excess (deficiency) of receipts over disbursements	-	-	(1,614)	(3,735)	-	-
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(1,614)	(3,735)	-	-
Cash and investments - beginning	11,869	1,000	93,880	4,219	914	1,137
Prior period adjustment (note III.C.)	-	-	-	-	-	-
Restated cash and investments - beginning	11,869	1,000	93,880	4,219	914	1,137
Cash and investments - ending	\$ 11,869	\$ 1,000	\$ 92,266	\$ 484	\$ 914	\$ 1,137
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 11,869	\$ 1,000	\$ 92,266	\$ 484	\$ 914	\$ 1,137
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 11,869	\$ 1,000	\$ 92,266	\$ 484	\$ 914	\$ 1,137
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	11,869	1,000	92,266	484	914	1,137
Total cash and investment fund balance - ending	\$ 11,869	\$ 1,000	\$ 92,266	\$ 484	\$ 914	\$ 1,137

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

	Safe and Drug Free Schools	Anti Drug Abuse	Title II Eisenhower	Title II	Title II Class Size Reduction
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-
Federal sources	13,578	-	-	-	273,522
Temporary loans	-	-	-	-	-
Total receipts	13,578	-	-	-	273,522
Disbursements:					
Current:					
Instruction	-	-	-	-	93,522
Support services	40,000	-	-	-	-
Noninstructional services	-	-	-	-	-
Debt services	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-
Total disbursements	40,000	-	-	-	93,522
Excess (deficiency) of receipts over disbursements	(26,422)	-	-	-	180,000
Other financing sources (uses):					
Transfers in	40,000	-	-	-	-
Transfers out	-	-	-	-	(40,000)
Total other financing sources (uses)	40,000	-	-	-	(40,000)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	13,578	-	-	-	140,000
Cash and investments - beginning	-	1,450	791	1,921	-
Prior period adjustment (note III.C.)	-	-	-	-	-
Restated cash and investments - beginning	-	1,450	791	1,921	-
Cash and investments - ending	\$ 13,578	\$ 1,450	\$ 791	\$ 1,921	\$ 140,000
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ 13,578	\$ 1,450	\$ 791	\$ 1,921	\$ 140,000
Restricted assets:					
Cash and investments	-	-	-	-	-
Total cash and investment assets - ending	\$ 13,578	\$ 1,450	\$ 791	\$ 1,921	\$ 140,000
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	13,578	1,450	791	1,921	140,000
Total cash and investment fund balance - ending	\$ 13,578	\$ 1,450	\$ 791	\$ 1,921	\$ 140,000

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

	Fiscal Stabilization	Pension Bond Debt Service	Bus Replacement	Roof Settlement	Totals
Receipts:					
Local sources	\$ -	\$ 1,502,746	\$ 576,827	\$ 2,495	\$ 4,463,134
State sources	-	-	-	-	320,774
Federal sources	2,808,577	-	-	-	4,212,010
Temporary loans	-	630,000	261,000	-	891,000
Total receipts	2,808,577	2,132,746	837,827	2,495	9,886,918
Disbursements:					
Current:					
Instruction	1,829,993	-	-	-	2,555,929
Support services	615,644	-	577,407	-	1,967,653
Noninstructional services	59,831	-	-	-	2,457,117
Debt services	-	1,728,571	205,000	-	1,933,571
Nonprogrammed charges	-	-	-	-	153,167
Total disbursements	2,505,468	1,728,571	782,407	-	9,067,437
Excess (deficiency) of receipts over disbursements	303,109	404,175	55,420	2,495	819,481
Other financing sources (uses):					
Transfers in	-	681,623	8,874	-	763,261
Transfers out	-	-	-	-	(40,000)
Total other financing sources (uses)	-	681,623	8,874	-	723,261
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	303,109	1,085,798	64,294	2,495	1,542,742
Cash and investments - beginning	-	(572,960)	303,101	-	918,129
Prior period adjustment (note III.C.)	-	-	-	646,744	646,744
Restated cash and investments - beginning	-	(572,960)	303,101	646,744	1,564,873
Cash and investments - ending	\$ 303,109	\$ 512,838	\$ 367,395	\$ 649,239	\$ 3,107,615
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ 303,109	\$ -	\$ 367,395	\$ 649,239	\$ 2,594,777
Restricted assets:					
Cash and investments	-	512,838	-	-	512,838
Total cash and investment assets - ending	\$ 303,109	\$ 512,838	\$ 367,395	\$ 649,239	\$ 3,107,615
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Debt service	\$ -	\$ 512,838	\$ -	\$ -	\$ 512,838
Unrestricted	303,109	-	367,395	649,239	2,594,777
Total cash and investment fund balance - ending	\$ 303,109	\$ 512,838	\$ 367,395	\$ 649,239	\$ 3,107,615

