

**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, 2014 to June 30, 2016



**FILED**  
08/08/2017



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Janice Swanson	07-01-14 to 06-30-17
Superintendent of Schools	Jeffrey A. Hendrix	07-01-14 to 06-30-17
President of the School Board	Judith Florczak Paula Nellans Melissa Higgason Ron Ostojic	01-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17



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INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statement**

We have audited the accompanying financial statement of the School Town of Munster (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, and the related notes to the financial statement as listed in the Table of Contents.

***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on this 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School Corporation's preparation and fair presentation of the financial statement in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

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

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2014 to June 30, 2016.

***Opinion on Regulatory Basis of Accounting***

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 period of July 1, 2014 to June 30, 2016, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Matters***

*Supplementary Information*

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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.


*Other Information*

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 Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They 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.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated June 6, 2017, 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* in considering the School Corporation's internal control over financial reporting and compliance.

  
Paul D. Joyce, CPA  
State Examiner

June 6, 2017



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF 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, 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, the financial statement of the School Town of Munster (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated June 6, 2017, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001 to be a material weakness.

INDEPENDENT AUDITOR'S 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)

**Compliance and Other Matters**


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free from 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 2016-001.

**School Town of Munster's Response to Findings**

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

June 6, 2017

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## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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, 2015 and 2016

Fund	Cash and Investments 07-01-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16
General	\$ (8,552,870)	\$ 25,750,140	\$ 25,484,889	\$ -	\$ (8,287,619)	\$ 23,896,870	\$ 21,705,085	\$ -	\$ (6,095,834)
Referendum Tax Levy	1,084,259	4,132,439	3,974,916	-	1,241,782	3,839,450	3,983,016	-	1,098,216
Debt Service	2,146,881	3,899,871	3,991,679	(251,143)	1,803,930	4,092,302	4,198,418	(333,214)	1,364,600
Exempt Debt	5,438,571	6,182,781	8,590,535	1,798,500	4,829,317	5,257,736	8,044,272	-	2,042,781
Exempt Pension Debt	149,066	640,781	642,591	-	147,256	513,674	634,217	-	26,713
Capital Projects	232,134	4,298,631	3,645,241	89,011	974,535	3,221,885	4,023,210	131,879	305,089
School Transportation	851,844	2,799,274	2,976,805	73,160	747,473	2,614,025	2,512,757	120,467	969,208
School Bus Replacement	653,776	262,185	668,750	1,221	248,432	470,374	293,934	16,405	441,277
Rainy Day	865,000	-	-	-	865,000	-	-	-	865,000
Retirement/Severance Bond	149,405	42	146,475	-	2,972	1	-	-	2,973
School Lunch	522,516	1,481,337	1,402,661	-	601,192	1,442,362	1,319,833	-	723,721
Textbook Rental	(266,962)	1,099,434	1,534,969	87,751	(614,746)	1,087,540	863,693	64,463	(326,436)
Self-Insurance	1,115,358	2,773,826	3,378,774	-	510,410	2,919,571	2,705,860	-	724,121
Levy Excess	-	-	-	-	-	2,814	-	-	2,814
Alternative Education	999	2,734	3,733	-	-	3,661	3,661	-	-
Scholarships and Awards - Niksic	2,400	16	1,016	-	1,400	10	1,410	-	-
Scholarships and Awards - Underwood	1,556	10	250	-	1,316	9	250	-	1,075
Donation	28,947	132,796	93,549	(25,000)	43,194	95,714	90,710	(26,000)	22,198
Formative Assessment Grant	-	-	-	-	-	22,412	22,412	-	-
High Ability Grant	8,560	49,015	54,101	-	3,474	49,427	41,839	-	11,062
Medicaid Reimbursement	1,647	2,303	3,950	-	-	5,703	5,470	-	233
Secured Schools Safety Grant	(3,200)	30,236	53,956	-	(26,920)	26,950	25,000	-	(24,970)
Non-English Speaking Programs	3,170	11,268	10,785	-	3,653	22,027	24,063	-	1,617
School Technology	36,018	38,315	52,655	-	21,678	39,460	50,513	-	10,625
Referendum Tax Levy Anticipation Note	19,427	2,000,000	1,846,735	-	172,692	1,000,000	1,172,692	-	-
e-Learning Digital Grant	(1,690)	94,372	92,692	-	(10)	5,628	5,618	-	-
Title I	(19,145)	305,686	305,859	-	(19,318)	285,092	286,201	-	(20,427)
Medicaid Reimbursement - Federal	23,287	4,576	3,148	-	24,715	14,822	1,036	-	38,501
Improving Teacher Quality, No Child Left, Title II, Part A	(9,055)	46,061	56,732	-	(19,726)	76,044	61,122	-	(4,804)
Title III - English Proficiency Migrant	(3,404)	17,615	18,574	-	(4,363)	21,693	19,711	-	(2,381)
Payroll Clearing Account	354,151	19,227,024	19,011,433	-	569,742	15,839,178	15,779,165	-	629,755
Totals	<u>\$ 4,832,646</u>	<u>\$ 75,282,768</u>	<u>\$ 78,047,453</u>	<u>\$ 1,773,500</u>	<u>\$ 3,841,461</u>	<u>\$ 66,866,434</u>	<u>\$ 67,875,168</u>	<u>\$ (26,000)</u>	<u>\$ 2,806,727</u>

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, the following: 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.

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana 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 basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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.* Amounts received from taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community service activities, and other revenue from local sources.

*Intermediate sources.* Amounts received as distributions from the County for fees collected for or on behalf of the School Corporation including, but not limited to, the following: educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

SCHOOL TOWN OF MUNSTER  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*State sources.* Amounts received as distributions from the State of Indiana that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

*Federal sources.* Amounts received as distributions from the federal government that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

*Temporary loans.* Amounts 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.* Amounts 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.* Amounts received from various sources, including, but not limited to, the following: 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.* Amounts disbursed for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

*Support services.* Amounts disbursed for support services related to students, instruction, general administration, school administration, outflows for central services, operation and maintenance of plant services, and student transportation.

*Noninstructional services.* Amounts disbursed for food service operations and community service operations.

*Facilities acquisition and construction.* Amounts disbursed for the acquisition, development, construction, and improvement of new and existing facilities.

*Debt service.* Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the School Corporation, including: all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

*Nonprogrammed charges.* Amounts disbursed for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

SCHOOL TOWN OF MUNSTER  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Interfund loans.* Amounts 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.

*F. Other Financing Sources and Uses*

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

*Proceeds of long-term debt.* Amounts received in relation to the issuance of bonds or other long-term debt issues.

