

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SCHOOL TOWN OF MUNSTER

LAKE COUNTY, INDIANA

July 1, 2018 to June 30, 2020



**FILED**

05/24/2021



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SCHEDULE OF OFFICIALS

| <u>Office</u>                    | <u>Official</u>  | <u>Term</u>  |
|----------------------------------|--|--|
| Treasurer                        | Janice Swanson<br>Sherie Breitenbach   | 07-01-18 to 10-31-18<br>11-01-18 to 06-30-21   |
| Superintendent<br>of Schools     | Jeffrey Hendrix  | 07-01-18 to 06-30-21   |
| President of the<br>School Board | Ingrid Schwarz Wolf<br>John J. Doherty<br>Ingrid Schwarz Wolf<br>John J. Doherty | 07-01-18 to 12-31-18<br>01-01-19 to 12-31-19<br>01-01-20 to 12-31-20<br>01-01-21 to 06-30-21 |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of the School Town of Munster (School Corporation), for the period from July 1, 2018 to June 30, 2020. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement. This report may be found at [www.in.gov/sboa](http://www.in.gov/sboa).

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

May 17, 2021

SCHOOL TOWN OF MUNSTER  
AUDIT RESULTS AND COMMENTS

**OVERDRAWN CASH BALANCES**

The same comment appeared in five prior reports, including the three most recent Reports B46019, B48480, and B52351.

*Condition and Context*

The financial statement presented for audit included the following funds with overdrawn cash balances at June 30, 2019 and 2020, which was not attributed to timing of reimbursements.

| Fund                        | Amount Overdrawn as of June 30, |          |
|-----------------------------|---------------------------------|----------|
|                             | 2019                            | 2020     |
| Payroll Clearing Account    | \$ 21,596                       | \$ 7,260 |
| Curricular Materials Rental | 124,345                         | -        |

*Criteria*

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

**PREPAID LUNCH ACCOUNT RECONCILIATIONS**

The same comment appeared in prior Report B52351.

*Condition and Context*

Monthly reconcilements of all the students' individual meal account balances to the Prepaid School Lunch fund were not performed. A comparison of the Prepaid School Lunch fund balance to the students' individual meal account balances at June 30, 2019 and 2020, is as follows:

|  | As of June 30, |             |
|--|----------------|-------------|
|  | 2019           | 2020        |
| Cash and Investment Balance -                  |                |             |
| Prepaid School Lunch fund                      | \$ 115,932     | \$ 13,229   |
| All Students' Individual Meal Account Balances | 36,625         | 51,254      |
| Variance in Unreconciled Funds                 | \$ 79,307      | \$ (38,025) |

SCHOOL TOWN OF MUNSTER  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

When a student puts money into their individual meal account, it should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while money is in the student's individual account, the balance should not be included in Fund 800 School Lunch. A school should set up a clearing account with the fund number of 8400 Prepaid School Lunch Accounts which is included in Chapter 4 of the State Board of Accounts Uniform Compliance Guidelines for Indiana Public School Corporations. When a student brings in a deposit the receipt should be recorded to Fund 8400 using receipt account 1630 Special Functions. After the student has charged meals, you should disburse the amount charged from Fund 8400 using expenditure account 31900 Other Food Services and receipt this into Fund 800 using the Food Services receipt accounts 1611-1623 at the time established in a written school policy to ensure accurate monthly reporting. At this point the receipts are considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis it is required that the balance of Fund 8400 be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, February 2019)

**PREPAID LUNCH ACCOUNT TRANSACTIONS**

*Condition and Context*

Meal sales paid from students' prepaid account balances were recorded in the Prepaid School Lunch fund as receipts. Annually, the School Corporation transferred the amounts for the meals sold from the Prepaid School Lunch fund to the School Lunch fund via a negative receipt adjustment instead of posting a disbursement. The negative receipt adjustment caused both receipts and disbursements to be understated by \$602,267 and \$765,351 at June 30, 2019 and 2020, respectively.

Adjustments were proposed, and accepted by the School Corporation, to remove the negative adjustment and report the gross activity in the Prepaid School Lunch fund.

*Criteria*

When a student puts money into their individual meal account, it should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while money is in the student's individual account, the balance should not be included in Fund 800 School Lunch. A school should set up a clearing account with the fund number of 8400 Prepaid School Lunch Accounts which is included in Chapter 4 of the State Board of Accounts Uniform Compliance Guidelines for Indiana Public School Corporations. When a student brings in a deposit the receipt should be recorded to Fund 8400 using receipt account 1630 Special Functions. After the student has charged meals, you should disburse the amount charged from Fund 8400 using expenditure account 31900 Other Food Services and receipt this into Fund 800 using the Food Services receipt accounts 1611-1623 at the time established in a written school policy to ensure accurate monthly reporting. At this point the receipts are considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis it is required that the balance of Fund 8400 be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, February 2019)



OFFICIAL RESPONSE

Date: May 18, 2021

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

Re: State Board of Accounts Officials:

**Overdrawn Cash Balances:** The cash deficit in the Textbook Rental Fund directly relates to the textbook adoption cycle. The fund has a positive balance at the end of June 2020. 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 Payroll Clearing Fund is directly related to the school corporation's benefits plan year. The plan year for benefits runs from September to August and benefits start and end at different times for the employee's depending on the employee classes.

**Prepaid Lunch Account Reconciliations:** The fund has been started and a work in progress. With all the changes on meals, and student accounts, because of COVID-19 the process has been slow.

**Prepaid Lunch Account Transactions:** The transactions from the funds are handled by a receipt adjustment on the financial software system. That makes for negative receipt adjustment from one fund and a positive receipt adjustment to the other fund, which leave a zero balance. Going forward we are not going to be processing by receipt adjustments.

The School Town of Munster appreciates the opportunity to provide this official response.

Respectfully,

Dr. Jeffrey Hendrix, Superintendent

Sherie Breitenbach, Corporation Treasurer

SCHOOL TOWN OF MUNSTER  
EXIT CONFERENCE

The contents of this report were discussed on May 17, 2021, with Sherie Breitenbach, Treasurer; Jeffrey Hendrix, Superintendent of Schools; John J. Doherty, President of the School Board; William Melby, Director of Financial Operations; and Ron Ostojic, Vice President of the School Board.