DUNELAND SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010

	Pre-School Special Education	School Lunch	Textbook Rental	Alternative Education	Guidance Grant	Soft Drink Account
Receipts:						
Local sources	\$ 3,005	\$ 1,685,153	\$ 565,661	\$ -	\$ -	\$ 29,420
State sources	92,125	32,823	111,155	23,432	-	-
Federal sources	-	817,818	-	-	-	-
Temporary loans	-	-	-	-	-	-
Total receipts	<u>95,130</u>	<u>2,535,794</u>	<u>676,816</u>	<u>23,432</u>	<u>-</u>	<u>29,420</u>
Disbursements:						
Current:						
Instruction	-	-	-	3,126	-	43,491
Support services	-	-	647,843	-	-	-
Noninstructional services	-	2,532,867	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	123,207	-	-	-	-	-
Total disbursements	<u>123,207</u>	<u>2,532,867</u>	<u>647,843</u>	<u>3,126</u>	<u>-</u>	<u>43,491</u>
Excess (deficiency) of receipts over disbursements	<u>(28,077)</u>	<u>2,927</u>	<u>28,973</u>	<u>20,306</u>	<u>-</u>	<u>(14,071)</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	6,012
Transfers out	(137,357)	(6,012)	-	-	-	-
Total other financing sources (uses)	<u>(137,357)</u>	<u>(6,012)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,012</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(165,434)</u>	<u>(3,085)</u>	<u>28,973</u>	<u>20,306</u>	<u>-</u>	<u>(8,059)</u>
Cash and investments - beginning	<u>165,434</u>	<u>223,737</u>	<u>528,433</u>	<u>24,799</u>	<u>334</u>	<u>27,205</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 220,652</u>	<u>\$ 557,406</u>	<u>\$ 45,105</u>	<u>\$ 334</u>	<u>\$ 19,146</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 220,652	\$ 557,406	\$ 45,105	\$ 334	\$ 19,146
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 220,652</u>	<u>\$ 557,406</u>	<u>\$ 45,105</u>	<u>\$ 334</u>	<u>\$ 19,146</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	220,652	557,406	45,105	334	19,146
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 220,652</u>	<u>\$ 557,406</u>	<u>\$ 45,105</u>	<u>\$ 334</u>	<u>\$ 19,146</u>

DUNELAND SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010
 (Continued)

	BP Grant II	Parents As Teachers	Indiana Next Leader 2002-03	Porter Calendar	Indiana Next Leader 2001-02	NSTA Grant
Receipts:						
Local sources	\$ -	\$ 43,741	\$ -	\$ 2,945	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-
Total receipts	-	43,741	-	2,945	-	-
Disbursements:						
Current:						
Instruction	-	69,404	-	2,795	-	-
Support services	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	-	69,404	-	2,795	-	-
Excess (deficiency) of receipts over disbursements	-	(25,662)	-	150	-	-
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(25,662)	-	150	-	-
Cash and investments - beginning	38	(17,559)	128	2,795	743	821
Cash and investments - ending	\$ 38	\$ (43,221)	\$ 128	\$ 2,945	\$ 743	\$ 821
Cash and Investment Assets - Ending						
Cash and investments	\$ 38	\$ (43,221)	\$ 128	\$ 2,945	\$ 743	\$ 821
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 38	\$ (43,221)	\$ 128	\$ 2,945	\$ 743	\$ 821
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	38	(43,221)	128	2,945	743	821
Total cash and investment fund balance - ending	\$ 38	\$ (43,221)	\$ 128	\$ 2,945	\$ 743	\$ 821

DUNELAND SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010
 (Continued)

	Tobacco Prevention	Gifted and Talented	Non English Speaking	Intelenet Refund	Jackson Class	Title I
Receipts:						
Local sources	\$ 500	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	10,308	-	-	-
Federal sources	-	-	-	-	-	591,587
Temporary loans	-	-	-	-	-	-
Total receipts	<u>500</u>	<u>-</u>	<u>10,308</u>	<u>-</u>	<u>-</u>	<u>591,587</u>
Disbursements:						
Current:						
Instruction	500	51,090	6,084	-	-	491,932
Support services	-	-	-	-	-	37,579
Noninstructional services	-	-	-	-	-	4,191
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	<u>500</u>	<u>51,090</u>	<u>6,084</u>	<u>-</u>	<u>-</u>	<u>533,702</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(51,090)</u>	<u>4,224</u>	<u>-</u>	<u>-</u>	<u>57,885</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>(51,090)</u>	<u>4,224</u>	<u>-</u>	<u>-</u>	<u>57,885</u>
Cash and investments - beginning	<u>-</u>	<u>51,090</u>	<u>1,626</u>	<u>11,869</u>	<u>1,000</u>	<u>92,266</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,850</u>	<u>\$ 11,869</u>	<u>\$ 1,000</u>	<u>\$ 150,151</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ 5,850	\$ 11,869	\$ 1,000	\$ 150,151
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,850</u>	<u>\$ 11,869</u>	<u>\$ 1,000</u>	<u>\$ 150,151</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	-	5,850	11,869	1,000	150,151
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,850</u>	<u>\$ 11,869</u>	<u>\$ 1,000</u>	<u>\$ 150,151</u>

DUNELAND SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010
 (Continued)