*Transfers in.* Amounts 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.* Amounts 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 amounts 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 amounts 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 or highway use taxes are received 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

SCHOOL TOWN OF MUNSTER  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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.

**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, the following: 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.

**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 a cost-sharing 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

SCHOOL TOWN OF MUNSTER  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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:

Indiana Public Retirement System  
One North Capitol, 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  
One North Capitol, 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.

SCHOOL TOWN OF MUNSTER  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*C. Additional Pension Plans*

The School Corporation also contributes to additional pension plans unique to the School Corporation. Information regarding these plans may be obtained from the School Corporation.

**Note 7. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. Most were the result of funds that were set up for reimbursable grants. The cash deficit in the Textbook Rental fund directly relates to the textbook adoption cycle. Years with larger, costlier items to adopt, do leave the fund with a negative balance until the rental fees are collected over the remainder of the adoption period.

The cash deficit in the General fund is an on-going work in progress, in which the School Corporation is seeing the results of the changes to the collective bargaining agreement and the major cost saving methods that have been implemented. In May 2017, the School Corporation was successful in passing a General fund Referendum which is expected to generate net revenue of \$6,900,000 annually for the seven-year referendum cycle, beginning in 2018. The 2017 referendum replaces the 2013 approved referendum.

**Note 8. Holding Corporation**

The School Corporation has entered into capital leases with the Munster School Building Corporation (lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years ended June 30, 2015 and 2016, totaled \$10,139,535 and \$12,206,272, respectively.

**Note 9. Subsequent Events**

On November 17, 2016, the School Corporation entered into a capital lease with the Munster School Building Corporation which refunded the 2003B, 2004, 2005 (2 issues), and 2007 bonds. The new capital lease did not have any tax impact on the community. The School Corporation also refunded the Series 2006 Pension Bonds.

On November 17, 2016, the School Corporation entered into a capital lease with the Munster School Building Corporation in the amount of \$1,495,000 for upgrades to the HVAC Systems at the middle school and high school.

In May 2017, voters approved a capital referendum not to exceed \$48,175,000 for major renovations/improvements at all facilities.

SCHOOL TOWN OF MUNSTER  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 10. Other Postemployment Benefits**

The School Corporation provides health care benefits to eligible retirees and their spouses. These benefits pose a liability to the School Corporation for this year and in future years. Information regarding the benefits can be obtained by contacting the School Corporation.

## OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://www.doe.in.gov/finance/school-financial-reports>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office. Additionally, some financial information of the School Corporation can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the School Corporation's Financial Reports 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 other information presented was 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, 2015

	General	Referendum Tax Levy	Debt Service	Exempt Debt	Exempt Pension Debt	Capital Projects	School Transportation	School Bus Replacement
Cash and investments - beginning	\$ (8,552,870)	\$ 1,084,259	\$ 2,146,881	\$ 5,438,571	\$ 149,066	\$ 232,134	\$ 851,844	\$ 653,776
Receipts:								
Local sources	819,166	2,977,439	3,899,871	6,182,781	640,781	2,910,001	1,853,885	68,185
State sources	22,006,044	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	1,800,000	1,155,000	-	-	-	1,280,000	892,000	194,000
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	1,124,930	-	-	-	-	108,630	53,389	-
Total receipts	<u>25,750,140</u>	<u>4,132,439</u>	<u>3,899,871</u>	<u>6,182,781</u>	<u>640,781</u>	<u>4,298,631</u>	<u>2,799,274</u>	<u>262,185</u>
Disbursements:								
Instruction	15,693,377	2,090,651	-	-	-	-	-	-
Support services	7,032,580	32,894	-	-	-	1,732,297	2,125,167	41,750
Noninstructional services	444,818	21,287	-	-	-	-	-	-
Facilities acquisition and construction	14,114	-	-	-	-	683,944	11,638	-
Debt service	1,800,000	1,830,084	3,991,679	8,590,535	642,591	1,229,000	840,000	627,000
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	500,000	-	-	-	-	-	-	-
Total disbursements	<u>25,484,889</u>	<u>3,974,916</u>	<u>3,991,679</u>	<u>8,590,535</u>	<u>642,591</u>	<u>3,645,241</u>	<u>2,976,805</u>	<u>668,750</u>
Excess (deficiency) of receipts over disbursements	<u>265,251</u>	<u>157,523</u>	<u>(91,808)</u>	<u>(2,407,754)</u>	<u>(1,810)</u>	<u>653,390</u>	<u>(177,531)</u>	<u>(406,565)</u>
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	1,798,500	-	-	-	-
Transfers in	1,850,000	-	-	-	-	89,011	73,160	1,221
Transfers out	(1,850,000)	-	(251,143)	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(251,143)</u>	<u>1,798,500</u>	<u>-</u>	<u>89,011</u>	<u>73,160</u>	<u>1,221</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>265,251</u>	<u>157,523</u>	<u>(342,951)</u>	<u>(609,254)</u>	<u>(1,810)</u>	<u>742,401</u>	<u>(104,371)</u>	<u>(405,344)</u>
Cash and investments - ending	<u>\$ (8,287,619)</u>	<u>\$ 1,241,782</u>	<u>\$ 1,803,930</u>	<u>\$ 4,829,317</u>	<u>\$ 147,256</u>	<u>\$ 974,535</u>	<u>\$ 747,473</u>	<u>\$ 248,432</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, 2015  
 (Continued)

	Rainy Day	Retirement/ Severance Bond	School Lunch	Textbook Rental	Self- Insurance	Levy Excess	Alternative Education	Scholarships and Awards - Niksic
Cash and investments - beginning	\$ 865,000	\$ 149,405	\$ 522,516	\$ (266,962)	\$ 1,115,358	\$ -	\$ 999	\$ 2,400
Receipts:								
Local sources	-	42	1,002,177	1,040,721	2,273,826	-	-	16
State sources	-	-	28,111	58,713	-	-	2,734	-
Federal sources	-	-	450,949	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	500,000	-	-	-
Other receipts	-	-	100	-	-	-	-	-
Total receipts	-	42	1,481,337	1,099,434	2,773,826	-	2,734	16
Disbursements:								
Instruction	-	-	-	-	-	-	3,733	-
Support services	-	146,475	67,164	1,534,969	61,479	-	-	-
Noninstructional services	-	-	1,335,497	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	3,317,295	-	-	1,016
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	-	146,475	1,402,661	1,534,969	3,378,774	-	3,733	1,016
Excess (deficiency) of receipts over disbursements	-	(146,433)	78,676	(435,535)	(604,948)	-	(999)	(1,000)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Transfers in	-	-	-	87,751	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	87,751	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(146,433)	78,676	(347,784)	(604,948)	-	(999)	(1,000)
Cash and investments - ending	\$ 865,000	\$ 2,972	\$ 601,192	\$ (614,746)	\$ 510,410	\$ -	\$ -	\$ 1,400

