

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

SCHOOL TOWN OF MUNSTER
LAKE COUNTY, INDIANA

July 1, 2009 to June 30, 2011



FILED

02/08/2012

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|---|--|
| Treasurer | Richard A. Sopko | 07-01-09 to 06-30-12 |
| Superintendent of Schools | William J. Pfister | 07-01-09 to 06-30-12 |
| President of the School Board | Mary E. Yorke Carrie G. Wadas Paula Nellans | 07-01-09 to 06-30-10 07-01-10 to 06-30-11 07-01-11 to 06-30-12 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENT
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the accompanying financial statement of the School Town of Munster (School Corporation), for the years ended June 30, 2010 and 2011. This financial statement is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the financial statement 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 statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinion.

As discussed in Note 1, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting noted above is a different basis than that used in the prior year.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the years ended June 30, 2010 and 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated November 28, 2011, 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 THE FINANCIAL STATEMENT
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. 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 financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

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

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

November 28, 2011



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statement of the School Town of Munster (School Corporation), for the years ended June 30, 2010 and 2011, and have issued our report thereon dated November 28, 2011. 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 opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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

The School Corporation's response to the findings identified in our audit is described in the accompanying section of the report entitled Official Response and 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, others within the entity, 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

November 28, 2011

FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

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SCHOOL TOWN OF MUNSTER
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2010 and 2011

| | Cash and Investments 07-01-09 | Receipts | Disbursements | Other Financing Sources (Uses) | Cash and Investments 06-30-10 | Receipts | Disbursements | Other Financing Sources (Uses) | Cash and Investments 06-30-11 |
|--|-------------------------------------|----------------------|-----------------------|--------------------------------------|-------------------------------------|----------------------|----------------------|--------------------------------------|-------------------------------------|
| General | \$ (1,150,206) | \$ 28,124,559 | \$ 31,831,266 | \$ - | \$ (4,856,913) | \$ 29,053,498 | \$ 31,277,977 | \$ - | \$ (7,081,392) |
| Debt Service | 46,001 | 11,570,475 | 7,609,097 | (950,000) | 3,057,379 | 3,963,398 | 3,575,896 | (2,101,465) | 1,343,416 |
| Retirement/Severance Bond Debt Service | 314,635 | 666,799 | 981,434 | - | - | - | - | - | - |
| Exempt Debt | - | 4,700,687 | 3,157,589 | - | 1,543,098 | 7,334,809 | 6,280,769 | - | 2,597,138 |
| Exempt Retirement/Severance Bond Debt Service Reserve | - | 853,105 | 497,082 | - | 356,023 | 1,068,667 | 1,235,406 | - | 189,284 |
| Capital Projects | (92,993) | 5,643,453 | 5,243,456 | - | 307,004 | 4,604,526 | 4,665,529 | - | 246,001 |
| School Transportation | 171,747 | 3,153,766 | 2,758,234 | - | 567,279 | 2,686,946 | 2,559,991 | - | 694,234 |
| School Bus Replacement | (107,348) | 1,421,813 | 1,090,405 | (30,000) | 194,060 | 1,160,952 | 1,110,524 | (75,000) | 169,488 |
| Special Education Preschool | - | 79,750 | 79,750 | - | - | - | - | - | - |
| Rainy Day | - | - | - | 980,000 | 980,000 | - | - | 2,185,000 | 3,165,000 |
| Retirement/Severance Bond | 508,658 | 7,026,095 | 3,962,979 | - | 3,571,774 | 4,712,329 | 5,672,006 | - | 2,612,097 |
| Construction | 1,461,449 | 208,990 | 12,939,099 | 13,700,000 | 2,431,340 | 59,374 | 2,351,452 | 1,986,317 | 2,125,579 |
| School Lunch | 531,351 | 1,566,931 | 1,531,551 | - | 566,731 | 1,488,508 | 1,482,455 | - | 572,784 |
| Textbook Rental | (62,197) | 832,131 | 886,590 | - | (116,656) | 846,183 | 569,745 | 1,465 | 161,247 |
| Self-Insurance | 1,548,920 | 3,571,565 | 3,249,657 | - | 1,870,828 | 3,473,158 | 3,286,862 | - | 2,057,124 |
| Levy Excess | - | - | - | - | - | 69,535 | - | - | 69,535 |
| Niksic Scholarship | 7,400 | 175 | 1,175 | - | 6,400 | 84 | 1,084 | - | 5,400 |
| STM/Underwood Scholarship | 2,683 | 64 | 250 | - | 2,497 | 33 | - | - | 2,530 |
| Gammon Foundation Grant | 10,000 | - | - | - | 10,000 | - | - | (10,000) | - |
| High Ability Grant | 5,904 | 43,759 | 44,696 | - | 4,967 | 43,104 | 48,071 | - | - |
| Non-English Speaking Programs P.L. 273-1999 | - | 18,242 | 17,010 | - | 1,232 | 19,544 | 19,716 | - | 1,060 |
| School Technology | - | - | - | - | - | 40,589 | 31,489 | - | 9,100 |
| Title I | 49,470 | 296,619 | 323,762 | - | 22,327 | 241,667 | 278,305 | 18,000 | 3,689 |
| Innovative Education Program Strategies Title V (Part A) | 46,684 | - | 46,684 | - | - | - | - | - | - |
| Drug Free Schools | 1,349 | 9,900 | 11,307 | - | (58) | 1,563 | 1,505 | - | - |
| Team Nutrition Training Grants | - | - | 291 | - | (291) | 6,076 | 5,785 | - | - |
| Project Lead the Way | - | 15,001 | 20,960 | - | (5,959) | 5,959 | - | - | - |
| Improving Teaching Quality, Title II, Part A | 28,146 | 38,000 | 36,856 | - | 29,290 | 70,817 | 77,293 | (18,000) | 4,814 |
| Title III, Language Acquisition | - | - | - | - | - | 14,384 | 14,942 | - | (558) |
| Fiscal Stabilization - Education | 1,204,823 | 861,587 | 2,066,410 | - | - | - | - | - | - |
| Title I - Grants to LEAs | - | 122,181 | 112,702 | - | 9,479 | - | 9,479 | - | - |
| Education Jobs Fund | - | - | - | - | - | 136,024 | 166,252 | - | (30,228) |
| Payroll Deductions | 178,909 | 21,889,928 | 21,889,746 | - | 179,091 | 21,064,448 | 21,065,385 | - | 178,154 |
| Totals | \$ 4,705,385 | \$ 92,715,575 | \$ 100,390,038 | \$ 13,700,000 | \$ 10,730,922 | \$ 82,166,175 | \$ 85,787,918 | \$ 1,986,317 | \$ 9,095,496 |

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

SCHOOL TOWN OF MUNSTER
NOTES TO FINANCIAL STATEMENT

Note 1. 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 accompanying financial statement presents the financial information for the School Corporation (primary government).

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The regulatory 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.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Local sources which include taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, school corporation activities, revenue from community services activities, and other revenue from local sources.

