

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

AUDIT REPORT
OF
LAKE CENTRAL SCHOOL CORPORATION
LAKE COUNTY, INDIANA
July 1, 2008 to June 30, 2010



FILED
03/01/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lorri Miskus	07-01-08 to 06-30-11
Director of Business Services	Dr. Thomas Dykiel Robert James	07-01-08 to 06-30-10 07-01-10 to 06-30-11
Superintendent of Schools	Dr. Gerald Chabot Dr. Larry Veracco	07-01-08 to 06-30-10 07-01-10 to 06-30-11
President of the School Board	Margaret Clark John DeVries George Baranowski	01-01-08 to 12-31-08 01-01-09 to 12-31-09 01-01-10 to 12-31-11



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

TO: THE OFFICIALS OF THE LAKE CENTRAL SCHOOL CORPORATION, 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 Central School Corporation (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 III, the financial statements referred to above contained material transfers between funds for which supporting documentation for the authorization of and purpose for was not provided for audit.

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

In our opinion, except for the lack of documentation regarding the transfers between funds, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2009 and 2010, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated January 4, 2011, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal

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

control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The School Corporation has not presented Management's Discussion and Analysis, Schedules of Funding Progress, Schedule of Contributions From the Employer and Other Contributing Entities, 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.

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

STATE BOARD OF ACCOUNTS

January 4, 2011



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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 CENTRAL SCHOOL CORPORATION, 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 Central School Corporation (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated January 4, 2011. The opinions to the financial statements were qualified due to the lack of documentation supporting material transfers between funds. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in items 2010-1, 2010-2, 2010-3, and 2010-4 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider items 2010-1, 2010-2, 2010-3, and 2010-4 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2010-1, 2010-2, 2010-3, and 2010-4.

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

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

January 4, 2011

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

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>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	\$ 45,957,704	\$ -	\$ 597,939	\$ (45,359,765)
Support services	26,162,416	2,789,611	859,397	(22,513,408)
Noninstructional services	3,869,894	-	-	(3,869,894)
Facilities acquisition and construction	9,721,349	-	-	(9,721,349)
Debt service	39,370,316	-	-	(39,370,316)
Nonprogrammed charges	<u>12,943,987</u>	<u>-</u>	<u>-</u>	<u>(12,943,987)</u>
Total governmental activities	<u>\$ 138,025,667</u>	<u>\$ 2,789,611</u>	<u>\$ 1,457,336</u>	<u>(133,778,720)</u>
General receipts:				
Property taxes				55,026,250
Other local sources				16,452,975
State aid				35,353,462
Bonds and loans				30,500,000
Grants and contributions not restricted to specific programs				8,725,550
Investment earnings				244,288
Other				<u>6,357</u>
Total general receipts				<u>146,308,882</u>
Change in net assets				12,530,162
Restated net assets - beginning (Note III. C.)				<u>3,199,676</u>
Net assets - ending				<u>\$ 15,729,838</u>
<u>Assets</u>				
Cash and investments				\$ 6,994,685
Restricted assets:				
Cash and investments				<u>8,735,153</u>
Total assets				<u>\$ 15,729,838</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 5,697,760
Other purposes				3,037,393
Unrestricted				<u>6,994,685</u>
Total net assets				<u>\$ 15,729,838</u>

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

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

<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	\$ 48,201,179	\$ -	\$ 485,318	\$ (47,715,861)
Support services	24,301,915	3,051,023	1,306,120	(19,944,772)
Noninstructional services	4,248,864	-	-	(4,248,864)
Facilities acquisition and construction	8,758,896	-	-	(8,758,896)
Debt service	26,968,753	-	-	(26,968,753)
Nonprogrammed charges	<u>14,514,145</u>	<u>-</u>	<u>-</u>	<u>(14,514,145)</u>
Total governmental activities	<u>\$ 126,993,751</u>	<u>\$ 3,051,023</u>	<u>\$ 1,791,438</u>	<u>(122,151,290)</u>
General receipts:				
Property taxes				29,605,517
Other local sources				14,515,545
State aid				52,169,581
Bonds and loans				7,922,173
Grants and contributions not restricted to specific programs				8,258,520
Investment earnings				112,966
Other				7,312
Transfers (Note III. B.)				<u>5,385,625</u>
Total general receipts and transfers				<u>117,977,239</u>
Change in net assets				(4,174,051)
Net assets - beginning				<u>15,729,838</u>
Net assets - ending				<u>\$ 11,555,787</u>
<u>Assets</u>				
Cash and investments				\$ (5,080,683)
Restricted assets:				
Cash and investments				<u>16,636,470</u>
Total assets				<u>\$ 11,555,787</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 13,501,177
Other purposes				3,135,293
Unrestricted				<u>(5,080,683)</u>
Total net assets				<u>\$ 11,555,787</u>

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

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

	General	Rainy Day	School Lunch	Textbook Rental	Debt Service	Capital Projects	Other	Totals
Receipts:								
Local sources	\$ 28,873,826	\$ -	\$ 2,577,689	\$ 1,498,541	\$ 13,137,317	\$ 9,780,046	\$ 18,448,365	\$ 74,315,784
Intermediate sources	197,341	-	-	-	-	-	-	197,341
State sources	35,714,061	-	61,702	206,934	-	-	710,164	36,692,861
Federal sources	-	-	579,621	-	-	-	8,263,866	8,843,487
Temporary loans	8,500,000	-	-	-	6,000,000	7,000,000	9,000,000	30,500,000
Other	-	-	-	-	-	-	6,357	6,357
Total receipts	73,285,228	-	3,219,012	1,705,475	19,137,317	16,780,046	36,428,752	150,555,830
Disbursements:								
Current:								
Instruction	38,233,179	-	-	17,173	-	-	12,775,303	51,025,655
Support services	12,792,987	-	2,437	1,516,581	-	4,434,568	9,396,627	28,143,200
Noninstructional services	802,179	-	3,078,422	-	-	-	-	3,880,601
Facilities acquisition and construction	226,591	-	-	-	-	7,148,636	2,424,640	9,799,867
Debt services	23,584,694	-	-	-	8,187,488	3,133,106	4,465,028	39,370,316
Nonprogrammed charges	5,577,957	-	12,011	-	-	-	-	5,589,968
Total disbursements	81,217,587	-	3,092,870	1,533,754	8,187,488	14,716,310	29,061,598	137,809,607
Excess (deficiency) of receipts over disbursements	(7,932,359)	-	126,142	171,721	10,949,829	2,063,736	7,367,154	12,746,223
Other financing sources (uses):								
Transfers in	1,423,243	-	-	-	-	-	3,278,222	4,701,465
Transfers out	(1,232,685)	-	(25,000)	-	(1,423,243)	(761,365)	(1,134,172)	(4,576,465)
Total other financing sources (uses)	190,558	-	(25,000)	-	(1,423,243)	(761,365)	2,144,050	125,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(7,741,801)	-	101,142	171,721	9,526,586	1,302,371	9,511,204	12,871,223
Restated cash and investments - beginning (Note III. C.)	1,348,114	1,650,000	493,811	954,716	(3,828,826)	(5,689,083)	4,892,490	(178,778)
Cash and investments - ending	\$ (6,393,687)	\$ 1,650,000	\$ 594,953	\$ 1,126,437	\$ 5,697,760	\$ (4,386,712)	\$ 14,403,694	12,692,445
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:								
Internal service funds are used by management to charge the costs of certain services to individual funds. The receipts and disbursements of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.								
								<u>3,037,393</u>
Net assets of governmental activities								<u>\$ 15,729,838</u>
Cash and Investment Assets - Ending								
Cash and investments	\$ (6,393,687)	\$ 1,650,000	\$ 594,953	\$ 1,126,437	\$ -	\$ (4,386,712)	\$ 14,403,694	\$ 6,994,685
Restricted assets:								
Cash and investments	-	-	-	-	5,697,760	-	-	5,697,760
Total cash and investment assets - ending	\$ (6,393,687)	\$ 1,650,000	\$ 594,953	\$ 1,126,437	\$ 5,697,760	\$ (4,386,712)	\$ 14,403,694	\$ 12,692,445
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 5,697,760	\$ -	\$ -	\$ 5,697,760
Unrestricted	(6,393,687)	1,650,000	594,953	1,126,437	-	(4,386,712)	14,403,694	6,994,685
Total cash and investment fund balance - ending	\$ (6,393,687)	\$ 1,650,000	\$ 594,953	\$ 1,126,437	\$ 5,697,760	\$ (4,386,712)	\$ 14,403,694	\$ 12,692,445

