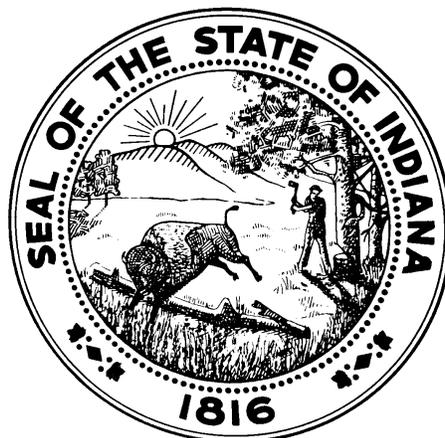


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF
LAKE STATION COMMUNITY SCHOOLS
LAKE COUNTY, INDIANA
July 1, 2006 to June 30, 2008



FILED
06/15/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sandra Cain	07-01-06 to 06-30-09
Superintendent of Schools	Dan DeHaven	07-01-06 to 06-30-09
President of the School Board	Larry Biggs Michael Stills James Vanderlin	07-01-06 to 06-30-07 07-01-07 to 06-30-08 07-01-08 to 06-30-09



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

TO: THE OFFICIALS OF THE LAKE STATION COMMUNITY SCHOOLS, LAKE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lake Station Community Schools (School Corporation), as of and for the years ended June 30, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2007 and 2008, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated May 18, 2009, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

STATE BOARD OF ACCOUNTS

May 18, 2009



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

TO: THE OFFICIALS OF THE LAKE STATION COMMUNITY SCHOOLS, LAKE COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lake Station Community Schools (School Corporation), as of and for the years ended June 30, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated May 18, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management in a separate letter dated May 18, 2009.

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

This report is intended solely for the information and use of the School Corporation's management, school board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

May 18, 2009

LAKE STATION COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 6,982,059	\$ -	\$ 70,105	\$ (6,911,954)
Support services	4,872,895	222,345	532,240	(4,118,310)
Community services	101,410	-	-	(101,410)
Nonprogrammed charges	837,948	-	-	(837,948)
Debt service	<u>5,404,637</u>	<u>-</u>	<u>-</u>	<u>(5,404,637)</u>
Total government	<u>\$ 18,198,949</u>	<u>\$ 222,345</u>	<u>\$ 602,345</u>	<u>(17,374,259)</u>
General receipts:				
Property taxes				4,147,326
Other local sources				626,228
State aid				8,612,535
Bonds and loans				3,906,222
Grants and contributions not restricted to specific programs				893,562
Sale of property, adjustments, and refunds				21,630
Investment earnings				<u>245,540</u>
Total general receipts				<u>18,453,043</u>
Change in net assets				1,078,784
Net assets - beginning				<u>3,475,565</u>
Net assets - ending				<u>\$ 4,554,349</u>
<u>Assets</u>				
Cash and investments				\$ 4,000,208
Restricted assets:				
Cash and investments				<u>554,141</u>
Total assets				<u>\$ 4,554,349</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 554,141
Unrestricted				<u>4,000,208</u>
Total net assets				<u>\$ 4,554,349</u>

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

LAKE STATION COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 7,058,935	\$ -	\$ 126,526	\$ (6,932,409)
Support services	6,995,432	199,963	658,069	(6,137,400)
Community services	39,642	-	-	(39,642)
Nonprogrammed charges	880,487	-	-	(880,487)
Debt service	4,808,995	-	-	(4,808,995)
	<u>\$ 19,783,491</u>	<u>\$ 199,963</u>	<u>\$ 784,595</u>	<u>(18,798,933)</u>
Total government				
General receipts:				
Property taxes				2,848,505
Other local sources				610,988
State aid				8,480,568
Bonds and loans				3,993,764
Grants and contributions not restricted to specific programs				1,041,086
Sale of property, adjustments, and refunds				34,889
Investment earnings				139,443
				<u>17,149,243</u>
Total general receipts				
Change in net assets				(1,649,690)
Net assets - beginning				<u>4,554,349</u>
Net assets - ending				<u>\$ 2,904,659</u>
<u>Assets</u>				
Cash and investments				\$ 2,584,662
Restricted assets:				
Cash and investments				<u>319,997</u>
Total assets				<u>\$ 2,904,659</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 319,997
Unrestricted				<u>2,584,662</u>
Total net assets				<u>\$ 2,904,659</u>

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

LAKE STATION COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	General	Transportation Operating	School Lunch	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 1,510,249	\$ 222,925	\$ 210,265	\$ 2,379,330	\$ 546,756	\$ 93,941	\$ 74,194	\$ 5,037,660
Intermediate sources	203,009	-	-	-	-	-	769	203,778
State sources	8,667,287	-	3,931	-	-	-	144,695	8,815,913
Federal sources	-	-	477,016	-	-	-	815,514	1,292,530
Bonds and loans	2,608,000	108,000	-	468,000	500,000	54,000	168,222	3,906,222
Sale of property, adjustments and refunds	21,600	-	-	-	30	-	-	21,630
Total receipts	13,010,145	330,925	691,212	2,847,330	1,046,786	147,941	1,203,394	19,277,733
Disbursements:								
Current:								
Instruction	6,072,639	-	-	-	-	-	909,420	6,982,059
Support services	2,947,135	289,977	646,254	-	612,897	-	376,632	4,872,895
Community services	88,043	-	-	-	-	-	13,367	101,410
Nonprogrammed charges	837,948	-	-	-	-	-	-	837,948
Debt services	3,240,000	-	-	2,164,637	-	-	-	5,404,637
Total disbursements	13,185,765	289,977	646,254	2,164,637	612,897	-	1,299,419	18,198,949
Excess (deficiency) of receipts over disbursements	(175,620)	40,948	44,958	682,693	433,889	147,941	(96,025)	1,078,784
Other financing sources (uses):								
Transfers in	4,558	66,468	-	-	-	-	44,517	115,543
Transfers out	-	-	-	(98,985)	-	-	(16,558)	(115,543)
Total other financing sources (uses)	4,558	66,468	-	(98,985)	-	-	27,959	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(171,062)	107,416	44,958	583,708	433,889	147,941	(68,066)	1,078,784
Cash and investments - beginning	3,346,093	(145,176)	250,864	(29,567)	(268,665)	(37,397)	359,413	3,475,565
Cash and investments - ending	\$ 3,175,031	\$ (37,760)	\$ 295,822	\$ 554,141	\$ 165,224	\$ 110,544	\$ 291,347	\$ 4,554,349
Cash and Investment Assets - Ending								
Cash and investments	\$ 3,175,031	\$ (37,760)	\$ 295,822	\$ -	\$ 165,224	\$ 110,544	\$ 291,347	\$ 4,000,208
Restricted assets:								
Cash and investments	-	-	-	554,141	-	-	-	554,141
Total cash and investment assets - ending	\$ 3,175,031	\$ (37,760)	\$ 295,822	\$ 554,141	\$ 165,224	\$ 110,544	\$ 291,347	\$ 4,554,349
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ 554,141	\$ -	\$ -	\$ -	\$ 554,141
Unrestricted	3,175,031	(37,760)	295,822	-	165,224	110,544	291,347	4,000,208
Total cash and investment fund balance - ending	\$ 3,175,031	\$ (37,760)	\$ 295,822	\$ 554,141	\$ 165,224	\$ 110,544	\$ 291,347	\$ 4,554,349