Intermediate sources which include distributions from the County for fees collected for or on behalf of the School Corporation including educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

State sources which include distributions from the State of Indiana to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

SCHOOL TOWN OF MUNSTER
NOTES TO FINANCIAL STATEMENT
(Continued)

Federal sources which include distributions from the federal government to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Temporary loans which include money received from a loan obtained to pay current expenses prior to the receipt of revenue from taxes levied for that purpose. These loans, sometimes designated tax anticipation warrants, must be repaid from the next semiannual distribution of local property taxes levied for such fund.

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

Other receipts which include amounts received from various sources which include return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Instruction which includes outflows for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services which include outflows for food service operations and community service operations.

Facilities acquisition and construction which includes outflows for the acquisition, development, construction, and improvement of new and existing facilities.

Debt services which include fixed obligations resulting from financial transactions previously entered into by the School Corporation. It includes all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

SCHOOL TOWN OF MUNSTER
NOTES TO FINANCIAL STATEMENT
(Continued)

F. Other financing sources and uses

Other financing sources and uses are presented in the aggregate on the face of the financial statements. The aggregate other financing sources and uses include the following:

Proceeds of long-term debt which includes money received in relation to the issuance of bonds or other long-term debt issues.

Sale of capital assets which includes money received when land, buildings, or equipment owned by the School Corporation is sold.

Transfers in which includes money received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

Transfers out which includes money paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the School Corporation. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

SCHOOL TOWN OF MUNSTER
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

The School Corporation may be 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; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the School Corporation to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the School Corporation by recording as a disbursement and replacement items purchased.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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 this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS 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. That report may be obtained by contacting:

SCHOOL TOWN OF MUNSTER
NOTES TO FINANCIAL STATEMENT
(Continued)

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

B. Teachers' Retirement Fund

Plan Description

The Indiana Teachers' Retirement Fund (TRF) is 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 Indiana Public Retirement System (INPRS) 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 members' contributions, set by state statute at 3 percent 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.

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

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 286-3544

Funding Policy and Annual Pension Cost

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.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Report of the School Corporation which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was prepared and/or approved by management of the School Corporation. It is presented as intended by the School Corporation.

SCHOOL TOWN OF MUNSTER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010

| | General | Debt Service | Retirement/ Severance Bond Debt Service | Exempt Debt | Exempt Retirement/ Severance Bond Debt Service | Capital Projects | School Transportation | School Bus Replacement | Special Education Preschool |
|---|-----------------------|---------------------|---|---------------------|---|---------------------|--------------------------|------------------------------|-----------------------------------|
| Cash and investments - beginning | \$ (1,150,206) | \$ 46,001 | \$ 314,635 | \$ - | \$ - | \$ (92,993) | \$ 171,747 | \$ (107,348) | \$ - |
| Receipts: | | | | | | | | | |
| Local sources | 1,355,291 | 5,455,475 | 562,799 | 4,700,687 | 853,105 | 3,631,453 | 2,249,430 | 903,813 | - |
| State sources | 22,112,981 | - | - | - | - | - | - | - | 79,750 |
| Federal sources | - | - | - | - | - | - | - | - | - |
| Temporary loans | - | 6,115,000 | 104,000 | - | - | 2,012,000 | 841,000 | 518,000 | - |
| Interfund loans | 2,600,000 | - | - | - | - | - | - | - | - |
| Other | 2,056,287 | - | - | - | - | - | 63,336 | - | - |
| Total receipts | <u>28,124,559</u> | <u>11,570,475</u> | <u>666,799</u> | <u>4,700,687</u> | <u>853,105</u> | <u>5,643,453</u> | <u>3,153,766</u> | <u>1,421,813</u> | <u>79,750</u> |
| Disbursements: | | | | | | | | | |
| Current: | | | | | | | | | |
| Instruction | 16,097,329 | - | - | - | - | - | - | - | - |
| Support services | 6,957,907 | - | - | - | - | 1,775,123 | 1,697,234 | 613,405 | - |
| Noninstructional services | 514,798 | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | 52,832 | - | - | - | - | 1,804,333 | - | - | - |
| Debt services | - | 7,609,097 | 981,434 | 3,157,589 | 497,082 | 1,664,000 | 1,061,000 | 477,000 | - |
| Nonprogrammed charges | 1,708,400 | - | - | - | - | - | - | - | 79,750 |
| Interfund loans | 6,500,000 | - | - | - | - | - | - | - | - |
| Total disbursements | <u>31,831,266</u> | <u>7,609,097</u> | <u>981,434</u> | <u>3,157,589</u> | <u>497,082</u> | <u>5,243,456</u> | <u>2,758,234</u> | <u>1,090,405</u> | <u>79,750</u> |
| Excess (deficiency) of receipts over disbursements | <u>(3,706,707)</u> | <u>3,961,378</u> | <u>(314,635)</u> | <u>1,543,098</u> | <u>356,023</u> | <u>399,997</u> | <u>395,532</u> | <u>331,408</u> | <u>-</u> |
| Other financing sources (uses): | | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - | - |
| Transfers in | 700,000 | - | - | - | - | - | - | - | - |
| Transfers out | (700,000) | (950,000) | - | - | - | - | - | (30,000) | - |
| Total other financing sources (uses) | <u>-</u> | <u>(950,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(30,000)</u> | <u>-</u> |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>(3,706,707)</u> | <u>3,011,378</u> | <u>(314,635)</u> | <u>1,543,098</u> | <u>356,023</u> | <u>399,997</u> | <u>395,532</u> | <u>301,408</u> | <u>-</u> |
| Cash and investments - ending | <u>\$ (4,856,913)</u> | <u>\$ 3,057,379</u> | <u>\$ -</u> | <u>\$ 1,543,098</u> | <u>\$ 356,023</u> | <u>\$ 307,004</u> | <u>\$ 567,279</u> | <u>\$ 194,060</u> | <u>\$ -</u> |

SCHOOL TOWN OF MUNSTER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010
 (Continued)

| | Rainy Day | Retirement/ Severance Bond | Construction | School Lunch | Textbook Rental | Self- Insurance | Levy Excess | Niksic Scholarship | STM / Underwood Scholarship |
|---|--------------|----------------------------------|--------------|-----------------|--------------------|--------------------|----------------|-----------------------|-----------------------------------|
| Cash and investments - beginning | \$ - | \$ 508,658 | \$ 1,461,449 | \$ 531,351 | \$ (62,197) | \$ 1,548,920 | \$ - | \$ 7,400 | \$ 2,683 |
| Receipts: | | | | | | | | | |
| Local sources | - | 526,095 | 208,990 | 1,174,599 | 743,404 | 3,571,565 | - | 175 | 64 |
| State sources | - | - | - | 32,323 | 88,727 | - | - | - | - |
| Federal sources | - | - | - | 359,909 | - | - | - | - | - |
| Temporary loans | - | - | - | - | - | - | - | - | - |
| Interfund loans | - | 6,500,000 | - | - | - | - | - | - | - |
| Other | - | - | - | 100 | - | - | - | - | - |
| Total receipts | - | 7,026,095 | 208,990 | 1,566,931 | 832,131 | 3,571,565 | - | 175 | 64 |
| Disbursements: | | | | | | | | | |
| Current: | | | | | | | | | |
| Instruction | - | - | - | - | - | - | - | - | - |
| Support services | - | 1,362,979 | 16,507 | 33,890 | 886,590 | - | - | - | - |
| Noninstructional services | - | - | - | 1,497,661 | - | - | - | - | - |
| Facilities acquisition and construction | - | - | 12,922,592 | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | 3,249,657 | - | 1,175 | 250 |
| Interfund loans | - | 2,600,000 | - | - | - | - | - | - | - |
| Total disbursements | - | 3,962,979 | 12,939,099 | 1,531,551 | 886,590 | 3,249,657 | - | 1,175 | 250 |
| Excess (deficiency) of receipts over disbursements | - | 3,063,116 | (12,730,109) | 35,380 | (54,459) | 321,908 | - | (1,000) | (186) |
| Other financing sources (uses): | | | | | | | | | |
| Sale of capital assets | - | - | 13,700,000 | - | - | - | - | - | - |
| Transfers in | 980,000 | - | 700,000 | - | - | - | - | - | - |
| Transfers out | - | - | (700,000) | - | - | - | - | - | - |
| Total other financing sources (uses) | 980,000 | - | 13,700,000 | - | - | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 980,000 | 3,063,116 | 969,891 | 35,380 | (54,459) | 321,908 | - | (1,000) | (186) |
| Cash and investments - ending | \$ 980,000 | \$ 3,571,774 | \$ 2,431,340 | \$ 566,731 | \$ (116,656) | \$ 1,870,828 | \$ - | \$ 6,400 | \$ 2,497 |