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

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

	General	Rainy Day	School Lunch	Textbook Rental	Debt Service	Debt Service Exempt	Debt Service Non-exempt	Capital Projects	Other	Totals
Receipts:										
Local sources	\$ 1,156,085	\$ -	\$ 2,659,100	\$ 1,808,021	\$ 862,117	\$ 10,755,175	\$ 2,746,002	\$ 8,742,885	\$ 18,311,644	\$ 47,041,029
Intermediate sources	244,021	-	-	-	-	-	-	-	-	244,021
State sources	52,029,160	-	61,388	218,633	-	-	-	-	928,023	53,237,204
Federal sources	-	-	990,889	-	-	-	-	-	7,991,446	8,982,335
Temporary loans	-	-	-	-	-	-	-	5,104,116	2,818,057	7,922,173
Other	-	-	-	-	-	-	-	-	7,313	7,313
Total receipts	53,429,266	-	3,711,377	2,026,654	862,117	10,755,175	2,746,002	13,847,001	30,056,483	117,434,075
Disbursements:										
Current:										
Instruction	32,872,721	-	-	38,782	-	-	-	-	21,364,481	54,275,984
Support services	10,682,427	-	25,437	1,314,472	-	-	-	4,255,501	10,509,620	26,787,457
Noninstructional services	724,312	-	3,433,723	-	-	-	-	-	108,210	4,266,245
Facilities acquisition and construction	27,153	-	-	-	-	-	-	8,311,180	533,542	8,871,875
Debt services	(84,694)	-	-	-	14,521,693	-	-	6,126,984	6,404,770	26,968,753
Nonprogrammed charges	5,549,774	-	11,563	-	-	-	-	-	-	5,561,337
Total disbursements	49,771,693	-	3,470,723	1,353,254	14,521,693	-	-	18,693,665	38,920,623	126,731,651
Excess (deficiency) of receipts over disbursements	3,657,573	-	240,654	673,400	(13,659,576)	10,755,175	2,746,002	(4,846,664)	(8,864,140)	(9,297,576)
Other financing sources (uses):										
Transfers in	8,025,648	4,500,000	-	-	-	-	-	5,800,000	1,997,782	20,323,430
Transfers out	(522,424)	(4,500,000)	(35,000)	(200,000)	(125,648)	-	-	(75,000)	(9,839,733)	(15,297,805)
Total other financing sources (uses)	7,503,224	-	(35,000)	(200,000)	(125,648)	-	-	5,725,000	(7,841,951)	5,025,625
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	11,160,797	-	205,654	473,400	(13,785,224)	10,755,175	2,746,002	878,336	(16,706,091)	(4,271,951)
Cash and investments - beginning	(6,393,688)	1,650,000	594,953	1,126,437	5,697,760	-	-	(4,386,712)	14,403,695	12,692,445
Cash and investments - ending	\$ 4,767,109	\$ 1,650,000	\$ 800,607	\$ 1,599,837	\$ (8,087,464)	\$ 10,755,175	\$ 2,746,002	\$ (3,508,376)	\$ (2,302,396)	8,420,494
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:										
Internal service funds are used by management to charge the costs of certain services to individual funds. The receipts and disbursements of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.										
										3,135,293
Net assets of governmental activities										\$ 11,555,787
Cash and Investment Assets - Ending										
Cash and investments	\$ 4,767,109	\$ 1,650,000	\$ 800,607	\$ 1,599,837	\$ (8,087,464)	\$ -	\$ -	\$ (3,508,376)	\$ (2,302,396)	\$ (5,080,683)
Restricted assets:										
Cash and investments	-	-	-	-	-	10,755,175	2,746,002	-	-	13,501,177
Total cash and investment assets - ending	\$ 4,767,109	\$ 1,650,000	\$ 800,607	\$ 1,599,837	\$ (8,087,464)	\$ 10,755,175	\$ 2,746,002	\$ (3,508,376)	\$ (2,302,396)	\$ 8,420,494
Cash and Investment Fund Balance - Ending										
Restricted for:										
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,755,175	\$ 2,746,002	\$ -	\$ -	\$ 13,501,177
Unrestricted	4,767,109	1,650,000	800,607	1,599,837	(8,087,464)	-	-	(3,508,376)	(2,302,396)	(5,080,683)
Total cash and investment fund balance - ending	\$ 4,767,109	\$ 1,650,000	\$ 800,607	\$ 1,599,837	\$ (8,087,464)	\$ 10,755,175	\$ 2,746,002	\$ (3,508,376)	\$ (2,302,396)	\$ 8,420,494

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

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

	<u>Internal Service Fund</u>
Operating receipts:	
Charges for services	\$ 7,137,959
Operating disbursements:	
Insurance claims and expense	<u>7,354,019</u>
Excess (deficiency) of operating receipts over operating disbursements	(216,060)
Transfers in	375,000
Transfers out	<u>(500,000)</u>
Change in net assets	(341,060)
Cash and investment fund balance - beginning	<u>3,378,453</u>
Cash and investment fund balance - ending	<u>\$ 3,037,393</u>
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	<u>\$ 3,037,393</u>
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	<u>\$ 3,037,393</u>