	Title V	Title VI	Indiana Learn and Service	Safe and Drug Free Schools	Anti Drug Abuse	Title II Eisenhower
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	3,001	-	-	-	-	-
Temporary loans	-	-	-	-	-	-
Total receipts	3,001	-	-	-	-	-
Disbursements:						
Current:						
Instruction	-	-	-	53,578	-	-
Support services	2,917	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	2,917	-	-	53,578	-	-
Excess (deficiency) of receipts over disbursements	84	-	-	(53,578)	-	-
Other financing sources (uses):						
Transfers in	-	-	-	40,000	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	40,000	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	84	-	-	(13,578)	-	-
Cash and investments - beginning	484	914	1,137	13,578	1,450	791
Cash and investments - ending	\$ 568	\$ 914	\$ 1,137	\$ -	\$ 1,450	\$ 791
Cash and Investment Assets - Ending						
Cash and investments	\$ 568	\$ 914	\$ 1,137	\$ -	\$ 1,450	\$ 791
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 568	\$ 914	\$ 1,137	\$ -	\$ 1,450	\$ 791
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	568	914	1,137	-	1,450	791
Total cash and investment fund balance - ending	\$ 568	\$ 914	\$ 1,137	\$ -	\$ 1,450	\$ 791

DUNELAND SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010
 (Continued)

	Eisenhower Title II	Title II Class Size Reduction	Fiscal Stabilization	Title I ARRA	Special Education Part B - ARRA	Pension Bond Debt Service
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,548,620
State sources	-	-	-	-	-	-
Federal sources	-	243,965	1,227,512	203,776	257,029	-
Temporary loans	-	-	-	-	-	292,000
Total receipts	<u>-</u>	<u>243,965</u>	<u>1,227,512</u>	<u>203,776</u>	<u>257,029</u>	<u>2,840,620</u>
Disbursements:						
Current:						
Instruction	-	99,354	1,014,150	84,774	240,169	-
Support services	-	-	507,487	54,711	45,562	-
Noninstructional services	-	-	8,984	2,994	-	-
Debt services	-	-	-	-	-	2,514,580
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>99,354</u>	<u>1,530,621</u>	<u>142,479</u>	<u>285,731</u>	<u>2,514,580</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>144,611</u>	<u>(303,109)</u>	<u>61,297</u>	<u>(28,702)</u>	<u>326,040</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	47,443
Transfers out	-	(40,000)	-	-	-	(693,093)
Total other financing sources (uses)	<u>-</u>	<u>(40,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(645,650)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>104,611</u>	<u>(303,109)</u>	<u>61,297</u>	<u>(28,702)</u>	<u>(319,610)</u>
Cash and investments - beginning	<u>1,921</u>	<u>140,000</u>	<u>303,109</u>	<u>-</u>	<u>-</u>	<u>512,838</u>
Cash and investments - ending	<u>\$ 1,921</u>	<u>\$ 244,611</u>	<u>\$ -</u>	<u>\$ 61,297</u>	<u>\$ (28,702)</u>	<u>\$ 193,228</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 1,921	\$ 244,611	\$ -	\$ 61,297	\$ (28,702)	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	193,228
Total cash and investment assets - ending	<u>\$ 1,921</u>	<u>\$ 244,611</u>	<u>\$ -</u>	<u>\$ 61,297</u>	<u>\$ (28,702)</u>	<u>\$ 193,228</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 193,228
Unrestricted	1,921	244,611	-	61,297	(28,702)	-
Total cash and investment fund balance - ending	<u>\$ 1,921</u>	<u>\$ 244,611</u>	<u>\$ -</u>	<u>\$ 61,297</u>	<u>\$ (28,702)</u>	<u>\$ 193,228</u>

DUNELAND SCHOOL CORPORATION
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010
 (Continued)

	2010 General Obligation Refund	Bus Replacement	Roof Settlement	Excess Levy	Totals
Receipts:					
Local sources	\$ 61,662	\$ 971,940	\$ -	\$ -	\$ 5,912,647
State sources	-	-	-	-	269,843
Federal sources	-	-	-	-	3,344,688
Temporary loans	-	227,000	-	-	519,000
Total receipts	<u>61,662</u>	<u>1,198,940</u>	<u>-</u>	<u>-</u>	<u>10,046,178</u>
Disbursements:					
Current:					
Instruction	-	-	-	-	2,160,446
Support services	-	568,921	-	-	1,865,020
Noninstructional services	-	-	-	-	2,549,036
Debt services	59,545	488,000	-	-	3,062,125
Nonprogrammed charges	-	-	-	-	123,207
Total disbursements	<u>59,545</u>	<u>1,056,921</u>	<u>-</u>	<u>-</u>	<u>9,759,834</u>
Excess (deficiency) of receipts over disbursements	<u>2,117</u>	<u>142,019</u>	<u>-</u>	<u>-</u>	<u>286,343</u>
Other financing sources (uses):					
Transfers in	-	-	-	320,486	413,941
Transfers out	-	(110,782)	-	(320,486)	(1,307,730)
Total other financing sources (uses)	<u>-</u>	<u>(110,782)</u>	<u>-</u>	<u>-</u>	<u>(893,789)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,117	31,237	-	-	(607,446)
Cash and investments - beginning	-	367,395	649,239	-	3,107,615
Cash and investments - ending	<u>\$ 2,117</u>	<u>\$ 398,632</u>	<u>\$ 649,239</u>	<u>\$ -</u>	<u>\$ 2,500,170</u>
Cash and Investment Assets - Ending					
Cash and investments	\$ 2,117	\$ 398,632	\$ 649,239	\$ -	\$ 2,306,942
Restricted assets:					
Cash and investments	-	-	-	-	193,228
Total cash and investment assets - ending	<u>\$ 2,117</u>	<u>\$ 398,632</u>	<u>\$ 649,239</u>	<u>\$ -</u>	<u>\$ 2,500,170</u>
Cash and Investment Fund Balance - Ending					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 193,228
Unrestricted	<u>2,117</u>	<u>398,632</u>	<u>649,239</u>	<u>-</u>	<u>2,306,942</u>
Total cash and investment fund balance - ending	<u>\$ 2,117</u>	<u>\$ 398,632</u>	<u>\$ 649,239</u>	<u>\$ -</u>	<u>\$ 2,500,170</u>