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

LAKE STATION COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	General	Transportation Operating	School Lunch	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 1,395,597	\$ 276,136	\$ 205,103	\$ 977,619	\$ 556,228	\$ 125,555	\$ 90,844	\$ 3,627,082
Intermediate sources	171,366	-	-	-	-	-	450	171,816
State sources	8,548,681	-	3,827	-	-	-	249,843	8,802,351
Federal sources	3,298	-	533,828	-	-	-	966,772	1,503,898
Bonds and loans	2,451,000	107,000	-	432,000	223,000	49,000	731,764	3,993,764
Sale of property, adjustments and refunds	20,683	14,207	-	-	-	-	-	34,890
Total receipts	12,590,625	397,343	742,758	1,409,619	779,228	174,555	2,039,673	18,133,801
Disbursements:								
Current:								
Instruction	6,001,874	-	-	-	-	-	1,057,061	7,058,935
Support services	3,920,944	399,009	723,320	-	633,229	217,026	1,101,904	6,995,432
Community services	34,866	-	-	-	-	-	4,776	39,642
Nonprogrammed charges	852,987	-	-	-	-	-	27,500	880,487
Debt services	2,608,000	108,000	-	1,538,995	500,000	54,000	-	4,808,995
Total disbursements	13,418,671	507,009	723,320	1,538,995	1,133,229	271,026	2,191,241	19,783,491
Excess (deficiency) of receipts over disbursements	(828,046)	(109,666)	19,438	(129,376)	(354,001)	(96,471)	(151,568)	(1,649,690)
Other financing sources (uses):								
Transfers in	12,827	66,468	-	-	-	-	60,152	139,447
Transfers out	-	-	-	(104,768)	-	-	(34,679)	(139,447)
Total other financing sources (uses)	12,827	66,468	-	(104,768)	-	-	25,473	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(815,219)	(43,198)	19,438	(234,144)	(354,001)	(96,471)	(126,095)	(1,649,690)
Cash and investments - beginning	3,175,031	(37,760)	295,822	554,141	165,224	110,544	291,347	4,554,349
Cash and investments - ending	\$ 2,359,812	\$ (80,958)	\$ 315,260	\$ 319,997	\$ (188,777)	\$ 14,073	\$ 165,252	\$ 2,904,659
Cash and Investment Assets - Ending								
Cash and investments	\$ 2,359,812	\$ (80,958)	\$ 315,260	\$ -	\$ (188,777)	\$ 14,073	\$ 165,252	\$ 2,584,662
Restricted assets:								
Cash and investments	-	-	-	319,997	-	-	-	319,997
Total cash and investment assets - ending	\$ 2,359,812	\$ (80,958)	\$ 315,260	\$ 319,997	\$ (188,777)	\$ 14,073	\$ 165,252	\$ 2,904,659
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ 319,997	\$ -	\$ -	\$ -	\$ 319,997
Unrestricted	2,359,812	(80,958)	315,260	-	(188,777)	14,073	165,252	2,584,662
Total cash and investment fund balance - ending	\$ 2,359,812	\$ (80,958)	\$ 315,260	\$ 319,997	\$ (188,777)	\$ 14,073	\$ 165,252	\$ 2,904,659

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

LAKE STATION COMMUNITY SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2007

	Private-Purpose Trust Fund	Agency Fund
Additions:		
Contributions:		
Other	\$ 22,290	
Total additions	22,290	
Deductions:		
Administrative and general	21,790	
Total deductions	21,790	
Excess (deficiency) of total additions over total deductions	500	
Cash and investment fund balance - beginning	-	
Cash and investment fund balance - ending	\$ 500	\$ 933
Net assets:		
Cash and investments	\$ 500	
Total net assets - cash and investment basis held in trust	\$ 500	

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

LAKE STATION COMMUNITY SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	Private-Purpose Trust Fund	Agency Fund
Additions:		
Contributions:		
Other	\$ 18,870	
Total additions	18,870	
Deductions:		
Administrative and general	15,489	
Total deductions	15,489	
Excess (deficiency) of total additions over total deductions	3,381	
Cash and investment fund balance - beginning	500	
Cash and investment fund balance - ending	\$ 3,881	\$ 887
Net assets:		
Cash and investments	\$ 3,881	
Total net assets - cash and investment basis held in trust	\$ 3,881	

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

LAKE STATION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

Primary Government: Lake Station Community Schools

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

Joint Venture

The School Corporation is a participant with nine other school corporations in a joint venture to operate the Northwest Indiana Special Education Cooperative (Cooperative) which was created to provide instruction for handicapped children. The School Corporation is obligated by contract to a funding percentage based on its share of assessed valuation at March 1 of the previous year and its share of Average Daily Membership as compared to the total of all member school corporations determined annually. The governing board of the Cooperative consists of a member selected by each participating school corporation. The board has full authority to manage the Cooperative including responsibility for fiscal matters. Complete financial statements for the Cooperative can be obtained from the Cooperative at 2150 West 97th Avenue, Crown Point, Indiana, 46307.