SCHOOL TOWN OF MUNSTER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010
 (Continued)

| | Gammon Foundation Grant | High Ability Grant | Non-English Speaking Programs P.L. 273-1999 | School Technology | Title I | Innovative Education Program Strategies Title V (Part A) | Drug Free Schools | Team Nutrition Training Grants |
|---|-------------------------------|--------------------------|--|----------------------|------------------|---|-------------------------|---|
| Cash and investments - beginning | \$ 10,000 | \$ 5,904 | \$ - | \$ - | \$ 49,470 | \$ 46,684 | \$ 1,349 | \$ - |
| Receipts: | | | | | | | | |
| Local sources | - | - | - | - | - | - | - | - |
| State sources | - | 43,759 | 18,242 | - | - | - | - | - |
| Federal sources | - | - | - | - | 296,619 | - | 9,900 | - |
| Temporary loans | - | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - |
| Total receipts | <u>-</u> | <u>43,759</u> | <u>18,242</u> | <u>-</u> | <u>296,619</u> | <u>-</u> | <u>9,900</u> | <u>-</u> |
| Disbursements: | | | | | | | | |
| Current: | | | | | | | | |
| Instruction | - | 44,696 | 17,010 | - | 236,701 | - | 9,886 | - |
| Support services | - | - | - | - | 87,061 | 40,213 | 1,421 | - |
| Noninstructional services | - | - | - | - | - | - | - | 291 |
| Facilities acquisition and construction | - | - | - | - | - | 6,471 | - | - |
| Debt services | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | - | - | - |
| Total disbursements | <u>-</u> | <u>44,696</u> | <u>17,010</u> | <u>-</u> | <u>323,762</u> | <u>46,684</u> | <u>11,307</u> | <u>291</u> |
| Excess (deficiency) of receipts over disbursements | <u>-</u> | <u>(937)</u> | <u>1,232</u> | <u>-</u> | <u>(27,143)</u> | <u>(46,684)</u> | <u>(1,407)</u> | <u>(291)</u> |
| Other financing sources (uses): | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | 1,574 | - | - | - |
| Transfers out | - | - | - | - | (1,574) | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <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>(937)</u> | <u>1,232</u> | <u>-</u> | <u>(27,143)</u> | <u>(46,684)</u> | <u>(1,407)</u> | <u>(291)</u> |
| Cash and investments - ending | <u>\$ 10,000</u> | <u>\$ 4,967</u> | <u>\$ 1,232</u> | <u>\$ -</u> | <u>\$ 22,327</u> | <u>\$ -</u> | <u>\$ (58)</u> | <u>\$ (291)</u> |

SCHOOL TOWN OF MUNSTER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010
 (Continued)

| | Project Lead the Way | Improving Teaching Quality, Title II, Part A | Title III, Language Acquisition | Fiscal Stabilization - Education | Title I - Grants to LEAs | Education Jobs Fund | Payroll Deductions | Totals |
|---|----------------------------|---|---------------------------------------|--|--------------------------------|---------------------------|-----------------------|---------------|
| Cash and investments - beginning | \$ - | \$ 28,146 | \$ - | \$ 1,204,823 | \$ - | \$ - | \$ 178,909 | \$ 4,705,385 |
| Receipts: | | | | | | | | |
| Local sources | - | - | - | - | - | - | - | 25,936,945 |
| State sources | - | - | - | - | - | - | - | 22,375,782 |
| Federal sources | 15,001 | 38,000 | - | 861,587 | 122,181 | - | - | 1,703,197 |
| Temporary loans | - | - | - | - | - | - | - | 9,590,000 |
| Interfund loans | - | - | - | - | - | - | - | 9,100,000 |
| Other | - | - | - | - | - | - | 21,889,928 | 24,009,651 |
| Total receipts | 15,001 | 38,000 | - | 861,587 | 122,181 | - | 21,889,928 | 92,715,575 |
| Disbursements: | | | | | | | | |
| Current: | | | | | | | | |
| Instruction | 5,804 | - | - | 1,108,474 | 112,702 | - | - | 17,632,602 |
| Support services | - | 36,134 | - | 400,733 | - | - | - | 13,909,197 |
| Noninstructional services | - | - | - | 27,871 | - | - | - | 2,040,621 |
| Facilities acquisition and construction | 15,156 | - | - | 4,211 | - | - | - | 14,805,595 |
| Debt services | - | - | - | - | - | - | - | 15,447,202 |
| Nonprogrammed charges | - | 722 | - | 525,121 | - | - | 21,889,746 | 27,454,821 |
| Interfund loans | - | - | - | - | - | - | - | 9,100,000 |
| Total disbursements | 20,960 | 36,856 | - | 2,066,410 | 112,702 | - | 21,889,746 | 100,390,038 |
| Excess (deficiency) of receipts over disbursements | (5,959) | 1,144 | - | (1,204,823) | 9,479 | - | 182 | (7,674,463) |
| Other financing sources (uses): | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | 13,700,000 |
| Transfers in | - | - | - | - | - | - | - | 2,381,574 |
| Transfers out | - | - | - | - | - | - | - | (2,381,574) |
| Total other financing sources (uses) | - | - | - | - | - | - | - | 13,700,000 |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (5,959) | 1,144 | - | (1,204,823) | 9,479 | - | 182 | 6,025,537 |
| Cash and investments - ending | \$ (5,959) | \$ 29,290 | \$ - | \$ - | \$ 9,479 | \$ - | \$ 179,091 | \$ 10,730,922 |