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, 2015  
 (Continued)

	Scholarships and Awards - Underwood	Donation	Formative Assessment Grant	High Ability Grant	Medicaid Reimbursement	Secured Schools Safety Grant	Non-English Speaking Programs	School Technology
Cash and investments - beginning	\$ 1,556	\$ 28,947	\$ -	\$ 8,560	\$ 1,647	\$ (3,200)	\$ 3,170	\$ 36,018
Receipts:								
Local sources	10	132,796	-	-	-	-	-	-
State sources	-	-	-	49,015	2,303	30,236	11,268	38,315
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	10	132,796	-	49,015	2,303	30,236	11,268	38,315
Disbursements:								
Instruction	-	10,790	-	54,101	3,950	-	10,785	-
Support services	-	82,759	-	-	-	50,000	-	52,655
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	3,956	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	250	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	250	93,549	-	54,101	3,950	53,956	10,785	52,655
Excess (deficiency) of receipts over disbursements	(240)	39,247	-	(5,086)	(1,647)	(23,720)	483	(14,340)
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	(25,000)	-	-	-	-	-	-
Total other financing sources (uses)	-	(25,000)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(240)	14,247	-	(5,086)	(1,647)	(23,720)	483	(14,340)
Cash and investments - ending	\$ 1,316	\$ 43,194	\$ -	\$ 3,474	\$ -	\$ (26,920)	\$ 3,653	\$ 21,678

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, 2015  
 (Continued)

	Referendum Tax Levy Anticipation Note	e-Learning Digital Grant	Title I	Medicaid Reimbursement - Federal	Improving Teacher Quality, No Child Left, Title II, Part A	Title III - English Proficiency Migrant	Payroll Clearing Account	Totals
Cash and investments - beginning	\$ 19,427	\$ (1,690)	\$ (19,145)	\$ 23,287	\$ (9,055)	\$ (3,404)	\$ 354,151	\$ 4,832,646
Receipts:								
Local sources	-	-	-	-	-	-	-	23,801,697
State sources	-	94,372	-	-	6,936	17,615	-	22,345,662
Federal sources	-	-	305,686	4,576	39,125	-	-	800,336
Temporary loans	2,000,000	-	-	-	-	-	-	7,321,000
Interfund loans	-	-	-	-	-	-	-	500,000
Other receipts	-	-	-	-	-	-	19,227,024	20,514,073
Total receipts	<u>2,000,000</u>	<u>94,372</u>	<u>305,686</u>	<u>4,576</u>	<u>46,061</u>	<u>17,615</u>	<u>19,227,024</u>	<u>75,282,768</u>
Disbursements:								
Instruction	-	92,692	288,077	237	-	18,574	-	18,266,967
Support services	41,317	-	17,782	1,609	56,732	-	-	13,077,629
Noninstructional services	-	-	-	-	-	-	-	1,801,602
Facilities acquisition and construction	285	-	-	1,302	-	-	-	715,239
Debt service	1,805,133	-	-	-	-	-	-	21,356,022
Nonprogrammed charges	-	-	-	-	-	-	19,011,433	22,329,994
Interfund loans	-	-	-	-	-	-	-	500,000
Total disbursements	<u>1,846,735</u>	<u>92,692</u>	<u>305,859</u>	<u>3,148</u>	<u>56,732</u>	<u>18,574</u>	<u>19,011,433</u>	<u>78,047,453</u>
Excess (deficiency) of receipts over disbursements	<u>153,265</u>	<u>1,680</u>	<u>(173)</u>	<u>1,428</u>	<u>(10,671)</u>	<u>(959)</u>	<u>215,591</u>	<u>(2,764,685)</u>
Other financing sources (uses):								
Proceeds of long-term debt	-	-	-	-	-	-	-	1,798,500
Transfers in	-	-	-	-	-	-	-	2,101,143
Transfers out	-	-	-	-	-	-	-	(2,126,143)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,773,500</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>153,265</u>	<u>1,680</u>	<u>(173)</u>	<u>1,428</u>	<u>(10,671)</u>	<u>(959)</u>	<u>215,591</u>	<u>(991,185)</u>
Cash and investments - ending	<u>\$ 172,692</u>	<u>\$ (10)</u>	<u>\$ (19,318)</u>	<u>\$ 24,715</u>	<u>\$ (19,726)</u>	<u>\$ (4,363)</u>	<u>\$ 569,742</u>	<u>\$ 3,841,461</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, 2016

	General	Referendum Tax Levy	Debt Service	Exempt Debt	Exempt Pension Debt	Capital Projects	School Transportation	School Bus Replacement
Cash and investments - beginning	\$ (8,287,619)	\$ 1,241,782	\$ 1,803,930	\$ 4,829,317	\$ 147,256	\$ 974,535	\$ 747,473	\$ 248,432
Receipts:								
Local sources	683,769	3,018,450	4,092,302	5,257,736	513,674	1,993,060	1,769,623	230,374
Intermediate sources	103	-	-	-	-	-	-	-
State sources	22,676,798	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	821,000	-	-	-	960,000	800,000	240,000
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	536,200	-	-	-	-	268,825	44,402	-
Total receipts	<u>23,896,870</u>	<u>3,839,450</u>	<u>4,092,302</u>	<u>5,257,736</u>	<u>513,674</u>	<u>3,221,885</u>	<u>2,614,025</u>	<u>470,374</u>
Disbursements:								
Instruction	12,978,294	1,773,097	-	-	-	-	-	-
Support services	7,730,663	179,558	-	-	-	1,439,477	1,620,757	99,934
Noninstructional services	496,128	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	1,303,733	-	-
Debt service	-	2,030,361	4,198,418	8,044,272	634,217	1,280,000	892,000	194,000
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	500,000	-	-	-	-	-	-	-
Total disbursements	<u>21,705,085</u>	<u>3,983,016</u>	<u>4,198,418</u>	<u>8,044,272</u>	<u>634,217</u>	<u>4,023,210</u>	<u>2,512,757</u>	<u>293,934</u>
Excess (deficiency) of receipts over disbursements	<u>2,191,785</u>	<u>(143,566)</u>	<u>(106,116)</u>	<u>(2,786,536)</u>	<u>(120,543)</u>	<u>(801,325)</u>	<u>101,268</u>	<u>176,440</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	131,879	120,467	16,405
Transfers out	-	-	(333,214)	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(333,214)</u>	<u>-</u>	<u>-</u>	<u>131,879</u>	<u>120,467</u>	<u>16,405</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>2,191,785</u>	<u>(143,566)</u>	<u>(439,330)</u>	<u>(2,786,536)</u>	<u>(120,543)</u>	<u>(669,446)</u>	<u>221,735</u>	<u>192,845</u>
Cash and investments - ending	<u>\$ (6,095,834)</u>	<u>\$ 1,098,216</u>	<u>\$ 1,364,600</u>	<u>\$ 2,042,781</u>	<u>\$ 26,713</u>	<u>\$ 305,089</u>	<u>\$ 969,208</u>	<u>\$ 441,277</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, 2016  
 (Continued)