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

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

	<u>Internal Service Fund</u>
Operating receipts:	
Charges for services	\$ 8,690,708
Operating disbursements:	
Insurance claims and expense	<u>8,952,808</u>
Excess (deficiency) of operating receipts over operating disbursements	(262,100)
Transfers in	<u>360,000</u>
Change in net assets	97,900
Cash and investment fund balance - beginning	<u>3,037,393</u>
Cash and investment fund balance - ending	<u>\$ 3,135,293</u>
 <u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	<u>\$ 3,135,293</u>
 <u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	<u>\$ 3,135,293</u>

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

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

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Additions:		
Contributions:		
Employer	\$ <u>929</u>	
Deductions:		
Benefits	<u>549,822</u>	
Excess (deficiency) of total additions over total deductions	(548,893)	
Restated cash and investment fund balance - beginning (Note III. C.)	<u>13,362,327</u>	
Cash and investment fund balance - ending	<u>\$ 12,813,434</u>	<u>\$ 64,545</u>
Net assets:		
Cash and investments	<u>\$ 12,813,434</u>	<u>\$ 64,545</u>
Total net assets - cash and investment basis held in trust	<u>\$ 12,813,434</u>	<u>\$ 64,545</u>

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

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

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Additions:		
Contributions:		
Other	\$ 48,568	
Deductions:		
Benefits	<u>1,690,781</u>	
Excess (deficiency) of total additions over total deductions	(1,642,213)	
Other financing sources (uses):		
Transfers out (Note III. B.)	<u>(5,385,625)</u>	
Excess (deficiency) of total additions over total deductions and other financing uses	(7,027,838)	
Cash and investment fund balance - beginning	<u>12,813,434</u>	
Cash and investment fund balance - ending	<u>\$ 5,785,596</u>	<u>\$ 51,069</u>
Net assets:		
Cash and investments	<u>\$ 5,785,596</u>	<u>\$ 51,069</u>
Total net assets - cash and investment basis held in trust	<u>\$ 5,785,596</u>	<u>\$ 51,069</u>

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

LAKE CENTRAL SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

Primary Government: Lake Central School Corporation

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

Joint Venture

The School Corporation is a participant with the School Town of Munster in a joint venture to operate West Lake Cooperative (Co-op) which was created to provide instruction for handicapped children. The School Corporation is obligated by contract to remit its share of expenses according to the number of children enrolled at the Co-op. The West Lake Cooperative's continued existence depends on continued funding by the School Corporation. Complete financial statements for the West Lake Cooperative are part of the Lake Central School Corporation's financial statements.

The School Corporation is a participant in the Northwest Indiana Educational Services Center (Center), a joint venture which was created to cooperate and share programs such as curriculum development, instructional materials, needs assessment, computer utilization, and in-service education. The Center operates under the authority of the Northwest Indiana Public School Study Council. The School Corporation provides funding based on the Average Daily Membership, determined annually. Complete financial statements for the Northwest Indiana Educational Services Center can be obtained from the Center's administrative office at 2939 41st Avenue, Highland, IN 46322.

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

The School Corporation is a participant with 15 other school corporations in Lake County in a joint venture to operate the Lake County Safe Schools Commission (Commission). The Commission was authorized in 1999 by Indiana Code 5-2-10-1. The Commission was established to improve school safety issues. The Commission is governed by a board composed of a member of each

LAKE CENTRAL SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

participating school corporation in Lake County. Although member schools may fund the Commission, the Commission has generated sufficient revenue with member payments. Complete financial statements for the Commission can be obtained from the Lake Station Community School Corporation, 2500 Pike Street, Lake Station, IN 46405.

The School Corporation is a participant in the Indiana Public School Study Council (Study Council), a joint venture for the improvement of education and the study of problems and issues involved in public education. The School Corporation pays \$600 annually to belong to the Study Council. Complete financial statements for the Study Council can be obtained from the Muncie Community Schools, 2501 N. Oakwood Avenue, Muncie, IN 47304.

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

The school lunch fund accounts for receipts and disbursements related to the food service program.

The textbook rental fund accounts for all receipts of fees collected for rent of textbooks and workbooks furnished to students; also, to record all disbursements for purchase of textbooks, for repair of textbooks and for workbooks to be used with rented textbooks furnished to students for a designated fee. Disbursements from the fund may be made without appropriation or the application of other laws relating to budgets of municipal corporations.

LAKE CENTRAL SCHOOL CORPORATION
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 debt service exempt fund accounts for the debt issued prior to July 1, 2008 which is exempt from property tax caps.

The debt service nonexempt fund accounts for debt issued after July 1, 2008, which is subject to property tax caps.

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

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for group health insurance provided to other departments on a cost-reimbursement basis.

The pension trust funds account for the activities of the Retirement/Severance Bond and the Post-Retirement/Severance Future Benefit funds, which accumulate resources for pension benefit payments.

The Agency funds account for assets held by the School Corporation as an agent for federal, state and other entities.

C. Measurement Focus and Basis of Accounting

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

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

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

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

LAKE CENTRAL SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

D. Assets and Cash and Investment Balances

1. Restricted Assets

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

2. Cash and Investments

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

3. Property Taxes

Normally, property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which may become delinquent if not paid by May 10 and November 10, respectively. See Note IV. C., for more information.

4. Capital Assets

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

5. Long-Term Debt

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

6. Equity Classification

Government-Wide Statements

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

LAKE CENTRAL SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

- 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."

Fund Financial Statements

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

E. Receipts and Disbursements

1. Program Receipts

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

2. Operating Receipts and Disbursements

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

F. Internal and Interfund Activities

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

Fund Financial Statements

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

Government-Wide Financial Statements

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

LAKE CENTRAL SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 except for the net amount of transfers between governmental and pension trust activities, which are reported as Transfers – Internal Activities. See Note III. B., for further information regarding transfers. The effects of interfund loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

G. Rounding Differences

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

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. Prior to November 1, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

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

B. Disbursements in Excess of Appropriations

For the budget years ended December 31, 2008 and 2009, disbursements exceeded budgeted appropriations in the capital projects funds by \$4,015,351 and \$7,357,216, respectively.

These disbursements were funded by available cash balance of the school corporation taken as a whole and not the capital projects fund.