SCHOOL TOWN OF MUNSTER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011

| | General | Debt Service | Retirement/ Severance Bond Debt Service | Exempt Debt | Exempt Retirement/ Severance Bond Debt Service | Capital Projects | School Transportation | School Bus Replacement | Special Education Preschool |
|---|----------------|--------------|---|----------------|---|---------------------|--------------------------|------------------------------|-----------------------------------|
| Cash and investments - beginning | \$ (4,856,913) | \$ 3,057,379 | \$ - | \$ 1,543,098 | \$ 356,023 | \$ 307,004 | \$ 567,279 | \$ 194,060 | \$ - |
| Receipts: | | | | | | | | | |
| Local sources | 589,649 | 3,164,398 | - | 5,389,809 | 1,068,667 | 2,397,526 | 1,564,224 | 643,952 | - |
| State sources | 22,132,899 | - | - | - | - | - | - | - | - |
| Federal sources | - | - | - | - | - | - | - | - | - |
| Temporary loans | - | 799,000 | - | 1,945,000 | - | 2,207,000 | 1,058,000 | 517,000 | - |
| Interfund loans | 4,600,000 | - | - | - | - | - | - | - | - |
| Other | 1,730,950 | - | - | - | - | - | 64,722 | - | - |
| Total receipts | 29,053,498 | 3,963,398 | - | 7,334,809 | 1,068,667 | 4,604,526 | 2,686,946 | 1,160,952 | - |
| Disbursements: | | | | | | | | | |
| Current: | | | | | | | | | |
| Instruction | 16,605,270 | - | - | - | - | - | - | - | - |
| Support services | 7,373,919 | - | - | 2,463 | - | 1,552,054 | 1,718,991 | 592,524 | - |
| Noninstructional services | 526,813 | - | - | - | - | - | - | - | - |
| Facilities acquisition and construction | 58,553 | - | - | - | - | 1,101,475 | - | - | - |
| Debt services | - | 3,575,896 | - | 6,278,306 | 1,235,406 | 2,012,000 | 841,000 | 518,000 | - |
| Nonprogrammed charges | 2,113,422 | - | - | - | - | - | - | - | - |
| Interfund loans | 4,600,000 | - | - | - | - | - | - | - | - |
| Total disbursements | 31,277,977 | 3,575,896 | - | 6,280,769 | 1,235,406 | 4,665,529 | 2,559,991 | 1,110,524 | - |
| Excess (deficiency) of receipts over disbursements | (2,224,479) | 387,502 | - | 1,054,040 | (166,739) | (61,003) | 126,955 | 50,428 | - |
| Other financing sources (uses): | | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - | - | - |
| Transfers out | - | (2,101,465) | - | - | - | - | - | (75,000) | - |
| Total other financing sources (uses) | - | (2,101,465) | - | - | - | - | - | (75,000) | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (2,224,479) | (1,713,963) | - | 1,054,040 | (166,739) | (61,003) | 126,955 | (24,572) | - |
| Cash and investments - ending | \$ (7,081,392) | \$ 1,343,416 | \$ - | \$ 2,597,138 | \$ 189,284 | \$ 246,001 | \$ 694,234 | \$ 169,488 | \$ - |

SCHOOL TOWN OF MUNSTER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

| | Rainy Day | Retirement/ Severance Bond | Construction | School Lunch | Textbook Rental | Self- Insurance | Levy Excess | Niksic Scholarship | STM / Underwood Scholarship |
|---|--------------|----------------------------------|--------------|-----------------|--------------------|--------------------|----------------|-----------------------|-----------------------------------|
| Cash and investments - beginning | \$ 980,000 | \$ 3,571,774 | \$ 2,431,340 | \$ 566,731 | \$ (116,656) | \$ 1,870,828 | \$ - | \$ 6,400 | \$ 2,497 |
| Receipts: | | | | | | | | | |
| Local sources | - | 112,329 | 59,374 | 1,143,779 | 760,483 | 3,473,158 | - | 84 | 33 |
| State sources | - | - | - | 32,278 | 85,700 | - | 69,535 | - | - |
| Federal sources | - | - | - | 312,351 | - | - | - | - | - |
| Temporary loans | - | - | - | - | - | - | - | - | - |
| Interfund loans | - | 4,600,000 | - | - | - | - | - | - | - |
| Other | - | - | - | 100 | - | - | - | - | - |
| Total receipts | - | 4,712,329 | 59,374 | 1,488,508 | 846,183 | 3,473,158 | 69,535 | 84 | 33 |
| Disbursements: | | | | | | | | | |
| Current: | | | | | | | | | |
| Instruction | - | - | - | - | - | - | - | - | - |
| Support services | - | 1,072,006 | 11,971 | 51,897 | 569,745 | - | - | - | - |
| Noninstructional services | - | - | - | 1,430,558 | - | - | - | - | - |
| Facilities acquisition and construction | - | - | 2,339,481 | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | 3,286,862 | - | 1,084 | - |
| Interfund loans | - | 4,600,000 | - | - | - | - | - | - | - |
| Total disbursements | - | 5,672,006 | 2,351,452 | 1,482,455 | 569,745 | 3,286,862 | - | 1,084 | - |
| Excess (deficiency) of receipts over disbursements | - | (959,677) | (2,292,078) | 6,053 | 276,438 | 186,296 | 69,535 | (1,000) | 33 |
| Other financing sources (uses): | | | | | | | | | |
| Sale of capital assets | - | - | 1,986,317 | - | - | - | - | - | - |
| Transfers in | 2,185,000 | - | - | - | 1,465 | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | 2,185,000 | - | 1,986,317 | - | 1,465 | - | - | - | - |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 2,185,000 | (959,677) | (305,761) | 6,053 | 277,903 | 186,296 | 69,535 | (1,000) | 33 |
| Cash and investments - ending | \$ 3,165,000 | \$ 2,612,097 | \$ 2,125,579 | \$ 572,784 | \$ 161,247 | \$ 2,057,124 | \$ 69,535 | \$ 5,400 | \$ 2,530 |

SCHOOL TOWN OF MUNSTER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

| | Gammon Foundation Grant | High Ability Grant | Non-English Speaking Programs P.L. 273-1999 | School Technology | Title I | Innovative Education Program Strategies Title V (Part A) | Drug Free Schools | Team Nutrition Training Grants |
|---|-------------------------------|--------------------------|--|----------------------|-----------------|---|-------------------------|---|
| Cash and investments - beginning | \$ 10,000 | \$ 4,967 | \$ 1,232 | \$ - | \$ 22,327 | \$ - | \$ (58) | \$ (291) |
| Receipts: | | | | | | | | |
| Local sources | - | - | - | - | - | - | - | - |
| State sources | - | 43,104 | 19,544 | 40,589 | - | - | - | - |
| Federal sources | - | - | - | - | 241,667 | - | 1,563 | 6,076 |
| Temporary loans | - | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - |
| Total receipts | <u>-</u> | <u>43,104</u> | <u>19,544</u> | <u>40,589</u> | <u>241,667</u> | <u>-</u> | <u>1,563</u> | <u>6,076</u> |
| Disbursements: | | | | | | | | |
| Current: | | | | | | | | |
| Instruction | - | 48,071 | 19,716 | - | 214,978 | - | - | - |
| Support services | - | - | - | 31,489 | 63,327 | - | 1,505 | - |
| Noninstructional services | - | - | - | - | - | - | - | 5,785 |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - |
| Debt services | - | - | - | - | - | - | - | - |
| Nonprogrammed charges | - | - | - | - | - | - | - | - |
| Interfund loans | - | - | - | - | - | - | - | - |
| Total disbursements | <u>-</u> | <u>48,071</u> | <u>19,716</u> | <u>31,489</u> | <u>278,305</u> | <u>-</u> | <u>1,505</u> | <u>5,785</u> |
| Excess (deficiency) of receipts over disbursements | <u>-</u> | <u>(4,967)</u> | <u>(172)</u> | <u>9,100</u> | <u>(36,638)</u> | <u>-</u> | <u>58</u> | <u>291</u> |
| Other financing sources (uses): | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | 18,000 | - | - | - |
| Transfers out | (10,000) | - | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>(10,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>18,000</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>(10,000)</u> | <u>(4,967)</u> | <u>(172)</u> | <u>9,100</u> | <u>(18,638)</u> | <u>-</u> | <u>58</u> | <u>291</u> |
| Cash and investments - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,060</u> | <u>\$ 9,100</u> | <u>\$ 3,689</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