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

The School Corporation is a participant in the Northwest Indiana Educational Service Center (Service Center), a joint school services program established May 30, 1985, for the participating school corporations to cooperate and share programs such as curriculum development, instructional materials, needs assessments, computer utilization, and in-service education. The Service Center operates under the authority of the Northwest Indiana Public School Study Council. The school corporation provides funding based on Average Daily Membership, determined annually. Complete financial statements for the Service Center can be obtained through the School Town of Highland, 2030 41st Avenue, Highland, Indiana, 46322.

LAKE STATION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

The School Corporation is a participant with fifteen other school corporations in Lake County in a joint venture to operate the Lake County Safe Schools Commission. The Commission was authorized in 1999 by IC 5-2-10.1. The Commission was established to improve school safety issues. The Commission is governed by a board composed of a member from each school corporation in Lake County. Although the member schools may fund the Commission, the Commission has generated sufficient revenue without member payments. Complete financial statements for the Commission can be obtained through the Lake Station Community Schools, 2500 Pike Street, Lake Station, Indiana, 46405. The activity of the Commission is also reported in the financial statements of the School Corporation.

The School Corporation is a participant with other participating school corporations in a joint venture to operate the Northwest Indiana Natural Gas Cooperative (Gas Cooperative), which was created to procure natural gas in a more economical and efficient manner. The Gas Cooperative operates under the authority of the Northwest Indiana Educational Service Center (Service Center). The School Corporation provides funding for administrative costs based upon a percentage basis of the Average Daily Membership Counts not to exceed \$10,000. Complete financial statements for the Gas Cooperative can be obtained from the Service Center Administration Offices, 2939 41st Avenue, Highland, Indiana, 46322.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

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

The School Corporation reports the following major governmental funds:

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

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

The school lunch fund accounts for the financial resources for the operation of the school breakfast and lunch programs.

LAKE STATION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

Additionally, the School Corporation reports the following fund types:

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the students through the parent as teachers program.

Agency funds account for assets held by the School Corporation as an agent for employee payroll withholdings.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

LAKE STATION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected. See Note IV.C. for more information about property taxes.

3. Capital Assets

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

4. Long-Term Debt

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

5. Equity Classification

Government-Wide Statements

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

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

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

Fund Financial Statements

Governmental fund equity is classified as fund balance.

LAKE STATION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Receipts

Program Receipts

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

F. Internal and Interfund Balances and Activities

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

Fund Financial Statements

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

Government-Wide Financial Statements

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

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

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the

LAKE STATION COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

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

B. Cash and Investment Balance Deficits

At June 30, 2007 and 2008, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2007	2008
Transportation Operating	\$ 37,760	\$ 80,958
Capital Projects	-	188,777
DCS 2008	-	4,958
Title I	-	19,802
Common School Hamilton	-	156,044

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

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Statutory Authorization for Investments

Indiana Code 5-13-9 authorizes the School Corporation to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes

LAKE STATION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

the School Corporation to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the School Corporation and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the School Corporation may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the School Corporation's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2007 and 2008, were as follows:

Transfer From	Transfer To	2007	2008
Debt Service	Transportation	\$ 66,468	\$ 66,468
Debt Service	Other governmental funds	32,517	38,300
Other governmental funds	General Fund	4,558	12,827
Other governmental funds	Other governmental funds	12,000	21,852
Totals		<u>\$ 115,543</u>	<u>\$ 139,447</u>

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

LAKE STATION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

IV. Other Information

A. Risk Management

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

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

Medical Benefits to Employees

During 2002, the School Corporation joined with other governmental entities in the Porter County Schools Employees' Insurance Trust, a public entity risk pool currently operating as a common risk management and insurance program for eight member governmental entities. This risk pool was formed in 1997. The purpose of the risk pool is to provide a medium for the funding and administration of medical benefits to employees. The School Corporation pays an annual premium to the risk pool for its medical benefits coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$100,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$100,000 limit.

B. Holding Corporation

The School Corporation has entered into a capital lease with the Lake Station School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the year totaled \$89,000.

C. Reassessment and Property Taxes

In accordance with state statutes, all counties were required to reassess property values prior to billing taxes in 2008. Taxes are normally billed in two installments, the first is due in May, and the second in November. Significant delays in the reassessment process have resulted in delays in billing taxes in 2008. Lake County 2007 pay 2008 tax rates were approved on November 14, 2008. Provisional bills for 50% of 2006 pay 2007 taxes were due October 29, 2008. County officials sent the final reconciliation bill for taxes payable in 2008 in January 2009 with payment due by February 6, 2009. A similar situation occurred in 2007. This has hampered the School Corporation's ability to appropriately budget and expend funds and has forced the School Corporation to borrow extensively in anticipation of tax revenues. The School Corporation received their final settlement on April 3, 2009.

LAKE STATION COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

D. Subsequent Events

Tax Anticipation Warrants

The School Corporation issued tax anticipation warrants on January 2, 2008, totaling \$3,262,000 which were due by December 31, 2008. The School Corporation was not able to repay the warrants by December 31, 2008, due to the delays in receiving final property tax settlement from the County; thus, the bank was willing to extend the due date to June 30, 2009, at an interest rate of 3.10%.

The School Corporation issued tax anticipation warrants on April 27, 2009, for general, debt service, capital projects and transportation operating funds from Peoples Bank totaling \$2,100,000 at an interest rate of 3.75% with a due date of December 31, 2009.

E. Termination Benefits

Teachers and Administrators Retirement Program

Benefit Category I (Grandfathered Group)

Teachers having a minimum of twenty (20) years of service in Lake Station as of 1999-2000 school year or age 55 by the end of 1999-2000 school year shall be eligible for the following benefits:

Retirement/Severance Pay

Teachers must have fifteen (15) years of service with the Lake Station Community Schools. Beginning with the sixteenth (16th) year of service, a teacher will be credited with \$600 towards his or her retirement severance benefit. The teacher will then continue to accumulate an additional \$100 for each additional year of service.

Accumulated illness leave will be compensated at the rate of \$2.00 per each year of service times a percentage of the number of accumulated illness leave days in the following manner:

<u>Years of Service</u>	<u>Percent Value of Accumulated Illness Leave</u>
16-20	40%
21-29	60%
30-35	80%
36-40	100%

For the purposes of retirement/severance pay, teachers in Benefit Category I will be entitled to accumulate a total of one hundred and fifty (150) leave days or the number of days accumulated as of June 30, 2001.