LAKE CENTRAL SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Cash Balance Deficits

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

Fund	2009	2010
General	\$ 6,393,687	\$ -
Debt Service	-	8,087,464
Capital Projects	4,386,712	3,508,376
Westlake Cooperative 2008	483,060	723,288
Westlake Cooperative 2009	1,375,142	-
Safe Haven 04-05	531	531
Common School	181,795	134,674
Science Fair 2009	-	446
Non-English Speaking 2009	24,521	4,657
USF Tech Refund	-	92,313
Insurance/Other Adjustment	-	108,399
IDEM Bibich Trail Waste Tire Grant	-	3,990
Innovative Ed Program Strategies Title V Part A	2,474	2,474
Title V-A 2006-2007	21,283	37,549
Title I 2007-08	1,056	-
IDEA Federal Part B 2008-09	85,928	-
IDEA Part B	2,839	2,839
IDEA Federal Part B 2009-10	-	101,880
Federal Preschool 2008-09	150	-
Federal Preschool 2009-10	-	7,169
Part B New	137	137
Drug Free Schools	-	917
Drug Free Schools 2008	5,622	404
Drug Free Schools 2007-08	58,376	61
Drug Free Schools 2009	4,155	581
Safe Routes	850	1,728
Title II Part A 08-09	323,385	394,201
Title II Part A 09-10	292,569	557,495
Title II Part D (685)	7,155	-
Title II Part D (687)	145	145
English Language Acquisition	36,333	36,807
Title I - School Improvement (Stimulus)	-	23,374
Education Technology (Stimulus)	-	64,784
Debt Service Pension Bond	607,830	2,064,957

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements, delay in receipt of tax distributions, and over expenditures of the capital projects fund; these deficits are to be repaid from future receipts.

LAKE CENTRAL SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. IC 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The School Corporation's deposit policy for custodial credit risk is to deposit with a State of Indiana approved depository. 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. At June 30, 2010, the School Corporation had deposit balances in the amount of \$17,392,452.

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

IC 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 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 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

LAKE CENTRAL SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2009 and 2010, were as follows:

Transfer From	Transfer To	2009	2010
General Fund	Other Governmental Funds	\$ 1,132,685	\$ 397,424
	Internal Service Fund	100,000	125,000
Debt Service Fund	General Fund	1,423,243	125,648
Rainy Day Fund	General Fund	-	4,500,000
Capital Projects Fund	Other Governmental Funds	711,365	-
Textbook Rental	Other Governmental Funds	-	200,000
Capital Projects Fund	Internal Service Fund	50,000	75,000
School Lunch Fund	Internal Service Fund	25,000	35,000
Other Governmental Funds	General Fund	-	2,100,000
	Capital Projects Fund	-	2,800,000
	Rainy Day Fund	-	4,500,000
	Other Governmental Funds	934,172	314,733
	Internal Service Fund	200,000	125,000
Internal Service Fund	Other Governmental Funds	500,000	-
Pension Trust Fund	General Fund	-	1,300,000
	Capital Projects Fund	-	3,000,000
	Other Governmental Funds	-	1,085,625
Totals		<u>\$ 5,076,465</u>	<u>\$ 20,683,430</u>

The School Corporation typically uses transfers for cash flow purposes as provided by various statutory provisions. Transfers did not have supporting documentation or School Board approval.

Based upon an actuarial valuation performed for the period ended June 30, 2007, the School Corporation had excess cash balance in the pension trust funds. Transfers totaling \$5,385, 625 were made from the Pension Trust Funds between December 2009 and June 2010. The transfers were not submitted to or approved by the School Board. The transfers totaling \$4,585,625, from the Retirement/Severance Bond Fund of the surplus bond proceeds did not comply with Indiana Code 5-1-13-2.

C. Restatements and Reclassifications

For the year ended June 30, 2008, certain changes have been made to the financial statements to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning balances by opinion unit. Prior period adjustments represent pension bond proceeds held in trust which had not previously been reported in the financial statements, and reversal of interest which was not posted to the General fund as had been approved by management.

LAKE CENTRAL SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Opinion Unit	Balance as Reported June 30, 2008	Prior Period Adjustments	Balance as Restated July 1, 2008
Statement of Activities and Net Assets - Cash and Investment Basis	\$ 3,303,367	\$ (103,691)	\$ 3,199,676
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances - Cash and Investment Basis - Governmental Funds - General Fund	1,451,805	(103,691)	1,348,114
Statement of Additions, Deductions, and Changes in Cash and Investment Balances - Fiduciary funds - Pension Trust Funds	7,005,143	6,357,184	13,362,327

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; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties.

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

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

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

LAKE CENTRAL SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Holding Corporation

The School Corporation has entered into a capital lease with Lake Central Multi-District School Building Corporation (the lessor). The lessor was organized as a for profit corporation pursuant to state statute (but is required by statute to operate as a not for profit), for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2009 and 2010 totaled \$6,505,000, and \$7,400,000 respectively.

C. Subsequent Events

Sale of Bonds

In December, 2010, the School Corporation issued \$1,550,000 of General Obligation Bonds for various school renovations. The interest rate on the bonds is 1.25% and will be paid off by January 2013.

The School Corporation was awarded by the State the ability to issue \$4,000,000 in Qualified School Construction bonds. These bonds are in effect interest free to the School Corporation as the interest paid will be reimbursed by the federal government. The School Corporation restructured a lease with the Lake Central Multi-District School Building Corporation for the bonds, which were sold in December 2010. The proceeds will be spent for renovations to various schools for energy efficiency and will be paid off by 2027.

Reassessment and Property Taxes

Due to errors in assessments of Calumet Township, the assessed valuations of Lake County were not finalized by February 15, 2010 as required. Therefore, the 2009 pay 2010 property tax rates and levies, as well as related budget orders for 2010, were not established until August, 2010. A similar situation occurred in the prior two years. The County issued a provisional billing due May 10, 2010, based upon the 2008 pay 2009 tax rates. The final reconciliation billing with the tax rates for 2009 pay 2010 was due November 30, 2010. This has hampered the School Corporation's ability to appropriately budget and expend funds and has forced the School Corporation to extensively borrow in anticipation of tax revenues.

Educational Jobs Funding

In August 2010, the School Corporation was notified by the Indiana Department of Education of federally enacted legislation that will provide Indiana one-time funding to be used for compensation, benefits, and support services to retain existing employees, rehire former employees, or hire new employees to provide childhood, elementary or secondary educational services. The School Corporation's Educational Jobs funding available for draw down between November 2010 and September 30, 2012, is \$ \$1,703,140. As of December 20, 2010, the School Corporation had not made any draws.

LAKE CENTRAL SCHOOL CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

D. Termination Benefits

Administrators Early Retirement Incentive Supplement

Any administrator who is 50 years of age or over, with 20 years of experience, 10 of which are at the Lake Central School Corporation, may elect to retire from the School Corporation and receive a one-time supplemental retirement benefit of \$2,000, plus compensation for unused sick leave days based on the number of years of experience as follows:

After Years of Experience	Percent Value of Accumulated Sick Days
10	35%
15	40%
20	45%
25	50%

Retirement benefits shall be paid in the administrator's last school year to a 401(a) plan account. For the 2009-2010 fiscal year, \$162,163 was contributed to a 401(a) plan accounts for 4 administrators.