SCHOOL TOWN OF MUNSTER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

| | Project Lead the Way | Improving Teaching Quality, Title II, Part A | Title III, Language Acquisition | Fiscal Stabilization - Education | Title I - Grants to LEAs | Education Jobs Fund | Payroll Deductions | Totals |
|---|----------------------------|---|---------------------------------------|--|--------------------------------|---------------------------|-----------------------|---------------|
| Cash and investments - beginning | \$ (5,959) | \$ 29,290 | \$ - | \$ - | \$ 9,479 | \$ - | \$ 179,091 | \$ 10,730,922 |
| Receipts: | | | | | | | | |
| Local sources | - | - | - | - | - | - | - | 20,367,465 |
| State sources | - | - | - | - | - | - | - | 22,423,649 |
| Federal sources | 5,959 | 70,817 | 14,384 | - | - | 136,024 | - | 788,841 |
| Temporary loans | - | - | - | - | - | - | - | 6,526,000 |
| Interfund loans | - | - | - | - | - | - | - | 9,200,000 |
| Other | - | - | - | - | - | - | 21,064,448 | 22,860,220 |
| Total receipts | 5,959 | 70,817 | 14,384 | - | - | 136,024 | 21,064,448 | 82,166,175 |
| Disbursements: | | | | | | | | |
| Current: | | | | | | | | |
| Instruction | - | - | 14,942 | - | 5,708 | 138,250 | - | 17,046,935 |
| Support services | - | 76,258 | - | - | 3,771 | 28,002 | - | 13,149,922 |
| Noninstructional services | - | - | - | - | - | - | - | 1,963,156 |
| Facilities acquisition and construction | - | - | - | - | - | - | - | 3,499,509 |
| Debt services | - | - | - | - | - | - | - | 14,460,608 |
| Nonprogrammed charges | - | 1,035 | - | - | - | - | 21,065,385 | 26,467,788 |
| Interfund loans | - | - | - | - | - | - | - | 9,200,000 |
| Total disbursements | - | 77,293 | 14,942 | - | 9,479 | 166,252 | 21,065,385 | 85,787,918 |
| Excess (deficiency) of receipts over disbursements | 5,959 | (6,476) | (558) | - | (9,479) | (30,228) | (937) | (3,621,743) |
| Other financing sources (uses): | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | 1,986,317 |
| Transfers in | - | - | - | - | - | - | - | 2,204,465 |
| Transfers out | - | (18,000) | - | - | - | - | - | (2,204,465) |
| Total other financing sources (uses) | - | (18,000) | - | - | - | - | - | 1,986,317 |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 5,959 | (24,476) | (558) | - | (9,479) | (30,228) | (937) | (1,635,426) |
| Cash and investments - ending | \$ - | \$ 4,814 | \$ (558) | \$ - | \$ - | \$ (30,228) | \$ 178,154 | \$ 9,095,496 |

SCHOOL TOWN OF MUNSTER
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2011

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

| | <u>Ending Balance</u> |
|--|---------------------------|
| Capital assets, not being depreciated: | |
| Buildings | \$ 60,148,750 |
| Improvements other than buildings | 3,684,577 |
| Machinery and equipment | <u>11,463,549</u> |
| Total capital assets not being depreciated | <u>\$ 75,296,876</u> |

SCHOOL TOWN OF MUNSTER
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2011

| Description of Debt | Ending Principal Balance | Principal and Interest Due Within One Year | Fund |
|---|--------------------------------|---|---|
| Capital leases, Munster Building Corporation: | | | |
| 2003 Elliott Elementary | \$ 10,510,000 | \$ 926,069 | Exempt Debt |
| 2003 Wilbur Wright Middle School Classroom | 1,955,000 | 160,684 | Exempt Debt |
| 2004 Service Center | 2,895,000 | 245,277 | Exempt Debt |
| 2005 Wilbur Wright Middle School Gym | 1,430,000 | 114,585 | Exempt Debt |
| 2005 Eads Elementary Refinance | 11,575,000 | 1,057,922 | Exempt Debt |
| 2007 Roofs and Parking Lots | 1,350,000 | 258,350 | Exempt Debt |
| 2008 Refinance 1998 | 28,495,000 | 3,530,418 | Debt Service |
| 2008 Eads Elementary/Munster High School | 4,655,000 | 504,970 | Debt Service |
| 2009 Munster High School | 23,000,000 | 2,106,956 | Debt Service |
| 2011A Munster High School | 3,195,000 | 422,667 | Debt Service |
| 2011B Munster High School | 1,995,000 | 89,733 | Debt Service |
| Bonds payable: | | | |
| General obligation bonds: | | | |
| 2003 Pension Bonds | 1,130,000 | 489,924 | Exempt Retirement/Severance Bond Debt Service Reserve |
| 2007 Pension Bonds | <u>6,265,000</u> | <u>640,750</u> | Exempt Retirement/Severance Bond Debt Service Reserve |
| Total debt | <u><u>\$ 98,450,000</u></u> | <u><u>\$ 10,548,305</u></u> | |

SCHOOL TOWN OF MUNSTER
AUDIT RESULTS AND COMMENTS

NEGATIVE FUND BALANCE – SCHOOL CORPORATION GENERAL FUND

Over the past four years, the General Fund has routinely had increasing negative fund balances at June 30. Negative fund balances for the General Fund for the years ended June 30, 2008, 2009, 2010, and 2011, were \$1,511,556, \$1,150,207, \$4,856,913, and \$7,081,392, respectively. At June 30, 2011, only two funds (Rainy Day and Excess Levy, with balances of \$3,165,000 and \$69,535, respectively) could be used to offset this deficit. However, the balances in these two funds, of \$3,234,535, are insufficient to cover the \$7,081,392 deficit fund balances. All other funds of the School Corporation are restricted funds and can be used only for specific purposes, such as debt service, construction, school lunch, textbook rental, internal service, pension debt, or specific grant purposes. The General Fund cash deficit has been covered by these restricted funds in total, so as to not overdraw bank accounts. Decreased state funding has contributed to this problem. In addition, the School Corporation has current (due within one year) debt obligations of \$10,548,305 in principal and interest on capital leases and pension bonds, and \$6,526,000 in tax anticipation warrants. This situation may be an indication of future problems and the potential of not being able to meet future expenditures. We are unaware if the School Corporation's management is considering or implementing any cost saving measures.

A similar comment appeared in the prior report.