	Rainy Day	Retirement/ Severance Bond	School Lunch	Textbook Rental	Self- Insurance	Levy Excess	Alternative Education	Scholarships and Awards - Niksic
Cash and investments - beginning	\$ 865,000	\$ 2,972	\$ 601,192	\$ (614,746)	\$ 510,410	\$ -	\$ -	\$ 1,400
Receipts:								
Local sources	-	1	1,008,868	1,031,841	2,419,571	-	-	10
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	26,936	55,699	-	2,814	3,661	-
Federal sources	-	-	406,458	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	500,000	-	-	-
Other receipts	-	-	100	-	-	-	-	-
Total receipts	-	1	1,442,362	1,087,540	2,919,571	2,814	3,661	10
Disbursements:								
Instruction	-	-	-	-	-	-	3,661	-
Support services	-	-	50,292	863,693	57,084	-	-	-
Noninstructional services	-	-	1,269,541	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	2,648,776	-	-	1,410
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	-	-	1,319,833	863,693	2,705,860	-	3,661	1,410
Excess (deficiency) of receipts over disbursements	-	1	122,529	223,847	213,711	2,814	-	(1,400)
Other financing sources (uses):								
Transfers in	-	-	-	64,463	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	64,463	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	1	122,529	288,310	213,711	2,814	-	(1,400)
Cash and investments - ending	\$ 865,000	\$ 2,973	\$ 723,721	\$ (326,436)	\$ 724,121	\$ 2,814	\$ -	\$ -

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, 2016  
 (Continued)

	Scholarships and Awards - Underwood	Donation	Formative Assessment Grant	High Ability Grant	Medicaid Reimbursement	Secured Schools Safety Grant	Non-English Speaking Programs	School Technology
Cash and investments - beginning	\$ 1,316	\$ 43,194	\$ -	\$ 3,474	\$ -	\$ (26,920)	\$ 3,653	\$ 21,678
Receipts:								
Local sources	9	95,714	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	22,412	49,427	5,703	26,950	22,027	39,460
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	9	95,714	22,412	49,427	5,703	26,950	22,027	39,460
Disbursements:								
Instruction	-	10,713	-	41,839	5,470	-	24,063	-
Support services	-	79,997	22,412	-	-	25,000	-	50,513
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	250	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	250	90,710	22,412	41,839	5,470	25,000	24,063	50,513
Excess (deficiency) of receipts over disbursements	(241)	5,004	-	7,588	233	1,950	(2,036)	(11,053)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	(26,000)	-	-	-	-	-	-
Total other financing sources (uses)	-	(26,000)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(241)	(20,996)	-	7,588	233	1,950	(2,036)	(11,053)
Cash and investments - ending	\$ 1,075	\$ 22,198	\$ -	\$ 11,062	\$ 233	\$ (24,970)	\$ 1,617	\$ 10,625

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, 2016  
 (Continued)

	Referendum Tax Levy Anticipation Note	e-Learning Digital Grant	Title I	Medicaid Reimbursement - Federal	Improving Teacher Quality, No Child Left, Title II, Part A	Title III - English Proficiency Migrant	Payroll Clearing Account	Totals
Cash and investments - beginning	\$ 172,692	\$ (10)	\$ (19,318)	\$ 24,715	\$ (19,726)	\$ (4,363)	\$ 569,742	\$ 3,841,461
Receipts:								
Local sources	-	-	-	-	-	-	-	22,115,002
Intermediate sources	-	-	-	-	-	-	-	103
State sources	-	5,628	-	-	-	21,693	-	22,959,208
Federal sources	-	-	285,092	14,822	76,044	-	-	782,416
Temporary loans	1,000,000	-	-	-	-	-	-	3,821,000
Interfund loans	-	-	-	-	-	-	-	500,000
Other receipts	-	-	-	-	-	-	15,839,178	16,688,705
Total receipts	1,000,000	5,628	285,092	14,822	76,044	21,693	15,839,178	66,866,434
Disbursements:								
Instruction	269,500	5,618	270,821	1,036	-	19,711	-	15,403,823
Support services	835,543	-	15,380	-	61,122	-	-	13,131,425
Noninstructional services	-	-	-	-	-	-	-	1,765,669
Facilities acquisition and construction	49,548	-	-	-	-	-	-	1,353,281
Debt service	18,101	-	-	-	-	-	-	17,291,369
Nonprogrammed charges	-	-	-	-	-	-	15,779,165	18,429,601
Interfund loans	-	-	-	-	-	-	-	500,000
Total disbursements	1,172,692	5,618	286,201	1,036	61,122	19,711	15,779,165	67,875,168
Excess (deficiency) of receipts over disbursements	(172,692)	10	(1,109)	13,786	14,922	1,982	60,013	(1,008,734)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	333,214
Transfers out	-	-	-	-	-	-	-	(359,214)
Total other financing sources (uses)	-	-	-	-	-	-	-	(26,000)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(172,692)	10	(1,109)	13,786	14,922	1,982	60,013	(1,034,734)
Cash and investments - ending	\$ -	\$ -	\$ (20,427)	\$ 38,501	\$ (4,804)	\$ (2,381)	\$ 629,755	\$ 2,806,727

SCHOOL TOWN OF MUNSTER  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2016

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 760,314</u>	<u>\$ 137,991</u>