DUNELAND SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2010

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Chesterton High School	\$ 57,396,150	\$ 6,944,000
Notes and loans payable	4,907,424	1,543,467
Bonds payable:		
General obligation bonds:		
Pension bonds, 2006	5,985,000	414,909
Pension bonds, 2001, refunded issue 2010	4,255,000	953,491
Renovation and improvements to Liberty Elementary School	<u>5,885,000</u>	<u>146,187</u>
Total governmental activities debt	<u>\$ 78,428,574</u>	<u>\$ 10,002,054</u>

DUNELAND SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS NOT RECORDED

The School Corporation does not have adequate internal controls in place to allow for recording the financial activity of funds which are held in trust.

The School Corporation received \$9,121,818 on November 12, 2009, in Qualified School Construction Bonds - Energy Savings Contract Financing proceeds, which were placed in trust. The School Corporation spent \$3,340,212.60 of the proceeds during the 2009-2010 school year for energy savings equipment and installation of that equipment. A fund was not established by the School Corporation to record any of the activity from the proceeds; therefore, none of the activity was reflected in the official records of the School Corporation. The transactions reported in the Financial Statements of the School Corporation presented were based upon an audit adjustment that was approved by the School Corporation Treasurer.

Furthermore, in September 2009 the School Corporation issued a receipt in the amount of \$646,744.13, thereby establishing a Roof Settlement Fund. The \$646,744.13 was actually received by the School Corporation prior to July 2004, but was held in trust. Bank statements for the trust account were not presented for audit until the audit of the 2008-2009 and 2009-2010 school years. The earliest bank statement provided was from July 2004.

Due to activity not being recorded in the official records of the School Corporation, accounts payable vouchers or claims were not prepared or approved by the School Board. The dollar amounts which bypassed the official recordkeeping process were material to the financial statements; thus, the School Corporation is lacking material financial compliance with laws and regulations for the School Corporation, as well as bypassing internal controls.

IC 5-11-10-1.6 (c) states:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

IC 5-11-1-2 states in part:

"The state board of accounts shall formulate, prescribe, and install a system of accounting and reporting in conformity with this chapter, which must comply with the following:

DUNELAND SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

- (1) Be uniform for every public office and every public account of the same class and contain written standards that an entity that is subject to audit must observe.
- (2) Exhibit true accounts and detailed statements of funds collected, received, obligated, and expended for or on account of the public for any and every purpose whatever, and by all public officers, employees, or other individuals.
- (3) Show the receipt, use, and disposition of all public property and the income, if any, derived from the property.
- (4) Show all sources of public income and the amounts due and received from each source.
- (5) Show all receipts, vouchers, contracts, obligations, and other documents kept, or that may be required to be kept, to prove the validity of every transaction . . ."

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

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

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

DORMANT GRANT FUNDS

The Title II Eisenhower and Title II grant funds have cash and investment balances as of June 30, 2010, of \$791 and \$1,921, respectively. The cash and investment balances of these two funds have not changed since prior to July 1, 2006.

DUNELAND SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS
 (Continued)

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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 year ending June 30, 2010.

The enrollment count date for year ended June 30, 2010, was September 18, 2009. The difference between the count reported on the ADM and the verified figures are shown below:

School Year	Grade	Count as Reported to the Department of Education	Actual Enrollment Figures	Difference
2009-2010	K Through 12	5868	5,870	(2)

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)

EXTRA-CURRICULAR PAY

The School Corporation attempts to fill all extra-curricular director, coaching, and assistant positions from teaching staff; however, sometimes due to a lack of applicants, the School Corporation hires from the community (Community Coaches). The School Corporation also allows for individuals from the community to work as unpaid volunteer coaches.

Rates of pay for all extra-curricular positions are established in the "Agreement between the Duneland School Board and the Duneland Teachers' Association" or more commonly referred to as the Master Teacher's Contract.