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

APPROPRIATIONS

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

| Fund | 2009 | 2010 |
|--|----------|--------|
| Retirement/Severance Bond Debt Service | \$ 3,999 | \$ - |
| Capital Projects | 563,328 | 41,885 |
| School Transportation | 15,213 | - |
| Special Education Preschool | 36,606 | - |

A similar comment appeared in the prior report.

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

INTERFUND LOAN RESOLUTIONS

Temporary interfund loans were made between the Retirement/Severance Bond and the General Fund of \$2,600,000 and \$4,600,000 in the years ending June 30, 2010, and June 30, 2011, respectively. These temporary interfund loans were repaid. The disbursements were approved in the claims docket by the School Board. However, the School Board did not adopt any resolutions concerning these temporary interfund loans.

SCHOOL TOWN OF MUNSTER
AUDIT RESULTS AND COMMENTS
(Continued)

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

TRANSFER TUITION

The School Corporation completes a transfer tuition form (Form 515, Transfer Tuition Statement) that has been developed for school corporations to use to compute the amount charged for transfer tuition in accordance with State statute. However, the School Corporation is also charging an annual \$700 assessment for capital costs concerning technology and computers. Per a transfer tuition memo, dated March 8, 2011, "This fee includes computers, fiber optic lines, and phone lines associated with providing these sources through local property taxes as well as the costs associated with recent bond construction projects."

A similar comment appeared in the prior reports.

Indiana Code 20-26-11-6(b) states:

"A transfer may be accepted regardless of whether, as a condition of the transfer, the transferee school requires the requesting parents or student to pay transfer tuition in an amount determined under the formula established in section 13 of this chapter for the payment of transfer tuition by a transferor school corporation. However, if the transferee school elects to charge transfer tuition, the transferee school may not offset the amounts described in section 13(b) STEP TWO (B) through section 13(b) STEP TWO (D) of this chapter from the amount charged to the requesting parents or student."

Indiana Code 20-26-11-13(c) states in part:

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

- (1) capital outlay; . . ."

PARKING FEES (Applies to Munster High School)

The School Corporation charges an annual parking permit fee for high school students who drive a vehicle to school. During the two year audit period, the high school collected \$9,031 in parking fees. Of the permit fees collected, \$3,172 of the collections was remitted to the School Corporation, \$2,619 was expended for parking permit supplies, and \$3,240 was expended for security services for graduation. Security services are normally a school corporation expense, rather than an extra-curricular expense.

A similar comment on parking fees appeared in the prior reports.

The following types of items should not be assessed, collected or receipted to a school extra-curricular account:

| | |
|---|----------------|
| Air Conditioning Fees | Parking Fees |
| Instructional Fees | Bus Rider Fees |
| Fees for Payroll Positions (Nurses, Principals, Counselors, etc.) | |

SCHOOL TOWN OF MUNSTER
AUDIT RESULTS AND COMMENTS
(Continued)

The Attorney General of the State of Indiana on June 15, 2001 issued Official Opinion 2001-4 concerning "Health Service Fees." The conclusion of Official Opinion 2001-4 states: "Indiana Constitution Article 8 § 1 and the Indiana General Assembly provide for 'Common school systems wherein tuition shall be without charge.' Also, the General Assembly has provided for funding of schools and a method for calculating tuition. Health services, because they include instruction and education are tuition. Therefore, a school corporation may not charge a separate fee for health services." (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

All financial transactions related to the school corporation should be accounted for in the School Corporation Records. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

INVESTMENT FUND (Applies to Munster High School)

At June 30, 2010 and 2011, the High School "Ex-Curricular CD Investments" Fund (Fund 3295) had a negative cash balance of \$30,000. This was the result of posting errors. Officials should research and correct this deficit and the funds involved with the corresponding investment activity.

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

INTEREST INCOME FUND (Applies to Eads Elementary)

Eads Elementary includes receipts from yearbook sales, used text books, and student picture commissions in the "Interest Income" Fund. These revenue types should be included in the "Student Activity" Fund. Expenditures out of the respective funds should be in compliance with guidelines below.

IC 20-5-7-4 concerning the school extra-curricular account provides in part (b) The money in the school extracurricular account may be invested under the conditions specified in IC 5-13-10 and 5-13-10.5 for investment of state money. However, investments under this section are at the discretion of the principal. The interest earned from any investment may be credited to the school extra-curricular account and need not be credited proportionately to each separate extra-curricular fund. The interest earned from the investment may be used for: (1) any school purpose approved by the principal; or (2) an extra-curricular purpose approved by the principal.

Amounts expended under this section for the purposes described in this section (1) are in addition to the appropriation under IC 20-5-2-2(2.5).

The State Board of Accounts is of the audit position that for accounting purposes a necessity exists to establish an Investment Income Fund in the Extra-Curricular Account records to which any earnings may be receipted and from which expenditures are made. A dual control will also be necessary to be kept instead of the usual single control for the Extra-Curricular Account. One control will be used to record the transactions of the checking account, and another will be used to account for the investment from the total monies on deposit. The balances of these two controls when added together must equal the total of the balances of all the individual extra-curricular funds at all times. (The School Administrator and Uniform Compliance Guidelines, September 2001)

SCHOOL TOWN OF MUNSTER
AUDIT RESULTS AND COMMENTS
(Continued)

The State Board of Accounts consistently has been of the audit position to not take an audit exception to a school extra-curricular account having a general fund if the fund consists of revenues received from functions (vending machines or sales of a similar nature, etc.) not generated by students for a specific class or organization (for which a fund should be established). Our audit position has been with the provision that the functions for which the expenditures are made benefit the student body as a whole (as opposed to a select group of students, school employees or administrators). Examples of appropriate expenditures in the past would be convocations, field trips which the entire student body has the opportunity to take during the course of the school year, etc. Our audit position has been based in part upon the substance of the transaction (the revenues are primarily from students or parents paying into vending machines, picture money, etc.). Naturally, we would not take audit exception to a public policy of a school corporation which would provide that a general fund does not exist and that money from these type of functions be used to offset the cost of the function (reduced prices of vending machine items, reduce the costs of pictures, etc.). (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

USE OF EXTRA-CURRICULAR FUNDS (Applies to Elliott Elementary)

Several funds in the Extra-Curricular accounts were not used for the purpose intended. For example, \$4,000 and \$330, were transferred from the Outdoor Lab Fund and the Civil War Day Fund, respectively, to the General Fund in September 2010. Officials noted that the Outdoor Lab Fund was probably established by a grant or donation from a Garden Club. The Civil War Day Fund may have also been established by a grant or a class to study the Civil War. The General Fund was used as a clearing account for student NSF checks, student and teacher orders of T-shirts, and the purchase of color toner cartridges at a cost of \$677 for the computer lab. Toner cartridges are a corporation expense, not extra-curricular. The Outdoor Lab Fund and Civil War Day Funds were dormant funds that should be closed to similar funds or student groups.

The school also has newspaper recycling bins outside, in which the public contributes newspapers to be recycled. The recyclables are sold to recycling companies and the proceeds receipted into the Re-cycling Fund. Disbursements out of this fund were for a staff holiday lunch for \$448 and \$138, respectively, for school years ending June 30, 2010 and 2011. Since the receipts are essentially generated by the community, expenditures should be for the benefit of the students.