SCHOOL TOWN OF MUNSTER  
SCHEDULE OF LEASES AND DEBT  
June 30, 2016

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Cisco Capital	Cisco Smartnet Service Agreement	\$ 36,182	07/25/2014	09/01/2018
Dell Financial Services	Laptop Computers	324,775	06/01/2012	12/01/2016
Kansas State Bank	LED Lighting Fixtures	10,033	11/01/2014	10/01/2019
Key Government Finance	Networking/Storage	126,996	09/15/2014	03/15/2017
Munster School Building Corporation	1998 Refinance	3,525,500	06/28/2008	01/05/2021
Munster School Building Corporation	Eads School Demolition/High School Renovations	503,000	07/05/2009	01/05/2024
Munster School Building Corporation	High School Renovations/Pool	3,155,000	06/30/2010	12/31/2020
Munster School Building Corporation	High School Pool Demolition	424,000	06/30/2012	12/31/2020
Munster School Building Corporation	Middle School Demolition	86,000	06/30/2012	06/30/2021
Munster School Building Corporation	Middle School Classroom addition	168,500	01/15/2004	12/31/2028
Munster School Building Corporation	Service Center	249,000	07/15/2005	01/15/2029
Munster School Building Corporation	Middle School Gym addition	126,850	07/15/2006	01/15/2029
Munster School Building Corporation	Eads School Refinance	1,058,223	12/30/2005	12/30/2026
Munster School Building Corporation	Elliott School Refinance	909,500	07/15/2014	01/15/2029
Munster School Building Corporation	Roofs & Parking Lots	238,000	07/15/2008	01/15/2018
U.S. Bank Equipment Finance	Copiers	<u>111,343</u>	03/24/2014	06/25/2019
Total of annual lease payments		<u>\$ 11,052,902</u>		

Type	Description of Debt	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:				
General obligation bonds	Taxable Pension Bonds		\$ 4,840,000	\$ 635,008
Tax anticipation warrants and Referendum Levy Notes	Tax Anticipation Warrants and Referendum Levy Notes		<u>5,321,000</u>	<u>3,890,153</u>
Totals			<u>\$ 10,161,000</u>	<u>\$ 4,525,161</u>

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SCHOOL TOWN OF MUNSTER  
 SCHEDULE OF CAPITAL ASSETS  
 June 30, 2014

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.

	Ending Balance
Governmental activities:	
Land	\$ 5,626,696
Buildings	60,148,750
Improvements other than buildings	3,684,577
Machinery, equipment, and vehicles	23,173,702
Books and other	2,358,453
 Total capital assets	 \$ 94,992,178

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

**Report on Compliance for Each Major Federal Program**

We have audited the School Town of Munster's (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2014 to June 30, 2016. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2014 to June 30, 2016.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, 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 items 2016-002 and 2016-004. Our opinion on each major federal program is not modified with respect to these matters.

The School Corporation's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control over Compliance**


Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2016-002, 2016-003, 2016-004, 2016-005, and 2016-006 to be material weaknesses.

The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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, 2015 and 2016

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Pass-Through To Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
<u>U.S. Department of Agriculture</u>							
Child Nutrition Cluster	Indiana Department of Education	10.553	FY 2014-16	\$ -	\$ 48,530	\$ -	\$ 33,961
School Breakfast Program							
National School Lunch Program		10.555	FY 2014-16	-	402,419	-	372,496
National School Lunch Program-Commodities			FY 2014-16	-	114,396	-	107,606
Total - National School Lunch Program				-	516,815	-	480,102
Total - Child Nutrition Cluster				-	565,345	-	514,063
Total - U.S. Department of Agriculture				-	565,345	-	514,063
<u>U.S. Department of Education</u>							
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I FY2013-14			14-4740	-	46,148	-	-
Title I FY2014-15			15-4740	-	259,537	-	77,947
Title I FY2015-16			16-4740	-	-	-	207,145
Total - Title I Grants to Local Educational Agencies				-	305,685	-	285,092
Special Education Cluster (IDEA)	Indiana Department of Education	84.027					
Special Education_Grants to States							
Special Ed Part B			14213-064-PN01	-	190	-	-
Special Ed Part B			14214-064-PN01	-	420,858	-	-
Special Ed Part B			14215-064-PN01	-	416,566	-	436,026
Special Ed Part B			14216-062-PN01	-	-	-	439,442
Special Education - Technical Assistance			99914-064-TA01	-	9,746	-	413
Total - Special Education_Grants to States				-	847,360	-	875,881

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

SCHOOL TOWN OF MUNSTER  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2015 and 2016  
(Continued)

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Pass-Through To Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
<b>U.S. Department of Education</b>							
Special Education Cluster (IDEA) (continued)							
Special Education_Preschool Grants	Indiana Department of Education	84.173					
Special Ed Preschool			45714-064-PN01	-	11,801	-	-
Special Ed Preschool			45715-064-PN01	-	11,639	-	19,016
Special Education Cluster			45716-062-PN01	-	-	-	8,337
Total - Special Education_Preschool Grants				-	23,440	-	27,353
Total - Special Education Cluster (IDEA)				-	870,800	-	903,234
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III Part A-Eng Lang Aqvi			01114-074-PN01	-	6,277	-	624
Title III WIDA Eng. Lang Dev.			01113-350-PN01	-	535	-	-
Title III Part A-Lang for LEP			01115-057-PN01	-	10,803	-	8,609
Title III Part A-Lang for LEP			01116-058-PN01	-	-	-	12,460
Total - English Language Acquisition State Grants				-	17,615	-	21,693
Mathematics and Science Partnerships	Merrillville Community School Corporation	84.366					
STEM Innovations Grant			FY 2014-15	-	6,176	-	2,400
Total - Mathematics and Science Partnerships				-	6,176	-	2,400
Improving Teacher Quality State Grants	Indiana Department of Education	84.367					
Title II FY 2012-14			12-4740	-	10,447	-	-
Title II FY 2013-15			13-4740	-	30,950	-	21,143
Title II Part A 2014-16			14-4740	-	4,664	-	51,757
Title II Part A 2015-17			15-4740	-	-	-	3,144
Total - Improving Teacher Quality State Grants				-	46,061	-	76,044
Total - U.S. Department of Education				-	1,246,337	-	1,288,463
Total federal awards expended				\$ -	\$ 1,811,682	\$ -	\$ 1,802,526

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 (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2015 and 2016. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

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 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

**Note 3. Special Education Cooperative**

The School Corporation is a member of a Special Education Cooperative. As a result, some activity for the Special Education Cluster (IDEA) that is presented as federal awards expended in the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Special Education Cooperative.

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:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weakness identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee? no

**Section II - Financial Statement Findings**

**FINDING 2016-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

*Condition*

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

1. Lack of Segregation of Duties: The School Corporation had not separated incompatible activities related to Receipts, Payroll Disbursements, Financial Close and Reporting, and the Schedule of Expenditures of Federal Awards (SEFA).

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

*Receipts:* One individual issued and recorded receipts, prepared the deposits, took the deposits to the bank, and reviewed the monthly reconciliation of the bank balance to the record balance without any compensating controls.