Administrator Retirement Benefit Buy-Out Program

Upon retirement from the School Corporation, an administrator who was last employed prior to June 30, 1995, and has been employed the last 10 years in the Lake Central School Corporation shall be fully vested in the retirement benefits. Administrators hired after August 30, 2004, the School Corporation established a 401(a) and a VEBA account. The School Corporation will make an ongoing contribution of 1.25% of the base salary in a lump sum on the first pay date of each school year. The 1.25% contribution will be apportioned with .50% deposited into the VEBA and .75% deposited into the 401(a). In addition, the administrators will be entitled to the early retirement incentive supplement noted above.

Teachers Early Retirement Incentive Supplement

A teacher member of the retirement benefit buy-out program who is 50 years of age or over, with 20 years of experience, 10 of which are at the Lake Central School Corporation or who has 25 years of experience in the Lake Central School Corporation, may elect to retire from the School Corporation and receive a one-time supplemental retirement benefit of \$2,000, plus \$50 for each unused sick leave day and \$200 per year for each year of experience in the School Corporation. Retirement benefits shall be paid in the teacher's last school year to a 401(a) plan account. For the 2009-2010 fiscal year, \$160,575 was contributed to 401(a) plan accounts for 22 teachers.

Teacher Retirement Benefit Buy-Out Program

Upon retirement from the School Corporation, a teacher who was last employed prior to June 30, 1995, has attained the age of 55, and has been employed for at least 20 years teaching experience, with the last 10 at the School Corporation shall be fully vested in the retirement benefits.

LAKE CENTRAL SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

The School Corporation shall contribute to a voluntary employee's beneficiary association (VEBA) as described in section 501c(9) of the Code, that amount representing the present value of the group health insurance benefits and term life insurance as calculated for all employees under subsection 3b of the agreement. The organization administering the VEBA account shall be made by mutual agreement.

Early Retirement Incentive Program

The School Corporation developed a special onetime retirement supplement in order to reduce General Fund expenditures, due to the reduction of financial support from the State. This plan was approved by the School Board at its January 4, 2010, meeting. A retirement supplement of \$25,000 would be contributed to the VEBA accounts of certified staff members who would elect to retire at the conclusion of the 2009-2010 school year. The members would have to be eligible to receive full retirement benefits under the Indiana Teacher Retirement Fund guidelines, with a minimum of 10 years experience at Lake Central. The School Corporation paid \$625,000 to 25 certified staff and administrators in June 2010 for this benefit.

Other Classifications Supplementary Benefits

For the departmental clerical aides, transportation employees, 12 month secretarial/clerical employees, secretarial/clerical/librarian employees, registered nurses, playground aides, home-school advisors, food service employees, custodial/maintenance employees, and computer lab managers, the School Corporation will pay supplementary retirement benefits if (1) the employee has at least 10 years employment with the School Corporation; (2) the employee's age and years of service with the School Corporation total 60; and (3) a written intent to retire must be filed with the Director of Human Resources-Personnel 90 days prior to retirement. Employees new to the School Corporation as of January 1, 2005, would not be eligible for the supplemental retirement benefit with the exception of 12 month secretarial/clerical members. Effective July 1, 2008, all qualifying 12 month secretarial/clerical members will receive supplemental retirement benefit. The supplement benefit is a combination of payment for unused sick days and a rate multiplied by the number of years of service based on the employee's classification agreement.

E. Other Postemployment Benefits

Administrators and Teachers Early Retirement Insurance

Administrators and teachers who are 55 and 50 years of age or over, respectively, and with 20 years of experience, the last 10 of which were with the Lake Central School Corporation, will be eligible to remain in the School Corporation's current hospital/major medical insurance program (group health plan) if all of the following conditions are met as of the date of retirement and thereafter:

1. While the retired administrator or teacher is enrolled in the group health plan, the retiree shall pay the entire insurance premium applicable to the insurance coverage, with the annual payment to be made on or before September 1st for the succeeding year or make arrangements for monthly payments of the premium;
2. Within 90 days of the retirement date, the teacher has provided a written request to the School Corporation for participation in the group health plan.

LAKE CENTRAL SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

When a retired administrator or teacher first becomes eligible for Medicare, the retiree's eligibility to continue to participate in the School Corporation's group health plan shall terminate. The retiree's spouse and dependents, if any, will be allowed to continue participation for 36 months as required by COBRA, or until eligible for Medicare, whichever occurs first.

Teachers Early Retirement Insurance Prior to June 2006 and Administrators Prior to August 2004

Prior to June 2006 and August 2004, teachers and administrators, respectively, who were 55 years of age with 20 years of experience, the last 10 of which were with the Lake Central School Corporation, could elect to retire early. The teacher or administrator could elect to continue with the School Corporation's hospital/major medical insurance program (group health plan) until eligible for full social security benefits. Should the teacher or administrator chose not to participate in the group health plan, the retiree would receive the School Corporation's contribution to the group health plan as a cash distribution on October 1 of each school year after severance until the school year which begins on or after the retiree has reached the age of eligibility for Medicare.

In addition to the group health plan, the retiree receives retirement pay until the school year which begins on or after the retired employee has reached the age of eligibility for full social security benefits. The amount paid each school year shall be .147 times the composite school year salary lane at which the retiree is placed the school year immediately preceding retirement. For the 2009-2010 fiscal year, the general fund disbursed \$499,394.87 to 51 retirees.

F. 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

LAKE CENTRAL SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the School Corporation during the period ended June 30, 2009 and 2010 were \$706,752 and \$759,341, respectively.

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

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

The School Corporation's contributions to the plan during the period ended June 30, 2009 and 2010, were \$1,338,462 and \$1,320,256, respectively.