The State Board of Accounts consistently has been of the audit position to not take an audit exception to a school extra-curricular account having a general fund if the fund consists of revenues received from functions (vending machines or sales of a similar nature, etc.) not generated by students for a specific class or organization (for which a fund should be established). Our audit position has been with the provision that the functions for which the expenditures are made benefit the student body as a whole (as opposed to a select group of students, school employees or administrators). Examples of appropriate expenditures in the past would be convocations, field trips which the entire student body has the opportunity to take during the course of the school year, etc. Our audit position has been based in part upon the substance of the transaction (the revenues are primarily from students or parents paying into vending machines, picture money, etc.). Naturally, we would not take audit exception to a public policy of a school corporation which would provide that a general fund does not exist and that money from these type of functions be used to offset the cost of the function (reduced prices of vending machine items, reduce the costs of pictures, etc.). (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

Inquiries have questioned the use of a general fund or student activity fund for educational expenditures (copy machines, computers, educational materials, supplies, etc.) which would normally be from school corporation funds. The State Board of Accounts' audit position is as stated above. However, we will not take audit exception to a school having disbursements from an extra-curricular "general fund" or "student activity fund" for authorized school corporation type expenditures, such as equipment, supplies, etc., with the following conditions:

SCHOOL TOWN OF MUNSTER
AUDIT RESULTS AND COMMENTS
(Continued)

1. A policy has been adopted by a school board in a public meeting authorizing these types of expenditures.
2. Providing there are no objections from a majority of an applicable student body to these types of expenditures.
3. Equipment purchases would still require separate approval from the local school board.

Since alternatives exist for funding educational expenditures (i.e., taxes, authorized investment income expenditures, etc.) and other alternatives for the use of a general fund are available (i.e., reducing the cost of items to students and/or parents), we must emphasize the adoption of the aforementioned would be a public policy decision for which the local board of school trustees must accept any and all responsibility. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

Compliance

We have audited the compliance of the School Town of Munster (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2010 and 2011. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2010 and 2011. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1.

Internal Control Over Compliance

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 and to test and

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)

report on internal control over compliance in accordance with OMB Circular A-133, 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.

A deficiency in 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

November 28, 2011

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

SCHOOL TOWN OF MUNSTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2010 and 2011

| 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 06-30-10 | Total Federal Awards Expended 06-30-11 |
|--|---------------------------|--|---|---|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | | |
| Pass-Through Indiana Department of Education School Nutrition Cluster School Breakfast Program | 10.553 | | \$ 29,491 | \$ 27,461 |
| National School Lunch Program | 10.555 | | <u>420,216</u> | <u>390,153</u> |
| Total for cluster | | | <u>449,707</u> | <u>417,614</u> |
| Team Nutrition Training Grants | 10.574 | | <u>291</u> | <u>5,784</u> |
| Total for federal grantor agency | | | <u>449,998</u> | <u>423,398</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 | FY 2008/09 FY 2009/10 FY 2010/11 | 75,639 249,696 <u>-</u> | - 35,527 <u>242,779</u> |
| Total for program | | | <u>325,335</u> | <u>278,306</u> |
| ARRA - Title I Grants to Local Educational Agencies, Recovery Act | 84.389 | | <u>112,702</u> | <u>9,479</u> |
| Total for cluster | | | <u>438,037</u> | <u>287,785</u> |
| Special Education Cluster Special Education - Preschool Grants (IDEA Preschool) | 84.173 | FY 2009/10 | <u>79,750</u> | <u>-</u> |
| State Fiscal Stabilization Fund Cluster ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act | 84.394 | | <u>2,066,412</u> | <u>-</u> |
| Pass-Through Indiana Department of Workforce Development: Career and Technical Education - Basic Grants to States (Perkins IV) | 84.048 | PLTW 9807 CPR 9807 | 15,000 <u>5,959</u> | - <u>-</u> |
| Total for program | | | <u>20,959</u> | <u>-</u> |
| Pass-Through Indiana Department of Education: Safe and Drug-Free Schools and Communities - State Grants | 84.186 | FY 2008/09 FY 2009/10 | 1,349 <u>9,958</u> | - <u>1,505</u> |
| Total for program | | | <u>11,307</u> | <u>1,505</u> |
| State Grants for Innovative Programs | 84.298 | FY 2007/08 FY 2008/09 | 8,904 <u>37,780</u> | - <u>-</u> |
| Total for program | | | <u>46,684</u> | <u>-</u> |
| English Language Acquisition Grants | 84.365 | FY 2010/11 | <u>-</u> | <u>14,942</u> |
| Improving Teacher Quality State Grants | 84.367 | FY 2008/09 FY 2009/10 FY 2010/11 | 21,011 15,845 <u>-</u> | - 56,465 <u>20,828</u> |
| Total for program | | | <u>36,856</u> | <u>77,293</u> |
| ARRA - Education Jobs Fund, Recovery Act | 84.410 | FY 2010/11 | <u>-</u> | <u>166,253</u> |
| Total for federal grantor agency | | | <u>2,700,005</u> | <u>547,778</u> |
| Total federal awards expended | | | <u>\$ 3,150,003</u> | <u>\$ 971,176</u> |

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

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

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the School Town of Munster (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. 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 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.

Note 2. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2010 and 2011. This noncash assistance is also included in the federal expenditures presented in the schedule.

| <u>Program Title</u> | <u>2010</u> | <u>2011</u> |
|-------------------------|------------------|-------------------|
| Child Nutrition Cluster | <u>\$ 89,798</u> | <u>\$ 105,263</u> |

SCHOOL TOWN OF MUNSTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

| | |
|--|---------------|
| Type of auditor's report issued: | Unqualified |
| Internal control over financial reporting: | |
| Material weaknesses identified? | no |
| Significant deficiency identified? | none reported |
| Noncompliance material to financial statement noted? | no |

Federal Awards:

| | |
|--|-------------|
| Internal control over major programs: | |
| Material weaknesses identified? | no |
| Significant deficiency identified? | yes |
| Type of auditor's report issued on compliance for major programs: | Unqualified |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | yes |

Identification of Major Programs:

| CFDA Number | Name of Federal Program or Cluster |
|----------------|--|
| 84.410 | Title I, Part A Cluster State Fiscal Stabilization Fund Cluster ARRA – Education Jobs Fund, Recovery Act |

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

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

Section III – Federal Award Findings and Questioned Costs

FINDING 2011 - CASH MANAGEMENT, ARRA - TITLE I

Federal Agency: U.S. Department of Education
Federal Program: ARRA - Title I Grants to Local Educational Agencies (ARRA - Title I)
CFDA Number: 84.389
Pass-Through Entity: Indiana Department of Education
Award Number and Year: 10-4740

Amounts received by the School Corporation for ARRA - Title I were drawn down in advance. School officials are required to review needs and draw funds as needed in accordance with federal guidelines.

The School Corporation did not establish controls for monitoring cash balances or anticipating needs based upon information provided from the Indiana Department of Education. The Indiana Department of Education allowed the School Corporation to draw down funds in two installments; however, prior to the School Corporation receiving the second draw in November 2010, the Indiana Department of Education changed their position notifying the School Corporation that funds could be drawn down monthly. The School Corporation did not modify their funding request based upon the new directive.