Retirement/Severance benefits of \$2,000 will be paid in June of the year of retirement. For the 2006-2007 fiscal year, a total of \$10,000 was paid out to five teachers at \$2,000 each. For the 2007-2008 fiscal year, a total of \$2,000 was paid out to one administrator.

LAKE STATION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Section 125 Benefit

To be eligible for the Section 125 Benefit, a teacher must meet the requirements of Benefit Category I membership or be satisfying the requirement for non-retirement status for the Indiana State Teacher Retirement Fund by the end of calendar year 2001.

Teachers will begin accumulating one hundred (\$100) per year after their fifteenth (15th) year of Lake Station experience to a base of six hundred dollars (\$600). An additional allowance will be given for unused accumulated sick leave based on the same formula used to calculate benefits for retirement severance pay. For the purposes of the Section 125 Benefit, teachers will be entitled to accumulate a total of 150 leave days or the number of days accumulated at the end of the 2000-2001 school year, whichever is higher. Accumulated illness leave benefit will be calculated based on the same formula used to calculate accumulated illness leave benefits for retirement/severance pay.

Section 125 benefits will be capped at \$10,000 per individual employee. The Section 125 benefit will be reduced by up to \$2,000 at the time of retirement. This amount shall be paid to the teacher on his or her last scheduled pay period of the year of retirement as a severance benefit. After the reduction for severance benefit described above, the remainder of the Section 125 benefit will be made available in equal amounts annually over five (5) years or until the retiree is eligible for nonreduced Social Security benefits, whichever comes first.

Each year, retirees will have the option under Section 125 to receive the balance of the annual Section 125 benefit in cash or applied to the cost of qualified benefits. Cash distributions of Section 125 benefits shall be made beginning with the first pay day of the new school year in the teacher's year of retirement on the basis of equalizing the amount due over twenty-six (26) pays per year for a period of five (5) years or until the retiree is eligible for normal non-reduced Social Security benefits, whichever would occur earliest. Currently there are no employees receiving Section 125 benefits.

Additional Section 125 Retirement Benefits

This benefit is available only to members of Benefit Category I. Eligible teachers will qualify for the Additional Section 125 benefit at the beginning of the school year during which he/she reaches the age of 55, meets the requirements for nonreduced Indiana State Teachers Retirement Fund, and after proper retirement notification has been submitted to and accepted by the Board of School Trustees.

The Additional Section 125 benefit will be capped at \$9,800 per year starting in the school year 2007-2008. The benefit will be reduced by the cumulative year-to-date district contribution to the teacher's Section 401(a) account. The benefit is available for a period of up to five (5) years or until the teacher eligibility for normal nonreduced Social Security benefits, whichever comes first.

Retirees have the option under Section 125 to receive the Additional Section 125 benefit in cash or applied toward the cost of qualified Section 125 benefits. Cash distributions of the Additional Section 125 benefit shall be made beginning with the first pay day of the new school year in the teacher's year of retirement on the basis of equalizing the amount due over twenty-six (26) pays per year for a period of five (5) years or until the retiree is eligible for normal nonreduced Social Security benefits, whichever comes first.

LAKE STATION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

The Section 125 and Additional Section 125 benefits will be paid out over 5 years. For the 2006-2007 fiscal year \$11,728 was paid out for one teacher. For the 2007-2008 fiscal year \$79,222 was paid out for six teachers and one administrator.

Bridge Benefits Program

The intent of Bridge Benefits program is to provide teachers with additional income to help pay for health insurance and reward them for not using sick days during their final years of teaching. Bridge Benefits will be made available until the teacher is eligible for reduced Social Security benefits. To receive Bridge Benefits teachers must have met the retirement eligibility requirements of the Indiana State Teachers Retirement Fund for reduced retirement status.

The School Corporation will pay a percentage of the cost of a certified substitute teacher's daily salary times the number of retiring teacher's accumulated leave days up to a maximum of 150 days. The following percentages will be used for the calculation:

<u>Years of Teaching</u>	<u>Percentage of Salary</u>
34+	95%
31-33	90%
28-30	85%
25-27	80%
20-24	75%
15-19	70%

Teachers with five (5) years or less from the date of their retirement until the time they are eligible for reduced Social Security Benefits will receive their Bridge Benefits in a bi-weekly payment for the number of years they are entitled. Teachers who become eligible for reduced Social Security benefits in six (6) years from the date of their retirement will received their Bridge Benefits payment in a lump sum in June of the sixth year. Teachers who become eligible for reduce Social Security benefits in seven (7) years from the date of their retirement will receive one half (½) of their Bridge Benefit in June of year six and the remaining half in June of their seventh year. No employees are currently receiving the Bridge Benefits.

Benefit Category II (Non-grandfathered Group)

One-Time Severance/Retirement Program

The School Corporation offered a one-time \$10,000 severance/retirement payout to those teachers who are not in Benefit Category I, this will not be offered next year or in subsequent years. There were no teachers that took advantage of the one-time severance/retirement program.

Teachers having nineteen (19) or less years of service in Lake Station or under the age of fifty-five (55) at the end of the 1999-2000 school year shall receive the following benefits:

Retirement/Severance Pay

Teachers must have fifteen (15) years of service with the Lake Station Community Schools.

LAKE STATION COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Beginning with the sixteenth (16th) year of service, a teacher will be credited with \$600 towards his or her retirement severance benefit. The teacher will then continue to accumulate an additional \$100 for each additional year of service.

Accumulated illness leave will be compensated at the rate of \$2.00 per each year of service times a percentage of the number of accumulated illness leave days in the following manner:

Years of Service	Percent Value of Accumulated Illness Leave
16-20	40%
21-29	60%
30-35	80%
36-40	100%

For the purposes of retirement/severance pay, teachers in Benefit Category II will be entitled to accumulate a total of one hundred and fifty (150) leave days.

Retirement/Severance benefits of \$2,000 will be paid in June of the year of retirement. Severance and Bridge benefits shall be capped at \$10,000 per individual employee. For the 2007-2008 fiscal year, \$664 was paid to one employee.

Classified Employees Retirement Program

One-Time Severance/Retirement Program

A one-time severance/retirement program for those employees who have at least 10 years of service with Lake Station as of June 30, 2006, and qualify by age to retire from PERF.