*Payroll Disbursements:* The Payroll Specialist inputted, prepared, recorded and remitted payrolls, and performed the monthly reconciliation of the bank balance to the record balance without any compensating controls.

*Financial Close and Reporting:* The Form 9, included the financial activity of all funds and was the basis for which the financial statement was prepared, was signed by the Treasurer, Superintendent, and School Board President. Although the Form 9 contained all of the required certifications, there was no evidence of any compensating controls before submission to the Indiana Department of Education.

*SEFA:* One employee prepared the SEFA without evidence of any compensating controls.

2. **Monitoring of Controls:** The School Corporation had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the School Corporation to monitor and assess the quality of the system of internal control.

Monthly bank reconciliements were prepared by the Payroll Specialist and signed by the Treasurer; however, the bank reconciliements were not prepared in a timely manner (by the end of the second following month). Because of this, the bank reconciliements were also not reviewed timely. (For example, the June 2016 bank reconciliation was not prepared and reviewed until the end of October 2016).

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . ."

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

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

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

*Cause*

Management of the School Corporation had not established a proper system of internal controls related to receipts, payroll disbursements, financial close and reporting, and the Schedule of Expenditures of Federal Awards.

*Effect*

The failure to establish and properly implement controls enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the School Corporation at risk that controls may not have been either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2016-002 - CASH MANAGEMENT**

Federal Agency: U.S. Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Number and Year (or Other Identifying Number): FY 2014-16  
Pass-Through Entity: Indiana Department of Education

This is a repeat of Finding 2014-002 from the immediate prior year.

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the requirements for Cash Management.

The School Corporation failed to comply with the Cash Management requirements that they limit their Net Cash Resources in the School Lunch fund to the average expenditures for three months of the food service program.

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

*Context*

The lack of controls and compliance was a systemic problem. The balance in the School Lunch fund exceeded the average expenditures for 3 months for all 24 months of the audit period.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 210.14(b) states: "*Net cash resources.* The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with §210.19(a)."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall . . . with respect to participating schools under its jurisdiction: . . .

(iv) Limit its net cash resource to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency; . . ."

*Cause*

The School Corporation had not developed a system of internal controls to ensure compliance with the Cash Management compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Cash Management compliance requirement.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

***FINDING 2016-003 - ELIGIBILITY***

Federal Agency: U.S. Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Number and Year (or Other Identifying Number): FY 2014-16  
Pass-Through Entity: Indiana Department of Education

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the Eligibility compliance requirement.

The School Corporation did not have any compensating controls in place to ensure that the income guidelines used by the software application were accurate after each annual update.

*Context*

The lack of controls was a systemic problem. There was no evidence of controls over income guidelines used in the software system.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

*Cause*

The School Corporation failed to establish a proper internal control structure to ensure compliance with the Eligibility compliance requirement.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. The lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the grant agreement and the Eligibility compliance requirement.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

***FINDING 2016-004 - PROCUREMENT AND SUSPENSION AND DEBARMENT***

Federal Agency: U.S. Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Number and Year (or Other Identifying Number): FY 2014-16  
Pass-Through Entity: Indiana Department of Education

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the requirements for procurement.

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

The School Corporation failed to comply with the procurement requirements, including that approved contracts were in compliance with their procurement procedures, as well as State laws and procedures.

The School Corporation contracted with a third-party purchasing service for food products, bread, and milk bids. The School Corporation and School Board approved the contract with the purchasing service, effective August 1, 2013, with an initial one year term of August 1, 2013 to July 31, 2014, with up to four optional one year extensions that are exercisable each year.

The Food Service Director approved and signed the extensions of the optional yearly extensions that were approved during the audit period. However, the Food Service Director did not have contracting authority per the School Corporation's procurement policies.

*Context*

This was a systematic problem. The School Corporation failed to comply throughout the audit period.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 3016.36(b) states in part:

*"Procurement standards.*

- (1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section.
- (2) Grantees and subgrantees will maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders. . . ."

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

Indiana Code 5-22-6-1 states: "The purchasing agency of a governmental body may purchase services using any procedure the governmental body or the purchasing agency of the governmental body considers appropriate."

Indiana Code 5-22-6-2 states:

"(a) A governmental body may adopt rules governing the purchase of services for the governmental body.

(b) The purchasing agency of a governmental body may establish policies regarding the purchase of services for the governmental body."

The School Corporation Bylaws and Policies, Policy 6320 - PURCHASING states:

"It is the policy of the School Board that the Director of Financial Operations or treasurer shall act as the purchasing agent for the Board . . ."

The School Corporation Administrative Guidelines, Policy 6320A - PURCHASING states:

"The Director of Financial Operations shall be the contracting agent for all financial obligations . . ."

*Cause*

The School Corporation had not developed a system of internal controls to ensure compliance with the procurement requirements.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the procurement requirements.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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

***FINDING 2016-005 - ELIGIBILITY, LEVEL OF EFFORT, AND REPORTING***

Federal Agency: U.S. Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Years (or Other Identifying Numbers): 14-4740, 15-4740, 16-4740  
Pass-Through Entity: Indiana Department of Education

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the compliance requirements for Eligibility, Level of Effort, and Reporting.

*Eligibility - Individual and Group*

Individual determination was completed by the Title I Coordinator. It was based both on test scores and, in some cases, teacher recommendation. While the final list of individuals to receive Title I services was distributed to appropriate administrators, including the Assistant Superintendent of Schools, there was no evidence of any compensating controls.

The Eligible School Summary information regarding enrollment and poverty numbers by school was prepopulated by the Indiana Department of Education within the Title I application completed by the Assistant Superintendent of Schools. That information was submitted to the Indiana Department of Education by the School Corporation's Data Specialist. There was no evidence of any compensating controls of the information prepopulated in the Eligible School Summary portion of the grant application was not documented.

*Level of Effort and Reporting*

The financial information submitted by the School Corporation to the Indiana Department of Education through the Form 9 was used to calculate the School Corporation's Level of Effort as well as complete the State Per Pupil Expenditure Report.

The Form 9 was generated by the Director of Financial Operations. While both the President of the School Board and Superintendent of Schools signed the Form 9, there was no evidence of any compensating controls.