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

	Transportation	Special Education Preschool	West Lake Cooperative 2008	West Lake Cooperative 2009	Early Intervention 06-07	Alternative Education	School Library Grant
Receipts:							
Local sources	\$ 4,929,897	\$ 68,785	\$ 5,148,536	\$ 4,525,059	\$ -	\$ -	\$ -
State sources	-	332,358	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	9,000,000	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	13,929,897	401,143	5,148,536	4,525,059	-	-	-
Disbursements:							
Current:							
Instruction	13,990	-	4,154,787	4,519,940	-	-	-
Support services	4,327,813	-	1,481,856	1,559,515	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	3,000,000	-	-	-	-	-	-
Total disbursements	7,341,803	-	5,636,643	6,079,455	-	-	-
Excess (deficiency) of receipts over disbursements	6,588,094	401,143	(488,107)	(1,554,396)	-	-	-
Other financing sources (uses):							
Transfers in	-	-	1,252,423	179,254	109	328	-
Transfers out	(200,000)	(401,143)	(179,910)	-	-	-	-
Total other financing sources (uses)	(200,000)	(401,143)	1,072,513	179,254	109	328	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	6,388,094	-	584,406	(1,375,142)	109	328	-
Cash and investments - beginning	(937,507)	-	(1,067,466)	-	(109)	(328)	22,117
Cash and investments - ending	\$ 5,450,587	\$ -	\$ (483,060)	\$ (1,375,142)	\$ -	\$ -	\$ 22,117
Cash and Investment Assets - Ending							
Cash and investments	\$ 5,450,587	\$ -	\$ (483,060)	\$ (1,375,142)	\$ -	\$ -	\$ 22,117
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 5,450,587	\$ -	\$ (483,060)	\$ (1,375,142)	\$ -	\$ -	\$ 22,117

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

	Safe Haven Grant	Safe Haven 03-04	Safe Haven 04-05	MAAP Serv West Lake	Knight of Columbus	West Lake Jumpstart	Safe Haven 06-07
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70	\$ -
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	70	-
Disbursements:							
Current:							
Instruction	-	931	931	-	-	-	460
Support services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	-	931	931	-	-	-	460
Excess (deficiency) of receipts over disbursements	-	(931)	(931)	-	-	70	(460)
Other financing sources (uses):							
Transfers in	219	15,371	-	-	-	-	1,447
Transfers out	(56)	-	(16,762)	-	-	-	-
Total other financing sources (uses)	163	15,371	(16,762)	-	-	-	1,447
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	163	14,440	(17,693)	-	-	70	987
Cash and investments - beginning	378	(14,440)	17,162	906	797	1,110	24,000
Cash and investments - ending	\$ 541	\$ -	\$ (531)	\$ 906	\$ 797	\$ 1,180	\$ 24,987
Cash and Investment Assets - Ending							
Cash and investments	\$ 541	\$ -	\$ (531)	\$ 906	\$ 797	\$ 1,180	\$ 24,987
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 541	\$ -	\$ (531)	\$ 906	\$ 797	\$ 1,180	\$ 24,987

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

	Kolling Nature Trail	United Way	Kids on the Block	Kids on the Block 08-09	Recycling Tire Grant	Common School	Science Fair 2008
Receipts:							
Local sources	\$ -	\$ 5,151	\$ -	\$ 347	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	208,108	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	5,151	-	347	-	208,108	-
Disbursements:							
Current:							
Instruction	-	5,915	-	26	1,140	389,902	1,036
Support services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	-	5,915	-	26	1,140	389,902	1,036
Excess (deficiency) of receipts over disbursements	-	(764)	-	321	(1,140)	(181,794)	(1,036)
Other financing sources (uses):							
Transfers in	-	5,916	-	-	-	39,351	4,647
Transfers out	-	(5,916)	-	-	-	(19,676)	-
Total other financing sources (uses)	-	-	-	-	-	19,675	4,647
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(764)	-	321	(1,140)	(162,119)	3,611
Cash and investments - beginning	1,000	2,178	13,261	-	64,015	(19,676)	(3,611)
Cash and investments - ending	<u>\$ 1,000</u>	<u>\$ 1,414</u>	<u>\$ 13,261</u>	<u>\$ 321</u>	<u>\$ 62,875</u>	<u>\$ (181,795)</u>	<u>\$ -</u>
Cash and Investment Assets - Ending							
Cash and investments	<u>\$ 1,000</u>	<u>\$ 1,414</u>	<u>\$ 13,261</u>	<u>\$ 321</u>	<u>\$ 62,875</u>	<u>\$ (181,795)</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending							
Unrestricted	<u>\$ 1,000</u>	<u>\$ 1,414</u>	<u>\$ 13,261</u>	<u>\$ 321</u>	<u>\$ 62,875</u>	<u>\$ (181,795)</u>	<u>\$ -</u>

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

	Science Fair 2009	Non-English Speaking	Non-English Speaking 2008	Non-English Speaking 2009	USF Tech Refund	Insurance/ Other Adjustment	IDEM Grant
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,849	\$ -
State sources	-	-	29,232	-	129,326	-	-
Federal sources	-	-	-	-	-	-	9,984
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	6,357	-
Total receipts	-	-	29,232	-	129,326	30,206	9,984
Disbursements:							
Current:							
Instruction	1,295	5,883	7,025	12,283	-	210,262	-
Support services	-	-	-	-	123,774	3,496	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	1,295	5,883	7,025	12,283	123,774	213,758	-
Excess (deficiency) of receipts over disbursements	(1,295)	(5,883)	22,207	(12,283)	5,552	(183,552)	9,984
Other financing sources (uses):							
Transfers in	1,295	-	34,182	-	30,751	-	-
Transfers out	-	(21,944)	-	(12,238)	-	(159,258)	-
Total other financing sources (uses)	1,295	(21,944)	34,182	(12,238)	30,751	(159,258)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(27,827)	56,389	(24,521)	36,303	(342,810)	9,984
Cash and investments - beginning	-	27,827	-	-	(5,196)	2,454,304	-
Cash and investments - ending	\$ -	\$ -	\$ 56,389	\$ (24,521)	\$ 31,107	\$ 2,111,494	\$ 9,984
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ -	\$ 56,389	\$ (24,521)	\$ 31,107	\$ 2,111,494	\$ 9,984
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ -	\$ -	\$ 56,389	\$ (24,521)	\$ 31,107	\$ 2,111,494	\$ 9,984

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

	IDEM Recycling Grant	IDEM Bibich Trail Waste Tire Grant	LEA/Lake Central V State of Indiana	Title I 2008-09	Title I 2009-10	Title I 2006-07	Innovative Ed Program Strategies Title II
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	4,000	7,140	-	-	-	-	-
Federal sources	-	-	-	799,262	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	4,000	7,140	-	799,262	-	-	-
Disbursements:							
Current:							
Instruction	-	1,721	-	586,350	3,572	-	-
Support services	-	-	-	14,811	694	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	-	1,721	-	601,161	4,266	-	-
Excess (deficiency) of receipts over disbursements	4,000	5,419	-	198,101	(4,266)	-	-
Other financing sources (uses):							
Transfers in	-	-	-	35,645	4,266	71,290	-
Transfers out	-	-	-	(75,556)	-	(35,645)	-
Total other financing sources (uses)	-	-	-	(39,911)	4,266	35,645	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,000	5,419	-	158,190	-	35,645	-
Cash and investments - beginning	-	-	2,996	-	-	(35,645)	4,250
Cash and investments - ending	<u>\$ 4,000</u>	<u>\$ 5,419</u>	<u>\$ 2,996</u>	<u>\$ 158,190</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,250</u>
Cash and Investment Assets - Ending							
Cash and investments	<u>\$ 4,000</u>	<u>\$ 5,419</u>	<u>\$ 2,996</u>	<u>\$ 158,190</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,250</u>
Cash and Investment Fund Balance - Ending							
Unrestricted	<u>\$ 4,000</u>	<u>\$ 5,419</u>	<u>\$ 2,996</u>	<u>\$ 158,190</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,250</u>