Classified employees receive the same severance calculation as the teachers. Employees must have 16 years of service to receive \$600 base for their years of service. Once an employee has 16 years of service they qualify for additional severance based on the number of sick days they have accumulated and years of service.

The one-time severance/retirement payout is \$5,000. This will not be offered next year or subsequent years.

For the 2006-2007 fiscal year \$10,000 was paid to two employees.

Section 125 Benefit

Beginning with the 2001-2002 school year, a Section 125 Plan is established for all employees.

Benefits to be paid are \$100 per year begins accumulating after the 15th year of Lake Station experience to a base of \$600. Additional allowance will be given for unused sick days based on the accumulated Sick Leave schedule. Section 125 benefits are capped at \$12,000 for an individual employee.

LAKE STATION COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Employees hired during the 1982-1983 school year or before or who have reached the age of 55 by the end of the 2001-2002 school year may accumulate the total number of sick days they had accumulated as of June 20, 2002, for the calculation of Section 125 Benefits.

Employees hired after the 1982-1983 school year may accumulate a total of one hundred and fifty (150) sick days for the calculation of Section 125 Benefits.

Accumulated illness leave will be compensated at the rate of \$2.00 per each year of service times a percentage of the number of accumulated illness leave days in the following manner:

Years of Service	Percent Value of Accumulated Illness Leave
10-15	30%
16-20	40%
21-29	60%
30-35	80%
36-40	100%

For the 2006-2007 fiscal year, \$4,468 was paid out for two employees a combination of \$2,000 severance and unused illness leave. For the 2007-2008 fiscal year, \$4,000 was paid out in severance.

Supplemental (Sick Day) Contribution

At the end of each school year, a supplemental 401(a) Plan contribution will be calculated for all teachers, administrators and classified employees. Sick days in excess of one hundred and fifty (150) for employees hired after the 1982-1983 school year or the number of days accumulated on June 30, 2002, for employees hired during the 1982-1983 school year or before shall be purchased at a one-time rate of \$30 per day.

Retirement Annuity Program 401(a) – Certified, Administrators and Non-Certified

Beginning at the end of the 2000-2001 school year, Lake Station Community Schools will establish and maintain a qualified Section 401(a) Annuity Plan, hereinafter referred to as the "401(a) Plan" for full time certified, administrators and non-certified employees. The Corporation will make contributions to a 401(a) account on behalf of teachers, administrators and non-certified employees who have contributed an equal amount to a Section 403(b) Plan, of up to 1% for teachers, 1.5% for administrators and 0.5% for non-certified employees of their annual base salary for 2006-2007 fiscal year and 2% for teachers, 5% for administrators and 2.5% for non-certified employees for 2007-2008 fiscal year. For the 2006-2007 fiscal year, \$36,173 for 79 teachers, \$19,066 for 13 administrators, and \$16,867 for non-certified employees was contributed to 401(a) plan accounts. For the 2007-2008 fiscal year, \$69,714 for 83 teachers, \$19,794 for 12 administrators, and \$11,819 for 38 non-certified employees was contributed to 401(a) plan accounts.

LAKE STATION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Other Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health and life insurance benefits, as authorized by Indiana Code 5-10-8, to all administrators who retire from the School Corporation. Currently, six retirees meet these eligibility requirements for the life insurance and two retirees meet these eligibility requirements for health insurance benefits. The School Corporation provides 100% of the life insurance postemployment benefits. The retiree provides \$100 per month and the School Corporation provides the balance due for the health insurance postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2008, disbursements of \$18,768 were recognized for postemployment benefits.

G. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

LAKE STATION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 114,816
Interest on net pension obligation	(3,593)
Adjustment to annual required contribution	4,095
Annual pension cost	115,318
Contributions made	131,206
Increase (decrease) in net pension obligation	(15,888)
Net pension obligation, beginning of year	(49,564)
Net pension obligation, end of year	\$ (65,452)

	PERF
Contribution rates:	
School Corporation	9.25%
Plan members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

<u>Actuarial Assumptions</u>	PERF
Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

LAKE STATION COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-06	\$ 113,327	83%	\$ (74,599)
	06-30-07	130,705	81%	(49,564)
	06-30-08	115,318	114%	(65,452)

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

Teachers' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Costs

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.

LAKE STATION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Plan members are required to contribute 3% of their salary and the School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 7.25% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2008, 2007, and 2006, were \$154,146, \$128,140, and \$131,492, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years, respectively.

LAKE STATION COMMUNITY SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Assets Over Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 1,893,975	\$ 2,448,986	\$ (555,011)	77%	\$ 1,437,635	(39%)
07-01-07	2,062,512	2,507,722	(445,210)	82%	1,311,040	(34%)
07-01-08	2,168,203	2,569,938	(401,735)	84%	1,405,254	(29%)

LAKE STATION COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	Special Education Preschool	Textbook Rental	Lake County Safe Schools	Education License Plate	Safe Haven	Early Intervention	Gifted and Talented
Receipts:							
Local sources	\$ 2,327	\$ 71,867	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	769	-	-	-
State sources	35,508	51,293	-	-	5,000	37,040	12,774
Federal sources	-	-	-	-	-	-	-
Bonds and loans	-	-	-	-	-	-	-
Total receipts	37,835	123,160	-	769	5,000	37,040	12,774
Disbursements:							
Current:							
Instruction	-	-	-	-	56	23,120	12,774
Support services	-	105,089	5,447	1,284	5,000	-	-
Community services	-	-	-	-	-	97	-
Total disbursements	-	105,089	5,447	1,284	5,056	23,217	12,774
Excess (deficiency) of receipts over disbursements	37,835	18,071	(5,447)	(515)	(56)	13,823	-
Other financing sources (uses):							
Transfers in	-	32,517	-	-	-	-	-
Transfers out	(4,558)	-	-	-	-	-	-
Total other financing sources (uses)	(4,558)	32,517	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	33,277	50,588	(5,447)	(515)	(56)	13,823	-
Cash and investments - beginning	10,495	83,428	8,852	553	56	15,261	-
Cash and investments - ending	\$ 43,772	\$ 134,016	\$ 3,405	\$ 38	\$ -	\$ 29,084	\$ -
Cash and Investment Assets - Ending							
Cash and investments	\$ 43,772	\$ 134,016	\$ 3,405	\$ 38	\$ -	\$ 29,084	\$ -
Total cash and investment assets - ending	\$ 43,772	\$ 134,016	\$ 3,405	\$ 38	\$ -	\$ 29,084	\$ -
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 43,772	\$ 134,016	\$ 3,405	\$ 38	\$ -	\$ 29,084	\$ -
Total cash and investment fund balance - ending	\$ 43,772	\$ 134,016	\$ 3,405	\$ 38	\$ -	\$ 29,084	\$ -