*Context*

The lack of controls was a systemic problem. There was no evidence of internal controls over the Eligibility, Level of Effort, and Reporting compliance requirements throughout the audit period.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

*Cause*

The School Corporation failed to establish a proper internal control structure to ensure compliance with requirements associated with the Eligibility, Level of Effort, and Reporting compliance requirements.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. The lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the grant agreement and Eligibility, Level of Effort, and Reporting compliance requirements.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**FINDING 2016-006 - ELIGIBILITY, LEVEL OF EFFORT, AND REPORTING**

Federal Agency: U.S. Department of Education

Federal Programs: Special Education\_Grants to States, Special Education\_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-064-PN01, 14214-064-PN01,  
14215-064-PN01, 14216-064-PN01,  
99914-064-TA01, 45714-064-PN01,  
45715-064-PN01, 45716-062-PN01

Pass-Through Entity: Indiana Department of Education

This is a repeat of Finding 2014-006 from the immediate prior year.

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

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the requirements for Level of Effort.

The financial information submitted by the School Corporation to the Indiana Department of Education through the Form 9 was used to calculate the School Corporation's level of effort.

The Form 9 was generated by the Director of Financial Operations. While both the President of the School Board and Superintendent of Schools signed the Form 9, there was no evidence of any compensating controls.

*Context*

The lack of controls was a systemic problem. There was no evidence of internal controls over the level of effort requirements throughout the audit period.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

*Cause*

The School Corporation failed to establish a proper internal control structure to ensure compliance with requirements associated with the level of effort requirements.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. The lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the grant agreement and Level of Effort compliance requirement.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

#### AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.



8808 Columbia Avenue ❖ Munster, IN 46321 ❖ 219.836.3204

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDING 2014- 002**

Fiscal year in which the finding initially occurred: 2013-2014  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Kathryn Feezel, Director of Student Nutrition and Food Services  
Contact Phone Number: 219-836-3204

Status of Audit Finding:

**CASH MANAGEMENT**

School Town of Munster has acquired a new Food Service Director July 2015. Director has already corrected this process this should be evident in next audit.

Director does the Annual State Report with the Administrative Assistant reviewing report before submitted to State. State will review report if more than 3 months' average, letter is submitted to state with explanation of how the money will be used.

**Verification Free and Reduced Price Applications**

New Director effective July 2015. Food Service Director already corrected as of July 1, 2015, this process will be evident in next audit.

Nutri-Kids Software Program was implemented for the 2014-2015 school year, which processes Free/Reduced Applications. Free/Reduce Online Applications was implemented the 2015-2016 School Year, which processes the application online. Administrative Assistant and Central Kitchen Manager both have trained to be a check/signature on all applicants. The software program is the first check on all Free/Reduce Applications with Director and Administrative Assistant or Central manager as seconds check with signature.

Verifications are done through our Nutri-Kids Software System by Director with Administrative Assistant reviewing.

Kathryn Feezel  
(Signature)

Director  
(Title)

5-22-17  
(Date)



SCHOOL TOWN of  
**MUNSTER**

**Student Nutrition Services**

8808 Columbia Avenue ❖ Munster, IN 46321 ❖ 219.836.3204

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDING 2014-003**

Fiscal year in which the finding initially occurred: 2013-2014

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Kathryn Feezel, Director of Student Nutrition and Food Services

Contact Phone Number: 219-836-3204

Status of Audit Finding:

Process was corrected Spring of 2016 by Food Service Director conducting search through [www.sam.gov](http://www.sam.gov) to verify the bidders have not been suspended or debarred. Reviewed by Administrative Assistant.

*Kathryn Feezel*  
\_\_\_\_\_  
(Signature)

*Director*  
\_\_\_\_\_  
(Title)

*5-22-17*  
\_\_\_\_\_  
(Date)



**Student Nutrition Services**

8808 Columbia Avenue ❖ Munster, IN 46321 ❖ 219.836.3204

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDING 2014-004**

Fiscal year in which the finding initially occurred: 2013-2014

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Kathryn Feezel, Director of Student Nutrition and Food Services

Contact Phone Number: 219-836-3204

Status of Audit Finding:

The Director and Treasurer have implemented a Prepaid Lunch Fund as of July 1, 2016. All monies collected for lunches are deposited monthly into a Prepaid Lunch Fund, Director will give total monthly sale amounts for all schools to Treasurer who will then transfer from the Prepaid Lunch Fund to the Food Service Fund.

Kathryn Feezel  
(Signature)

Director  
(Title)

5-22-17  
(Date)



SCHOOL TOWN of  
**MUNSTER**

**Student Nutrition Services**

8808 Columbia Avenue ❖ Munster, IN 46321 ❖ 219.836.3204

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDING 2014-005**

Fiscal year in which the finding initially occurred: 2013-2014

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education


Contact Person Responsible for Corrective Action: Kathryn Feezel, Director of Student Nutrition and Food Services

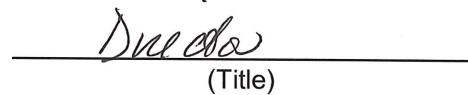
Contact Phone Number: 219-836-3204

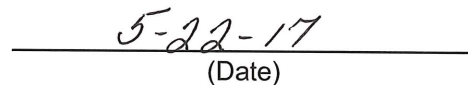
Status of Audit Finding:

This process was corrected the 2014-2015 School Year.

Food Service Director complies with the State in using the Paid Lunch Equity Tool to determine if the School Corporation is required to raise its Lunch Prices. The Director will then make a recommendation for the meal prices to the School Board.

  
(Signature)

  
(Title)

  
(Date)



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDING 2014-006**

Fiscal year in which the finding initially occurred: 7/1/2013 thru 6/30/2014  
Pass-Through Entity: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Janice Swanson, Director of Financial Operations  
Contact Phone Number: 219-836-9111

Status of Audit Finding:

Beginning with the September, 2016 submission of School Town of Munster's Level of Effort – Maintenance of Effort for their portion of the Special Education Grant, the collected data was and will continue to be reviewed by the superintendent of schools.

Janice Swanson  
(Signature)

Director of Financial Oper.  
(Title)

5/22/2017  
(Date)



CORRECTIVE ACTION PLAN

**FINDING 2016-001**

Contact Person Responsible for Corrective Action: Janice Swanson, Director of Financial Operations  
Contact Phone Number: 219-836-9111

Views of Responsible Official: The finding, as stated is correct, however School Town of Munster is dealing with an extremely minimal staff and does not have the luxury of having staff cross-trained in order to segregate the business office duties further.

Receipts and Expenditures for each month are provided to the Administrative Team and the Managing School Board after the end of each month. The monthly accounts payable register (with payroll expenditures) are approved at the regular school board meeting each month.

The Form 9 is a 6-month compilation of all of the receipt and expenditure (including payroll) information that has already been provided to the administration and managing school board on a monthly basis and they have approved at their monthly school board meeting.