The positions and rates of pay for coaching positions filled from teaching staff are included in the teacher's contract that is signed by the School Board and by the teacher. There is not a formal hiring or employment notification procedure in place for coaching positions filled from the community. The Athletic Director interviews the applicants for athletic positions, and notifies them verbally if they are hired. They are then instructed to go to the payroll department at the Administration Building to file the required federal and state withholding reports. Payments to the Community Coaches are based upon accounts payable vouchers or claims filled out by the Athletic Director. These claims list the name of the individual to be paid, and the dollar amount to be paid. Community Coaches in good standing are contacted for

DUNELAND SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

subsequent year coaching positions. He or she is not required to re-file withholding reports, unless he or she wishes to make changes. The Athletic Director indicated that he would prepare a list of Community Coaches to be presented to the School Board for approval at a formal board meeting; however, the minutes to the meetings addresses only a few of the Community Coach employees.

The Athletic Director provided a list of the individuals who held coaching positions as well as the positions they held for the school years from 2005 thru 2010 for football and swimming/diving based upon records he maintained. Our examination showed that a few individuals were not paid for the positions to which the Athletic Director had them listed. For example, for the 2005-2008 school years, a teacher was listed as holding the Junior Varsity Football Coaching position, but his teaching contract indicated he was employed as the Freshman Assistant Coach, which was a lower rate of pay. Payroll records supported the amount indicated to be paid in the contract. Also, for the 2005-2008 school years, a Community Coach who was listed by the Athletic Director as the Freshman Assistant Coach was indicated on the claim and "paid" as a Junior Varsity Football Coach ("paid" because his rate of pay was slightly less than that of the Junior Varsity Football Coach position listed in the Master Teacher Contract for all but one of the 2005-2008 school years). He was paid for the Junior Varsity Coaching position in 2006-2007 with no difference noted.

Our examination showed that in the 2005-2006 school year, an individual that the Athletic Director indicated was an Assistant Swim Coach was being paid \$85 per month for which claims were not presented for audit. The total he was paid was \$595 for a position to be paid at \$2,263. The following school year 2006-2007, the individual was not listed by the Athletic Director as holding any position; however, his son was listed as the Assistant Swim Coach and was paid the correct amount for that position. The individual was again listed as the Assistant Swim Coach in the 2007-2008 school year (his son was not listed), but the School Corporation split the salary to pay the individual and his son. For the remaining two school years 2008-2009 and 2009-2010, only the same individual was listed and paid by the School Corporation as the Assistant Swim Coach.

The School Corporation, in response to a complaint filed, on October 28, 2010, paid the individual listed by the Athletic Director as the Assistant Swim Coach for the school years 2005-2006, and 2007-2010, the difference between the Head Diving Coach position and the Assistant Swim Coach position. The School Corporation also paid him the amount he was short from the 2005-2006 school year. Additionally, the School Corporation paid the difference between the Head Diving Coach position and the Assistant Swim Coach position to the individual listed by the Athletic Director as the Assistant Swim Coach for the 2006-2007 school year when his son was actually indicated as holding the position.

Based upon the Master Teacher Contract, there was only one head coach position, and in all five of the school years, the head coaching position was held and paid to another Community Coach. Without contracts or other documentation from the School Board to substantiate which individuals were hired to fill which positions, we could not adequately determine any over or underpayments to individuals based upon positions held or not held.

IC 20-26-5-4 states in part:

"In carrying out the school purposes of a school corporation, the governing body acting on the school corporation's behalf has the following specific powers: . . .

(8) To:

(A) Employ, contract for, and discharge superintendents, supervisors, principals, teachers, librarians, athletic coaches (whether or not they are otherwise employed by the school corporation and whether or not they are licensed under IC 20-28-5), business

DUNELAND SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

managers, superintendents of buildings and grounds, janitors, engineers, architects, physicians, dentists, nurses, accountants, teacher aides performing noninstructional duties, educational and other professional consultants, data processing and computer service for school purposes, including the making of schedules, the keeping and analyzing of grades and other student data, the keeping and preparing of warrants, payroll, and similar data where approved by the state board of accounts as provided below, and other personnel or services as the governing body considers necessary for school purposes.

(B) Fix and pay the salaries and compensation of persons and services described in this subdivision.

(C) Classify persons or services described in this subdivision and to adopt schedules of salaries or compensation.

(D) Determine the number of the persons or the amount of the services employed or contracted for as provided in this subdivision.

(E) Determine the nature and extent of the duties of the persons described in this subdivision."

The compensation, terms of employment, and discharge of teachers are, however, subject to and governed by the laws relating to employment, contracting, compensation, and discharge of teachers. The compensation, terms of employment, and discharge of bus drivers are subject to and governed by laws relating to employment, contracting, compensation, and discharge of bus drivers. The forms and procedures relating to the use of computer and data processing equipment in handling the financial affairs of the school corporation must be submitted to the state board of accounts for approval so that the services are used by the school corporation when the governing body determines that it is in the best interest of the school corporation while at the same time providing reasonable accountability for the funds expended."