LAKE STATION COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Non-English Speaking Grant	Indiana Tobacco Prevention Grant	Title I	Title V	Drug Free Schools	Title II Part A	Improving Teacher Quality Title II
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	2,580	500	-	-	-	-	-
Federal sources	-	-	343,706	2,746	6,647	68,288	1,203
Bonds and loans	-	-	-	-	-	-	-
Total receipts	2,580	500	343,706	2,746	6,647	68,288	1,203
Disbursements:							
Current:							
Instruction	2,580	-	297,557	11,442	6,647	81,472	-
Support services	-	-	50,854	3,273	-	1,550	2,248
Community services	-	-	13,270	-	-	-	-
Total disbursements	2,580	-	361,681	14,715	6,647	83,022	2,248
Excess (deficiency) of receipts over disbursements	-	500	(17,975)	(11,969)	-	(14,734)	(1,045)
Other financing sources (uses):							
Transfers in	-	-	-	12,000	-	-	-
Transfers out	-	-	-	-	-	(12,000)	-
Total other financing sources (uses)	-	-	-	12,000	-	(12,000)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	500	(17,975)	31	-	(26,734)	(1,045)
Cash and investments - beginning	-	-	45,002	9,442	-	29,425	1,045
Cash and investments - ending	\$ -	\$ 500	\$ 27,027	\$ 9,473	\$ -	\$ 2,691	\$ -
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 500	\$ 27,027	\$ 9,473	\$ -	\$ 2,691	\$ -
Total cash and investment assets - ending	\$ -	\$ 500	\$ 27,027	\$ 9,473	\$ -	\$ 2,691	\$ -
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ -	\$ 500	\$ 27,027	\$ 9,473	\$ -	\$ 2,691	\$ -
Total cash and investment fund balance - ending	\$ -	\$ 500	\$ 27,027	\$ 9,473	\$ -	\$ 2,691	\$ -

LAKE STATION COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Title III	Reading First	Common School Bailey	Common School Central	Common School Hamilton	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,194
Intermediate sources	-	-	-	-	-	769
State sources	-	-	-	-	-	144,695
Federal sources	45,135	347,789	-	-	-	815,514
Bonds and loans	-	-	8,623	96,005	63,594	168,222
Total receipts	45,135	347,789	8,623	96,005	63,594	1,203,394
Disbursements:						
Current:						
Instruction	60,402	413,370	-	-	-	909,420
Support services	-	18	32,480	104,802	64,587	376,632
Community services	-	-	-	-	-	13,367
Total disbursements	60,402	413,388	32,480	104,802	64,587	1,299,419
Excess (deficiency) of receipts over disbursements	(15,267)	(65,599)	(23,857)	(8,797)	(993)	(96,025)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	44,517
Transfers out	-	-	-	-	-	(16,558)
Total other financing sources (uses)	-	-	-	-	-	27,959
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(15,267)	(65,599)	(23,857)	(8,797)	(993)	(68,066)
Cash and investments - beginning	15,267	103,138	27,015	9,084	1,350	359,413
Cash and investments - ending	\$ -	\$ 37,539	\$ 3,158	\$ 287	\$ 357	\$ 291,347
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 37,539	\$ 3,158	\$ 287	\$ 357	\$ 291,347
Total cash and investment assets - ending	\$ -	\$ 37,539	\$ 3,158	\$ 287	\$ 357	\$ 291,347
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ -	\$ 37,539	\$ 3,158	\$ 287	\$ 357	\$ 291,347
Total cash and investment fund balance - ending	\$ -	\$ 37,539	\$ 3,158	\$ 287	\$ 357	\$ 291,347

LAKE STATION COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008

	Special Education Preschool	Textbook Rental	Lake County Safe Schools	Education License Plate	Safe Haven	Early Intervention	Gifted and Talented
Receipts:							
Local sources	\$ 2,007	\$ 86,410	\$ 1,717	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	450	-	-	-
State sources	32,088	117,115	-	-	3,212	12,875	31,651
Federal sources	-	-	-	-	-	-	-
Bonds and loans	-	-	-	-	-	-	-
Total receipts	34,095	203,525	1,717	450	3,212	12,875	31,651
Disbursements:							
Current:							
Instruction	-	-	-	-	2,582	30,886	31,651
Support services	-	148,609	3,860	264	630	-	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	27,500	-	-	-	-	-	-
Total disbursements	27,500	148,609	3,860	264	3,212	30,886	31,651
Excess (deficiency) of receipts over disbursements	6,595	54,916	(2,143)	186	-	(18,011)	-
Other financing sources (uses):							
Transfers in	-	38,300	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	38,300	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	6,595	93,216	(2,143)	186	-	(18,011)	-
Cash and investments - beginning	43,772	134,016	3,405	38	-	29,084	-
Cash and investments - ending	<u>\$ 50,367</u>	<u>\$ 227,232</u>	<u>\$ 1,262</u>	<u>\$ 224</u>	<u>\$ -</u>	<u>\$ 11,073</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 50,367</u>	<u>\$ 227,232</u>	<u>\$ 1,262</u>	<u>\$ 224</u>	<u>\$ -</u>	<u>\$ 11,073</u>	<u>\$ -</u>
Total cash and investment assets - ending	<u>\$ 50,367</u>	<u>\$ 227,232</u>	<u>\$ 1,262</u>	<u>\$ 224</u>	<u>\$ -</u>	<u>\$ 11,073</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 50,367</u>	<u>\$ 227,232</u>	<u>\$ 1,262</u>	<u>\$ 224</u>	<u>\$ -</u>	<u>\$ 11,073</u>	<u>\$ -</u>
Total cash and investment fund balance - ending	<u>\$ 50,367</u>	<u>\$ 227,232</u>	<u>\$ 1,262</u>	<u>\$ 224</u>	<u>\$ -</u>	<u>\$ 11,073</u>	<u>\$ -</u>