These deficiencies in controls lead to the School Town maintaining cash in excess of immediate needs for nine out of fifteen months of the grant period. All funds were expended by September 30, 2010.

34CFR § 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 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."

34 CFR § 80.21 states in part:

"(a) Scope. This section prescribes the basic standard and the methods under which a Federal agency will make payments to grantees, and grantees will make payments to subgrantees and contractors.

(b) Basic standard. Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205. . . ."

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

Surplus cash indicates noncompliance with the cash management requirement as set forth by the grant agreement. Additionally, failure to minimize the cash on hand may cause future funding to be reduced by the pass-through agency.

We recommended that School Corporation officials develop and implement procedures and controls to ensure that the time between the receipt and disbursement of federal funds is minimized according to the grant requirements.

SCHOOL TOWN OF MUNSTER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



CORRECTIVE ACTION PLAN

Section III – Federal Award Findings and Questioned Costs

FINDING 2011-1, CASH MANAGEMENT, ARRA – TITLE I

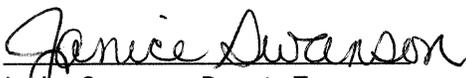
Federal Agency: U.S. Department of Education
Federal Program: ARRA – Title I Grants to Local Educational Agencies
CFDA Number: 84.389
Pass-Through Entity: Indiana Department of Education
Award Number and Year: 10-4740
Auditee Contact Person: Janice Swanson
Title of Contact Person: Deputy Treasurer
Phone Number: 219-836-9111, ext. 1024

The above referenced audit finding occurred when I was corresponding with Hazel Holocher-Beasley, Controller, Title I, Indiana Department of Education, as to the options available to us to receive our Title I ARRA funds, once our grant was approved.

As you see from the attached e-mail correspondence, one of the options Hazel offered was that we could receive ½ of our funds in August and 1/2 of our funds in November, 2009. I, in turn, requested the two payments, as not to deal with 9 payments over the course of 9 months.

After this option was offered and we had received our August, 2009 distribution, the whole process changed to requesting our funds based on the monthly expenditures. I did not correspond further with Hazel, but was sure we would not receive the November distribution due to the procedure change. However, on November 19, 2009, we did receive the other ½ of our grant.

Since we will not be receiving these funds in the future, there is no corrective action to be taken.

Signed: 
Janice Swanson, Deputy Treasurer

Dated: November 28, 2011

Attachment (1)

Swanson, Janice

From: Hazel Holocher-Beasley [hbeasley@doe.in.gov]
Sent: Tuesday, July 14, 2009 9:51 AM
To: Swanson, Janice
Subject: RE: Title I ARRA funds

Janice, ✓ ✓

I will send \$61,090.09 in August, and 61,091.00 in November.

Thanks

Hazel

From: Swanson, Janice [mailto:jswanson@munster.k12.in.us]
Sent: Tuesday, July 14, 2009 10:37 AM
To: Hazel Holocher-Beasley
Subject: RE: Title I ARRA funds

I would prefer to receive ½ in August and ½ in November, 2009. Thanks for the information.

Janice Swanson

From: Hazel Holocher-Beasley [mailto:hbeasley@doe.in.gov]
Sent: Tuesday, July 14, 2009 9:32 AM
To: Swanson, Janice
Subject: RE: Title I ARRA funds

Good Morning Janice,

You will receive \$24,437.09 in August, September through April you will receive \$12,218.00, for a total of \$122,181.09. if you would like your distributions in different amounts, please send me an email on the total dollar you would like to receive each month or if you want you can receive ½ in August, and the other ½ in November.

Thanks

HB

From: Swanson, Janice [mailto:jswanson@munster.k12.in.us]
Sent: Tuesday, July 14, 2009 9:55 AM
To: Hazel Holocher-Beasley
Subject: Title I ARRA funds

Good Morning Hazel,

We have received approval of our Title I ARRA project #10-4740 and I've been told to contact you regarding the next step to receive our funds. Please advise.

Janice Swanson
Deputy Treasurer
School Town of Munster (#4740)

Swanson, Janice

From: Stafford, Maureen
Sent: Wednesday, August 19, 2009 10:58 AM
To: Swanson, Janice
Subject: FW: Title I - ARRA cash request
Attachments: Stimulus Cash Request.xls

From: Becky Johnson [mailto:bjohnson@doe.in.gov]
Sent: Wednesday, August 19, 2009 10:55 AM
To: Becky Johnson
Subject: Title I - ARRA cash request

Superintendents, PAs, and Treasurers:

In keeping with the state Title I policy of giving school districts the opportunity to request their funds in a way that would best serve their needs, find attached an American Recovery and Reinvestment Act (ARRA) cash request. At present, each district is receiving one twelfth (1/12) of their ARRA grant per month.

If you find it would best suit your needs to receive your funds in a different allotment per month, please complete the attached cash request and email it to hbeasley@doe.in.gov.

If you have questions or concerns, please call or email me.

Hazel Beasley, Controller
Indiana Department of Education
Division of Finance
151 West Ohio Street
Indianapolis, Indiana 46204
Phone: 317.232.0597

SCHOOL TOWN OF MUNSTER
EXIT CONFERENCE

The contents of this report were discussed on November 28, 2011, with William J. Pfister, Superintendent of Schools; Richard A. Sopko, Treasurer; Paula Nellans, President of the School Board; and Janice Swanson, Deputy Treasurer. The Official Response has been made a part of this report and may be found on pages 46.



SCHOOL TOWN *of*
MUNSTER

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SUPERINTENDENT

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DIRECTOR OF INSTRUCTIONAL
PROGRAMS AND ASSESSMENT

MRS. SARAH CASTANEDA
DIRECTOR OF
HUMAN RESOURCES

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

December 6, 2011

To Whom It May Concern:

This letter is in response to the exit interview for the audit period of July 1, 2009 to June 30, 2011. The School Town of Munster wishes to respond to each of the items which were discussed at the exit interview. In addition, the School Town of Munster expresses its gratitude and appreciation for a thorough and professional audit conducted by the SBA personnel.

The audit expresses concern over the increasing negative cash balance for the General Fund. This occurred during a time when Budget Orders and accompanying appropriation levels were not distributed by the Department of Local Government Finance in a timely manner. The School District has steadily increased its Rainy Day Fund dollars over this time period, though not at a fast enough pace to offset decreasing funds available to the School District's General Fund.

Likewise, the cash balances reflect the balances on June 30 of a given year and not the end of the years funding cycle which is December 31. The School District is still looking for ways to increase General Fund Revenues as well as beginning to implement spending reductions in this fund.

All inter-fund loans made by the School District were approved by the School Board as a part of the claims docket. As suggested at the exit conference, a Resolution to the Board of School Trustees will be presented to authorize a threshold for these inter-fund transfers rather than an exact dollar amount which is not known until the end of a calendar year.

The audit further noted that voluntary transfer tuition students are charged an assessment for capital costs of \$600. This charge was in addition to the Form 515 calculation for students and this charge is removed for any court ordered transfers. The charge is clearly stated as voluntary in order that these students might pay their fair share for technology and facility costs not included in the Form 515 calculations.

Sincerely,

Handwritten signature of Richard Sopko in black ink.

Richard Sopko
Assistant Superintendent

cc: William Pfister, Superintendent