The SEFA has been prepared by the person responsible for the Gateway Annual Financial Report.

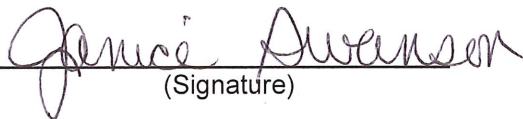
Description of Corrective Action Plan: The business office will continue to provide the Administrative Team and the Managing School Board with the monthly reports and will continue the accounts payable register approval at their regularly scheduled meetings.

The business office will continue to look for ways to incorporate other individuals in a review and oversight manner.


Once again, the business office will attempt to keep the bank reconciliements more up-to-date. The fall is an extremely busy time with getting the school year up and running for a new school year and this task loses its priority with everything else that must be done.

In future preparation of the Gateway Annual Financial Report, including the SEFA, STM will include oversight from the individuals involved in securing the various grants.

Anticipated Completion Date: This will be a work in progress.

  
(Signature)

Director of Financial Operations

  
(Date)



**Student Nutrition Services**

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CORRECTIVE ACTION PLAN

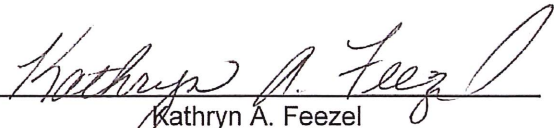
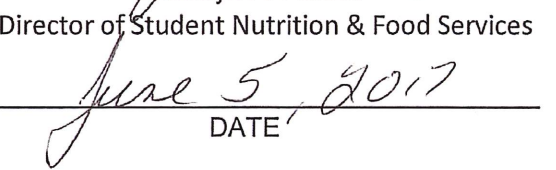
**FINDING 2016-002**

Contact Person Responsible for Corrective Action: Kathryn Feezel, Director of Student Nutrition and Food Services  
Contact Phone Number: 219-836-3204

Views of Responsible Official: The School Town of Munster and Food Service Department concur with the finding.

Description of Corrective Action Plan: CASH MANAGEMENT

Anticipated Completion Date: The Food Service Director will work with the Treasurer to monitor cash balances more frequently. This corrective action plan will be implemented with the 2017-2018 School Year.

  
\_\_\_\_\_  
Kathryn A. Feezel  
Director of Student Nutrition & Food Services  
  
\_\_\_\_\_  
DATE



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### CORRECTIVE ACTION PLAN

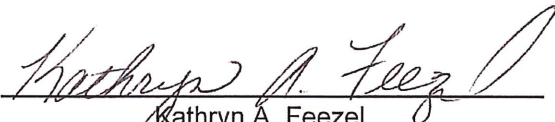
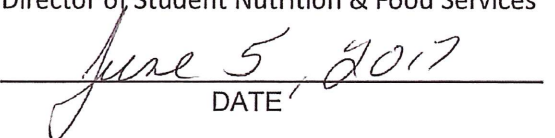
#### ***FINDING 2016-003***

Contact Person Responsible for Corrective Action: Kathryn Feezel, Director of Student Nutrition and Food Services  
Contact Phone Number: 219-836-3204

Views of Responsible Official: The School Town of Munster and Food Service Department concur with the finding.

Description of Corrective Action Plan: ELIGIBILITY

Anticipated Completion Date: The Food Service Department plans to refine their procedures. This corrective action plan will be implemented with the 2017-2018 School Year.

  
\_\_\_\_\_  
Kathryn A. Feezel  
Director of Student Nutrition & Food Services  
  
\_\_\_\_\_  
DATE



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**CORRECTIVE ACTION PLAN**

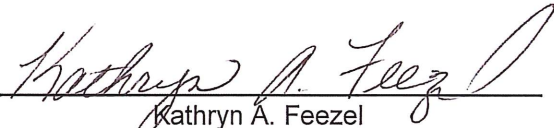
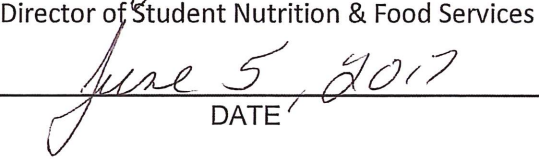
***FINDING 2016-004***

Contact Person Responsible for Corrective Action: Kathryn Feezel, Director of Student Nutrition and Food Services  
Contact Phone Number: 219-836-3204

Views of Responsible Official: The School Town of Munster and Food Service Department concur with the finding.

Description of Corrective Action Plan: PROCUREMENT

Anticipated Completion Date: The Food Service Department will have Board Approval for future Contracts. This corrective action plan will be implemented with the 2017-2018 School Year.

  
\_\_\_\_\_  
Kathryn A. Feezel  
Director of Student Nutrition & Food Services  
  
\_\_\_\_\_  
DATE



ADMINISTRATION CENTER  
8616 COLUMBIA AVENUE • MUNSTER, INDIANA 46321  
PHONE: 219-836-9111 • FAX: 219-836-3215

DR. PHYLLIS GILWORTH  
ASSISTANT SUPERINTENDENT

MRS. JANICE SWANSON  
DIRECTOR OF FINANCIAL OPERATIONS

CORRECTIVE ACTION PLAN

**FINDING 2016-005**

Contact Person Responsible for Corrective Action: Janice Swanson, Director of Financial Operations  
Contact Phone Number: 219-836-9111

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: As we acquire a new Assistant Superintendent July 1, 2017, I will discuss these audit findings with the new personnel and determine a process to move forward with compliance in all three areas.

Anticipated Completion Date: This will be a work in progress.

Janice Swanson  
(Signature)

Director of Financial Operations

6/5/2017  
(Date)



CORRECTIVE ACTION PLAN

**FINDING 2016-006**

Contact Person Responsible for Corrective Action: Janice Swanson, Director of Financial Operations  
Contact Phone Number: 219-836-9111

Views of Responsible Official: We disagree with the finding.

Description of Corrective Action Plan: As stated in the previous corrective action plan, School Town of Munster participates in the West Lake Special Education Cooperative with Lake Central Schools. When completing School Town of Munster's portion of the level of effort – maintenance of effort, the appropriate Form 9 data was used, which has been reviewed by administration and the board of school trustees, as part of the ongoing information that comprises the Form 9 data.

When preparing future level of effort – maintenance of effort documents to be provided to Lake Central Schools for grant submission, the documents will be reviewed with the superintendent of schools with more substantial notations as to what has been reviewed.

Anticipated Completion Date: next submission

Janice Swanson  
(Signature)

Director of Financial Operations

6/5/2017  
(Date)

#### OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.