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

	Non-English Speaking Grant	Indiana Tobacco Prevention Grant	DCS 2008	Title I	Title V	Drug Free Schools	Title II Part A
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ 658	\$ 52	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	26,763	-	26,139	-	-	-	-
Federal sources	-	-	-	452,794	2,722	6,637	71,650
Bonds and loans	-	-	-	-	-	-	-
Total receipts	26,763	-	26,139	453,452	2,774	6,637	71,650
Disbursements:							
Current:							
Instruction	26,429	-	31,097	446,973	8,200	6,637	45,368
Support services	334	375	-	48,532	5,091	-	2,688
Community services	-	-	-	4,776	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	26,763	375	31,097	500,281	13,291	6,637	48,056
Excess (deficiency) of receipts over disbursements	-	(375)	(4,958)	(46,829)	(10,517)	-	23,594
Other financing sources (uses):							
Transfers in	-	-	9,523	-	12,000	-	-
Transfers out	-	-	(9,523)	-	-	-	(12,000)
Total other financing sources (uses)	-	-	-	-	12,000	-	(12,000)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(375)	(4,958)	(46,829)	1,483	-	11,594
Cash and investments - beginning	-	500	-	27,027	9,473	-	2,691
Cash and investments - ending	\$ -	\$ 125	\$ (4,958)	\$ (19,802)	\$ 10,956	\$ -	\$ 14,285
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ -	\$ 125	\$ (4,958)	\$ (19,802)	\$ 10,956	\$ -	\$ 14,285
Total cash and investment assets - ending	\$ -	\$ 125	\$ (4,958)	\$ (19,802)	\$ 10,956	\$ -	\$ 14,285
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	\$ -	\$ 125	\$ (4,958)	\$ (19,802)	\$ 10,956	\$ -	\$ 14,285
Total cash and investment fund balance - ending	\$ -	\$ 125	\$ (4,958)	\$ (19,802)	\$ 10,956	\$ -	\$ 14,285

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

	Improving Teacher Quality Title II	Title III	Reading First	Common School Bailey	Common School Central	Common School Hamilton	Totals
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90,844
Intermediate sources	-	-	-	-	-	-	450
State sources	-	-	-	-	-	-	249,843
Federal sources	-	22,044	410,925	-	-	-	966,772
Bonds and loans	-	-	-	20,235	6,048	705,481	731,764
Total receipts	-	22,044	410,925	20,235	6,048	705,481	2,039,673
Disbursements:							
Current:							
Instruction	-	20,904	406,334	-	-	-	1,057,061
Support services	-	-	-	23,393	6,246	861,882	1,101,904
Community services	-	-	-	-	-	-	4,776
Nonprogrammed charges	-	-	-	-	-	-	27,500
Total disbursements	-	20,904	406,334	23,393	6,246	861,882	2,191,241
Excess (deficiency) of receipts over disbursements	-	1,140	4,591	(3,158)	(198)	(156,401)	(151,568)
Other financing sources (uses):							
Transfers in	-	-	-	-	287	42	60,152
Transfers out	-	-	(12,827)	-	(287)	(42)	(34,679)
Total other financing sources (uses)	-	-	(12,827)	-	-	-	25,473
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	1,140	(8,236)	(3,158)	(198)	(156,401)	(126,095)
Cash and investments - beginning	-	-	37,539	3,158	287	357	291,347
Cash and investments - ending	<u>\$ -</u>	<u>\$ 1,140</u>	<u>\$ 29,303</u>	<u>\$ -</u>	<u>\$ 89</u>	<u>\$ (156,044)</u>	<u>\$ 165,252</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ -</u>	<u>\$ 1,140</u>	<u>\$ 29,303</u>	<u>\$ -</u>	<u>\$ 89</u>	<u>\$ (156,044)</u>	<u>\$ 165,252</u>
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 1,140</u>	<u>\$ 29,303</u>	<u>\$ -</u>	<u>\$ 89</u>	<u>\$ (156,044)</u>	<u>\$ 165,252</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ -</u>	<u>\$ 1,140</u>	<u>\$ 29,303</u>	<u>\$ -</u>	<u>\$ 89</u>	<u>\$ (156,044)</u>	<u>\$ 165,252</u>
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 1,140</u>	<u>\$ 29,303</u>	<u>\$ -</u>	<u>\$ 89</u>	<u>\$ (156,044)</u>	<u>\$ 165,252</u>

LAKE STATION COMMUNITY SCHOOLS
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended June 30, 2008

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 31,742
Buildings	12,862,703
Improvements other than buildings	2,046,884
Machinery and equipment	<u>3,221,601</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 18,162,930</u>

LAKE STATION COMMUNITY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2008

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Edison Jr. / Sr. High School	\$ 1,025,000	\$ 90,000
Notes and loans payable:		
Common school fund loans		
School building equipment and improvements	8,767,700	1,004,721
Veterans memorial fund loan		
School building equipment and improvements	<u>62,400</u>	<u>41,600</u>
Total governmental activities debt	<u>\$ 9,855,100</u>	<u>\$ 1,136,321</u>

LAKE STATION COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The School Corporation had overdrawn cash balances as shown below:

	<u>June 30, 2007</u>	<u>June 30, 2008</u>
Transportation Operating	\$ 37,760	\$ 80,958
Capital Projects	-	188,777
DCS 2008	-	4,958
Title I	-	19,802
Common School Hamilton	-	156,044

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

ECA RECEIPTS AND TEXTBOOK RENTAL RECEIPTS (Applies to Edison Jr./Sr. High School)

The extra-curricular receipts and the textbook rental receipts are not clearly marked in the area designated cash, check, money order, etc. We were unable to trace the composition of funds receipted to the detail on the deposit slips.

IC 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

EXTRA-CURRICULAR DISBURSEMENTS (Applies to Edison Jr./Sr. High School)

The Claim for Payment form (SA-7) was signed only by the extra-curricular treasurer for the 2006-2007 and 2007-2008 school years.