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 13)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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

DUNELAND SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

REPORT OF NAMES, ADDRESSES, DUTIES AND COMPENSATION
OF PUBLIC EMPLOYEES, FORM 100-R

The School Corporation files a list of names and addresses of public employees with the State Board of Accounts and the County Treasurer as required; however, the report does not include the duties or compensation.

IC 5-11-13-1 states:

"Every state, county, city, town, township, or school official, elective or appointive, who is the head of or in charge of any office, department, board, or commission of the state or of any county, city, town, or township, and every state, county, city, town, or township employee or agent who is the head of, or in charge of, or the executive officer of any department, bureau, board, or commission of the state, county, city, town, or township, and every executive officer by whatever title designated, who is in charge of any state educational institution or of any other state, county, or city institution, shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents in their respective offices, departments, boards, commissions, and institutions, and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts. However, no more than one (1) report covering the same officers, employees, and agents need be made from the state or any county, city, town, township, or school unit in any one year."

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)

CONTRACTS

Payments were made to the School Corporation Attorney without a contract.

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

CAPITAL ASSET RECORDS

The School Corporation has not inventoried or updated capital asset records since June 30, 2004.

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

DUNELAND SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

CREDIT CARDS

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

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

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid. (Accounting and Uniform Compliance Guidelines Manual for 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 DUNELAND SCHOOL CORPORATION, PORTER COUNTY, INDIANA

Compliance

We have audited the compliance of the Duneland School Corporation (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2009 and 2010. 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.

As described in items 2010-2 and 2010-3 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Cash Management and Reporting that are applicable to its Title I Grants to Local Educational Agencies, and ARRA - Title I Grants to Local Educational Agencies, Recovery Act. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the School Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the years ended June 30, 2009 and 2010.

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)

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.

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

A control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in items 2010-2 and 2010-3 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider items 2010-2 and 2010-3, to be material weaknesses.

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

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

December 16, 2010

DUNELAND SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2009 and 2010

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-09	Total Federal Awards Expended 06-30-10
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 122,971	\$ 157,450
National School Lunch Program	10.555		<u>590,032</u>	<u>758,820</u>
Total for cluster			<u>713,003</u>	<u>916,270</u>
Total for federal grantor agency			<u>713,003</u>	<u>916,270</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	08-6470	123,244	-
		09-6470	349,474	118,600
		10-6470	<u>-</u>	<u>415,102</u>
Total for program			<u>472,718</u>	<u>533,702</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	10-6470	<u>-</u>	<u>142,479</u>
Total for cluster			<u>472,718</u>	<u>676,181</u>
Pass-Through Porter County Educational Services				
Special Education Cluster				
ARRA - Special Education - Grants to States, Recovery Act	84.391		<u>-</u>	<u>285,731</u>
Pass-Through Indiana Department of Education				
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394		<u>2,505,467</u>	<u>1,530,622</u>
Total for cluster			<u>2,505,467</u>	<u>1,530,622</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	08-6470	<u>-</u>	<u>53,254</u>
State Grants for Innovative Programs	84.298	06-6470	3	-
		07-6470	3,732	-
		08-6470	<u>-</u>	<u>2,917</u>
Total for program			<u>3,735</u>	<u>2,917</u>
Improving Teacher Quality State Grants	84.367	05-277	93,522	-
		07-6470	<u>-</u>	<u>99,354</u>
Total for program			<u>93,522</u>	<u>99,354</u>
Total for federal grantor agency			<u>3,075,442</u>	<u>2,648,059</u>
Total federal awards expended			<u>\$ 3,788,445</u>	<u>\$ 3,564,329</u>

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

DUNELAND SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Duneland School Corporation (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with 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, 2009 and 2010. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2009	2010
School Breakfast Program	10.553	\$ 10,912	\$ 15,645
National School Lunch Program	10.555	51,916	74,583

DUNELAND SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes

Federal Awards:

Internal control over major programs:

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

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

Unqualified for ARRA - State Fiscal Stabilization Fund – Education State Grants, Recovery Act

Qualified for Title I Grants to Local Educational Agencies and ARRA - Title I Grants to Local Educational Agencies, Recovery Act

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

Identification of Major Programs:

Name of Federal Program or Cluster

Title I, Part A 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 Finding

FINDING 2010-1, FINANCIAL TRANSACTIONS NOT RECORDED

The School Corporation does not have adequate internal controls in place to allow for recording the financial activity of funds which are held in trust.

The School Corporation received \$9,121,818 on November 12, 2009, in Qualified School Construction Bonds - Energy Savings Contract Financing proceeds, which were placed in trust. The School Corporation spent \$3,340,212.60 of the proceeds during the 2009-2010 school year for energy

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

savings equipment and installation of that equipment. A fund was not established by the School Corporation to record any of the activity from the proceeds; therefore, none of the activity was reflected in the official records of the School Corporation. The transactions are being reported in the Financial Statements of the School Corporation presented herein were based upon an audit adjustment that was approved by the School Corporation Treasurer.