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

	Innovative Ed Program Strategies Title V Part A	Title V-A 2006-2007	Title V-A 2008-2009	Title I 2007-08	IDEA Federal Part B 2008-09	IDEA Part B	Federal Preschool 2008-09
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-	-
Federal sources	-	(18,865)	9,163	21,000	2,361,000	-	79,000
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	(18,865)	9,163	21,000	2,361,000	-	79,000
Disbursements:							
Current:							
Instruction	248	25,812	857	145,589	1,848,703	612	51,972
Support services	-	-	-	-	595,386	2,227	27,178
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	248	25,812	857	145,589	2,444,089	2,839	79,150
Excess (deficiency) of receipts over disbursements	(248)	(44,677)	8,306	(124,589)	(83,089)	(2,839)	(150)
Other financing sources (uses):							
Transfers in	-	-	-	300,057	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	300,057	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(248)	(44,677)	8,306	175,468	(83,089)	(2,839)	(150)
Cash and investments - beginning	(2,226)	23,394	-	(176,524)	-	-	-
Cash and investments - ending	\$ (2,474)	\$ (21,283)	\$ 8,306	\$ (1,056)	\$ (83,089)	\$ (2,839)	\$ (150)
Cash and Investment Assets - Ending							
Cash and investments	\$ (2,474)	\$ (21,283)	\$ 8,306	\$ (1,056)	\$ (83,089)	\$ (2,839)	\$ (150)
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ (2,474)	\$ (21,283)	\$ 8,306	\$ (1,056)	\$ (83,089)	\$ (2,839)	\$ (150)

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

	Part B New	Federal Part B 2007-08	Federal Preschool 2007-08	Federal Preschool Carryover	Drug Free Schools	Drug Free Schools 2006-07	Drug Free Schools 2008
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-	-
Federal sources	-	262,646	23,000	3,625	12,334	-	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	262,646	23,000	3,625	12,334	-	-
Disbursements:							
Current:							
Instruction	-	116,390	13,467	6,134	-	110	7,784
Support services	-	52,529	10,793	3,559	-	-	4,303
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	-	168,919	24,260	9,693	-	110	12,087
Excess (deficiency) of receipts over disbursements	-	93,727	(1,260)	(6,068)	12,334	(110)	(12,087)
Other financing sources (uses):							
Transfers in	-	-	-	6,068	-	78,315	26,906
Transfers out	-	-	(6,068)	-	-	-	-
Total other financing sources (uses)	-	-	(6,068)	6,068	-	78,315	26,906
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	93,727	(7,328)	-	12,334	78,205	14,819
Cash and investments - beginning	(137)	(93,727)	7,328	-	-	(78,205)	(20,441)
Cash and investments - ending	\$ (137)	\$ -	\$ -	\$ -	\$ 12,334	\$ -	\$ (5,622)
Cash and Investment Assets - Ending							
Cash and investments	\$ (137)	\$ -	\$ -	\$ -	\$ 12,334	\$ -	\$ (5,622)
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ (137)	\$ -	\$ -	\$ -	\$ 12,334	\$ -	\$ (5,622)

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

	Drug Free Schools 2007-08	Drug Free Schools 2009	Ed for Economics	Safe Routes	Title II Part A 2007	Title II Part A 08-09
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 9,802	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	19,780	-	-	-	-	64,453
Temporary loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	19,780	-	-	9,802	-	64,453
Disbursements:						
Current:						
Instruction	28,298	4,148	-	10,652	17,256	253,429
Support services	49,858	7	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	78,156	4,155	-	10,652	17,256	253,429
Excess (deficiency) of receipts over disbursements	(58,376)	(4,155)	-	(850)	(17,256)	(188,976)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(58,376)	(4,155)	-	(850)	(17,256)	(188,976)
Cash and investments - beginning	-	-	791	-	54,634	(134,409)
Cash and investments - ending	<u>\$ (58,376)</u>	<u>\$ (4,155)</u>	<u>\$ 791</u>	<u>\$ (850)</u>	<u>\$ 37,378</u>	<u>\$ (323,385)</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ (58,376)</u>	<u>\$ (4,155)</u>	<u>\$ 791</u>	<u>\$ (850)</u>	<u>\$ 37,378</u>	<u>\$ (323,385)</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ (58,376)</u>	<u>\$ (4,155)</u>	<u>\$ 791</u>	<u>\$ (850)</u>	<u>\$ 37,378</u>	<u>\$ (323,385)</u>

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

	Title II Part A 07-08	Title II Part D (685)	Title II Part A 09-10	Title II Part D (687)	English Language Acquisition	Title II Part D (689)
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	37,733	-	-	-	29,970	-
Temporary loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	37,733	-	-	-	29,970	-
Disbursements:						
Current:						
Instruction	31,480	-	233,579	-	31,800	-
Support services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	31,480	-	233,579	-	31,800	-
Excess (deficiency) of receipts over disbursements	6,253	-	(233,579)	-	(1,830)	-
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	6,253	-	(233,579)	-	(1,830)	-
Cash and investments - beginning	-	(7,155)	(58,990)	(145)	(34,503)	744
Cash and investments - ending	\$ 6,253	\$ (7,155)	\$ (292,569)	\$ (145)	\$ (36,333)	\$ 744
Cash and Investment Assets - Ending						
Cash and investments	\$ 6,253	\$ (7,155)	\$ (292,569)	\$ (145)	\$ (36,333)	\$ 744
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 6,253	\$ (7,155)	\$ (292,569)	\$ (145)	\$ (36,333)	\$ 744