Signatures are only required by the person authorized to purchase and the person acknowledging the receipt of the goods or services. Additionally, the extra-curricular treasurer is to sign the required certification on the form SA-7. (Accounting and Uniform Compliance Guidelines for Manual for Extra-Curricular Accounts, Chapter 2)

DEPOSITS (Applies to Hamilton Elementary School)

Receipts were not always deposited within a reasonable time. Receipts, in some instances, were held for periods in excess of 15 days before depositing.

IC 20-41-1-9(a) states in part: "The receipts shall be deposited without unreasonable delay."

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF THE LAKE STATION COMMUNITY SCHOOLS, LAKE COUNTY, INDIANA

Compliance

We have audited the compliance of the Lake Station Community Schools (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2007 and 2008. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2007 and 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2008-1.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

This report is intended solely for the information and use of the School Corporation's management, school board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

May 18, 2009

LAKE STATION COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2007 and 2008

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-07	Total Federal Awards Expended 06-30-08
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 129,686	\$ 146,011
National School Lunch Program	10.555		347,299	383,678
Summer Food Service Program for Children	10.559		<u>30,009</u>	<u>40,591</u>
Total for federal grantor agency			<u>506,994</u>	<u>570,280</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies				
	84.010			
		06-4680	81,103	-
		07-4680	280,577	104,655
		08-4680	<u>-</u>	<u>395,626</u>
Total for program			<u>361,680</u>	<u>500,281</u>
Safe and Drug Free Schools and Communities - State Grants				
	84.186			
		4680-06	6,647	-
		4680-07	<u>-</u>	<u>6,637</u>
Total for program			<u>6,647</u>	<u>6,637</u>
State Grants for Innovative Programs				
	84.298			
		05-201	9,442	-
		06-4680	5,273	9,525
		07-4680	<u>-</u>	<u>3,766</u>
Total for program			<u>14,715</u>	<u>13,291</u>
Education Technology State Grants				
Enhancing Education Through Technology	84.318			
		05-07	<u>2,248</u>	<u>-</u>
Reading First State Grants				
Indiana Reading First Grant	84.357			
		05-06	167,088	-
		06-07	246,300	176,599
		07-08	<u>-</u>	<u>242,562</u>
Total for program			<u>413,388</u>	<u>419,161</u>
English Language Acquisition Grants				
Language Instruction for Limited English Proficient and Immigrant Students	84.365			
		05-06	15,267	-
		06-07	45,135	-
		07-08	<u>-</u>	<u>20,904</u>
Total for program			<u>60,402</u>	<u>20,904</u>
Improving Teacher Quality State Grants				
	84.367			
		05-4680	29,425	-
		06-4680	53,597	2,691
		07-4680	<u>-</u>	<u>45,365</u>
Total for program			<u>83,022</u>	<u>48,056</u>
Total for federal grantor agency			<u>942,102</u>	<u>1,008,330</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>				
Pass-Through Indiana Department of Homeland Security				
Disaster Grants - Public Assistance				
(Presidentially Declared Disasters)	97.036			
Snow Emergency 3274		089-01141-00 (1PW)	<u>-</u>	<u>3,298</u>
Total federal awards expended			<u>\$ 1,449,096</u>	<u>\$ 1,581,908</u>

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

LAKE STATION COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

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

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of School Corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2007 and 2008. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2007	2008
School Breakfast Program	10.553	\$ 7,864	\$ 9,353
National School Lunch Program	10.555	20,991	24,893

LAKE STATION COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

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

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

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee? no

LAKE STATION COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

FINDING 2008-1, CASH MANAGEMENT – TITLE I

Federal Agency: U.S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Pass-Through Entity: Indiana Department of Education
Program: FY 2006-2007, 07-4680 and FY 2007-2008, 08-4680

The School Corporation maintained cash balances in excess of current needs. Ending cash balances for the period July 1, 2006, to June 30, 2008, exceeded the following month's disbursements for fifteen out of twenty-four months for the Title I grants.

Edgar Part 80.20(c)(7) states: "Cash management. Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

We reviewed the drawdown modification form with the Treasurer to clear up any misunderstandings. We then recommended that she indicate the dollar amount by which she wishes to reduce the drawdown request.

LAKE STATION COMMUNITY SCHOOLS

2500 PIKE STREET / LAKE STATION, IN 46405 / TELEPHONE (219) 962-1159
FAX (219) 962-4011



DAN DEHAVEN
SUPERINTENDENT

NICK GEORGION
PUPIL PERSONNEL DIRECTOR

Date: April 14, 2009

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NO. 2006-1

Original SBA Audit Report:
Fiscal Year:
Auditee Contact Person:
Title of Contact Person:
Phone Number:

Cash Management
June 30, 2006
Sandra Cain
Director of Business Affairs
(219) 962-1159

Status of Finding:

The Director of Business Affairs and the new Title I Director will continue to review monthly cash balances and advise appropriate individuals when balances exceed 10%.

Signature:

BOARD OF SCHOOL TRUSTEES
Larry Biggs, Karen Curtis, Edward Laco, Michael Stills, James Vanderlin
LAKE STATION COMMUNITY SCHOOLS

LAKE STATION COMMUNITY SCHOOLS

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FAX (219) 962-4011



DAN DEHAVEN
SUPERINTENDENT

NICK GEORGION
PUPIL PERSONNEL DIRECTOR

May 18, 2009

Corrective Action Plan

Finding 20081-1 Cash Management - Title 1

Federal Agency:	U.S. Department of Education
Federal Program:	Title 1
CFDA Number:	84.010
Award Number:	FY 2006-07 and FY 2007-08
Pass-Through:	Indiana Department of Education
Auditor Contact Person:	Dan DeHaven
Title of Contact Person:	Superintendent
Phone Number:	219 962-1159
Expected Completion Date:	May 18, 2009

The Lake Station Community School Corporation will more closely monitor the Title 1 cash balances to conform to the 10% rule so that disbursements will be done in a timely manner.

Sincerely,

Dan DeHaven
Superintendent

Sandra Cain
Director of Business Affairs

BOARD OF SCHOOL TRUSTEES
Larry Biggs, Karen Curtis, Edward Laco, Michael Stills, James Vanderlin
LAKE STATION COMMUNITY SCHOOLS

LAKE STATION COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on May 18, 2009, with Dan DeHaven, Superintendent of Schools; Sandra Cain, Treasurer; and James Vanderlin, President of the School Board. The officials concurred with our audit findings.