Furthermore, in September 2009 the School Corporation issued a receipt in the amount of \$646,744.13, thereby establishing a Roof Settlement Fund. The \$646,744.13 was actually received by the School Corporation prior to July 2004, but was held in trust. Statements on the trust account were not presented for audit until the audit of the 2008-2009 and 2009-2010 school years. The earliest statement provided was from July, 2004.

Due to activity not being recorded in the official records of the School Corporation, accounts payable vouchers or claims were not prepared or approved by the School Board. The dollar amounts which bypassed the official recordkeeping process were material to the financial statements; thus, the School Corporation is lacking material financial compliance with laws and regulations for the School Corporation, as well as bypassing internal controls.

IC 5-11-10-1.6 (c) states:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

IC 5-11-1-2 states in part:

"The state board of accounts shall formulate, prescribe, and install a system of accounting and reporting in conformity with this chapter, which must comply with the following:

- (1) Be uniform for every public office and every public account of the same class and contain written standards that an entity that is subject to audit must observe.
- (2) Exhibit true accounts and detailed statements of funds collected, received, obligated, and expended for or on account of the public for any and every purpose whatever, and by all public officers, employees, or other individuals.
- (3) Show the receipt, use, and disposition of all public property and the income, if any, derived from the property.

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

- (4) Show all sources of public income and the amounts due and received from each source.
- (5) Show all receipts, vouchers, contracts, obligations, and other documents kept, or that may be required to be kept, to prove the validity of every transaction . . ."

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

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

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

We recommended School Corporation Officials establish procedures to ensure that all financial activities be reported in the funds of the School Corporation, including the financial activity of funds held in trust. All bank, investment, and trust statements should be provided to Treasurer to be used in reconciling bank balances to fund balances to ensure all funds have been accounted for in the records of the School Corporation.

Section III – Federal Award Findings and Questioned Costs

FINDING 2010-2, CASH MANAGEMENT CONTROLS AND COMPLIANCE

Federal Agency: U.S. Department of Education
Federal Program (CFDA Title): Title I Grants to Local Educational Agencies, ARRA - Title I Grants to Local Educational Agencies, Recovery Act
CFDA Number: 84.010, 84.389
Pass-Through Entity: Indiana Department of Education
Award Numbers and Years: 09-6470 (FY 2008-09), 10-6470 (FY 2009-10)

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

As part of the application for Title I Grants to Local Educational Agencies (Title I) funds, school corporations are required to assess needs and develop a drawdown request of Title I funds to cover cash needs for the entire grant period. The drawdown amounts are listed by month, and must total the grant award.

Duneland School Corporation uses most of their Title I funds for payroll, and therefore has consistently delayed the first drawdown until September, after the school year has begun.

The Indiana Department of Education requires School Corporations to prepare quarterly reports. The quarterly reports show grant receipts, disbursements, and cash balances and also allows the School Corporation to modify subsequent drawdowns. For each of the two Title I grant programs, only one attempt was made by the School Corporation to reduce a subsequent drawdown. The drawdown modification in both cases was requested on the third quarter report ending March 31. For the 2008-2009 Title I grant program the Indiana Department of Education reduced the subsequent drawdown by the amount requested, only to distribute that amount in July along with the amount requested for July. For the 2009-2010 Title I grant program, the Indiana Department of Education did not reduce any of the subsequent drawdown amounts by the \$70,000 requested by the School Corporation.

For the 2008-2009 Title I (09-6470) grant program, the School Corporation held cash in excess of immediate need for February thru April, and July through August. The request made by the School Corporation to reduce the draw down properly allowed them time to bring the cash balance to an acceptable level. For the 2009-2010 Title I (10-6470) grant program, the School Corporation held cash in excess of immediate need for February through the end of the school year. If the Indiana Department of Education had honored the School Corporation's request to reduce the April drawdown by the \$70,000, the School Corporation would not have had excess cash on hand as of April thru the close of the school year.

For the 2009-2010 ARRA Title I Grants to Local Educational Agencies, Recovery Act (ARRA Title I) (10-6470) grant funds, a cash drawdown request was not presented for audit. Funds were distributed in equal installments beginning in July 2009, less than one month after the application was approved by the Indiana Department of Education. Duneland School Corporation did not spend any of the funds until October, and maintained cash balances in excess of current needs for the entire school year. Monthly monitoring reports were required to be filed with the Indiana Department of Education. The reports required school corporations to indicate the amount of interest earned on cash balances maintained, for which school corporations were required to remit all interest earned in excess of \$100 to the U.S. Department of Education. Duneland School Corporation remitted \$260.47 in interest earnings in excess of \$100 to the U.S. Department of Education as of July 8, 2010.

Failure to minimize the cash on hand balances indicate noncompliance with cash management requirements established by federal agencies. The maintenance of excess cash balances for the ARRA Title I funding caused the School Corporation to remit interest earnings to the U.S. Department of Education.

EDGAR § 80.20 states in part:

". . . (b) The financial management systems of other grantees and subgrantees must meet the following standards: . . . (7) Cash management. Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to

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

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

Effective July 1, 2010, the Indiana Department of Education modified the grant process for their subrecipients. School Corporations will no longer be requesting grant advances; instead, school corporations will be required to spend the funds necessitating reimbursements on funds already spent.

We recommended School Corporation Officials follow the new guidelines established by the Indiana Department of Education, requiring Title I funds to be reimbursed after the funds have been properly spent.

FINDING 2010-3, COMPLIANCE RELATED TO REPORTING

Federal Agency: U.S. Department of Education
Federal Program (CFDA Title): ARRA - Title I Grants to Local Educational Agencies, Recovery Act
CFDA Number: 84.389
Pass-Through Entity: Indiana Department of Education
Award Numbers and Years: 10-6470 (FY 2009-10)

The Indiana Department of Education required School Corporations to prepare reports on ARRA - Title I Grants to Local Educational Agencies, Recovery Act (ARRA Title I) funding on a monthly basis, which was a significant change from the reporting requirements of the regular Title I Grants to Local Educational Agencies funding, which followed a quarterly reporting schedule. Duneland School Corporation Officials did not have procedures in place to accommodate the monthly reporting requirement, which meant that all of the ARRA Title I monthly reports were filed late. The monthly reports were due by the 5th of following month. The monthly reports for September 2009 through February 2010 were all filed on April 1, 2010. The monthly reports for April 2010 through June 2010 were all filed on July 9, 2010.

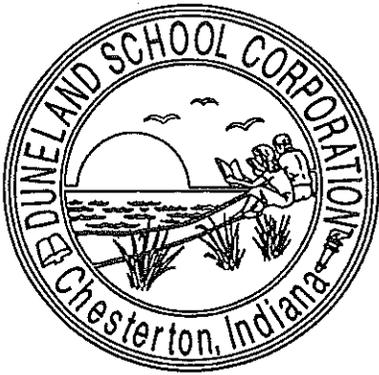
Delays in reporting the financial activities to the Indiana Department of Education could create late or inaccurate reporting by the Indiana Department of Education to the U.S. Department of Education; and could result in a lack of transparency over the accounting over the Recovery Act Federal Funding.

EDGAR § 80.20 states in part:

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

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

We recommended that School Corporation Officials establish controls to accommodate a monthly reporting requirement to ensure future required reports are prepared and submitted to the Indiana Department of Education timely.



Duneland School Corporation

ADMINISTRATION CENTER

601 West Morgan Avenue

Chesterton, Indiana 46304-2205

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

November 22, 2010

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

To Whom It May Concern:

In response to what remediation has occurred to address two findings in the Federal portion of our 2008 audit and Financial Statement Findings, I would offer the following:

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Section III – Federal Award Findings and Questioned Costs

FINDINGS 2008-4 ACTIVITIES ALLOWED OR UNALLOWED

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

Principals and Supervisors have been made aware that they are responsible for the accuracy of the timesheets prior to signing for approval. Overpayments were corrected on the June 5, 2009 payroll.

FINDINGS 2008.5 CASH MANAGEMENT

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

Efforts were made to request funds more accurately. However, it was again difficult to draw the funds down to zero, with requests for no funds on a quarterly basis. Future grants will now be addressed with a reimbursement process, which will mean we will be reimbursed only after the funds are expended.

Sincerely,

Bonita K. Gaston
Treasurer



Duneland School Corporation

ADMINISTRATION CENTER

601 West Morgan Avenue

Chesterton, Indiana 46304-2205

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

December 15, 2010

State Board of Accounts
Room E418, 302 Washington St.
Indianapolis IN 46204-2765

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

Section II – Financial Statement Findings

FINDINGS NO. 2010-1 Financial Transactions Not Recorded

The Qualified School Construction Bonds Fund is being set up in the corporation's financial statement and all previous and future transactions have been and/or will be approved by the School Board.

Section III – Federal Award Findings and Questioned Costs

FINDINGS NO. 2010-2 CASH MANAGEMENT CONTROLS AND COMPLIANCE

The Corporation attempted to control the amount of cash received; this was not accomplished. Requests were made to reduce the monthly disbursements. The state disbursed the money anyway. For the current 2010-11 Basic Title I the Corporation is being reimbursed after the funds have been properly spent, which should alleviate a cash management finding.

FINDING NO. 2010-3 Compliance Related to Reporting

There was much confusion regarding the reporting of the Stimulus Monies. Not all money received as a result of the ARRA were handled in the same manner, hence the confusion in reporting. Also adding to the confusion in reporting was that no monies for the Title I Stimulus were received for the period January through June 2010. I believe that the new 2010-11 Title I Stimulus Grant will be handled in the same manner as the Basic Title I grant which will end the confusion for reporting and receiving money.

Sincerely,

Bonita K Gaston

Bonita K. Gaston
Treasurer

DUNELAND SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on December 16, 2010, with Bonita K. Gaston, Treasurer; Dr. Dirk Baer, Superintendent of Schools; David Puis, Assistant Superintendent of Schools; Mary Jo Brust, Administrative Assistant; and Michael Trout, President of the School Board.