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

	Fiscal Stabilization - Education (Stimulus)	Debt Service Pension Bond	School Bus Replacement	Construction	ISAIP Professional Development	Totals
Receipts:						
Local sources	\$ -	\$ 1,496,687	\$ 1,407,450	\$ 832,732	\$ -	\$ 18,448,365
State sources	-	-	-	-	-	710,164
Federal sources	4,549,781	-	-	-	-	8,263,866
Temporary loans	-	-	-	-	-	9,000,000
Other	-	-	-	-	-	6,357
Total receipts	4,549,781	1,496,687	1,407,450	832,732	-	36,428,752
Disbursements:						
Current:						
Instruction	-	-	-	27,716	1,818	12,775,303
Support services	-	-	805,405	333,423	-	9,396,627
Facilities acquisition and construction	-	-	-	2,424,640	-	2,424,640
Debt services	-	1,465,028	-	-	-	4,465,028
Total disbursements	-	1,465,028	805,405	2,785,779	1,818	29,061,598
Excess (deficiency) of receipts over disbursements	4,549,781	31,659	602,045	(1,953,047)	(1,818)	7,367,154
Other financing sources (uses):						
Transfers in	-	-	500,000	690,382	-	3,278,222
Transfers out	-	-	-	-	-	(1,134,172)
Total other financing sources (uses)	-	-	500,000	690,382	-	2,144,050
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,549,781	31,659	1,102,045	(1,262,665)	(1,818)	9,511,204
Cash and investments - beginning	-	(639,489)	1,024,769	4,471,855	2,603	4,892,490
Cash and investments - ending	\$ 4,549,781	\$ (607,830)	\$ 2,126,814	\$ 3,209,190	\$ 785	\$ 14,403,694
Cash and Investment Assets - Ending						
Cash and investments	\$ 4,549,781	\$ (607,830)	\$ 2,126,814	\$ 3,209,190	\$ 785	\$ 14,403,694
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 4,549,781	\$ (607,830)	\$ 2,126,814	\$ 3,209,190	\$ 785	\$ 14,403,694

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

	Transportation	Special Education Preschool	West Lake Cooperative 2008	West Lake Cooperative 2009	School Library Grant	Safe Haven Grant	Safe Haven 04-05
Receipts:							
Local sources	\$ 7,188,493	\$ -	\$ 5,476,096	\$ 5,573,642	\$ -	\$ -	\$ -
State sources	-	180,125	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	2,818,057	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	10,006,550	180,125	5,476,096	5,573,642	-	-	-
Disbursements:							
Current:							
Instruction	9,528	-	4,179,444	4,238,263	-	-	-
Support services	4,830,334	-	1,536,880	1,585,914	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	179,339	-	-	-	-	-	-
Debt services	4,947,642	-	-	-	-	-	-
Total disbursements	9,966,843	-	5,716,324	5,824,177	-	-	-
Excess (deficiency) of receipts over disbursements	39,707	180,125	(240,228)	(250,535)	-	-	-
Other financing sources (uses):							
Transfers in	-	-	-	1,626,000	-	-	-
Transfers out	(5,125,000)	(180,125)	-	(323)	-	(541)	-
Total other financing sources (uses)	(5,125,000)	(180,125)	-	1,625,677	-	(541)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,085,293)	-	(240,228)	1,375,142	-	(541)	-
Cash and investments - beginning	5,450,587	-	(483,060)	(1,375,142)	22,117	541	(531)
Cash and investments - ending	\$ 365,294	\$ -	\$ (723,288)	\$ -	\$ 22,117	\$ -	\$ (531)
Cash and Investment Assets - Ending							
Cash and investments	\$ 365,294	\$ -	\$ (723,288)	\$ -	\$ 22,117	\$ -	\$ (531)
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 365,294	\$ -	\$ (723,288)	\$ -	\$ 22,117	\$ -	\$ (531)

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

	MAAP Serv West Lake	Knight of Columbus	West Lake Jumpstart	Safe Haven 06-07	Kolling Nature Trail	United Way	United Way 09-10
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,655
State sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	-	-	-	-	-	9,655
Disbursements:							
Current:							
Instruction	-	650	-	2,376	-	11,392	-
Support services	-	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	-	650	-	2,376	-	11,392	-
Excess (deficiency) of receipts over disbursements	-	(650)	-	(2,376)	-	(11,392)	9,655
Other financing sources (uses):							
Transfers in	-	-	-	541	-	11,392	1,414
Transfers out	-	-	-	-	-	(1,414)	(11,069)
Total other financing sources (uses)	-	-	-	541	-	9,978	(9,655)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(650)	-	(1,835)	-	(1,414)	-
Cash and investments - beginning	906	797	1,180	24,987	1,000	1,414	-
Cash and investments - ending	<u>\$ 906</u>	<u>\$ 147</u>	<u>\$ 1,180</u>	<u>\$ 23,152</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 906</u>	<u>\$ 147</u>	<u>\$ 1,180</u>	<u>\$ 23,152</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 906</u>	<u>\$ 147</u>	<u>\$ 1,180</u>	<u>\$ 23,152</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ -</u>

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

	Kids on the Block	Kids on the Block 08-09	Recycling Tire Grant	Common School	Science Fair 2008	Science Fair 2009	Non-English Speaking
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ 29,000	\$ -	\$ -	\$ -
State sources	-	-	-	587,329	-	-	332
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	-	-	616,329	-	-	332
Disbursements:							
Current:							
Instruction	-	-	-	350,380	1,103	446	1,000
Support services	-	-	-	218,828	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	-	-	-	569,208	1,103	446	1,000
Excess (deficiency) of receipts over disbursements	-	-	-	47,121	(1,103)	(446)	(668)
Other financing sources (uses):							
Transfers in	321	-	-	-	1,549	-	760
Transfers out	-	(321)	-	-	-	-	(92)
Total other financing sources (uses)	321	(321)	-	-	1,549	-	668
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	321	(321)	-	47,121	446	(446)	-
Cash and investments - beginning	13,261	321	62,875	(181,795)	-	-	-
Cash and investments - ending	<u>\$ 13,582</u>	<u>\$ -</u>	<u>\$ 62,875</u>	<u>\$ (134,674)</u>	<u>\$ 446</u>	<u>\$ (446)</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 13,582</u>	<u>\$ -</u>	<u>\$ 62,875</u>	<u>\$ (134,674)</u>	<u>\$ 446</u>	<u>\$ (446)</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 13,582</u>	<u>\$ -</u>	<u>\$ 62,875</u>	<u>\$ (134,674)</u>	<u>\$ 446</u>	<u>\$ (446)</u>	<u>\$ -</u>

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

	Non-English Speaking 2008	Non-English Speaking 2009	USF Tech Refund	Insurance/ Other Adjustment	IDEM Grant	IDEM Recycling Grant	IDEM Bibich Trail Waste Tire Grant
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	33,546	86,949	-	-	27,400	7,810
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	7,313	-	-	-
Total receipts	-	33,546	86,949	7,313	-	27,400	7,810
Disbursements:							
Current:							
Instruction	-	25,328	-	1,436,820	-	12,897	25,910
Support services	-	-	210,369	36,361	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	75,563	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	-	25,328	210,369	1,548,744	-	12,897	25,910
Excess (deficiency) of receipts over disbursements	-	8,218	(123,420)	(1,541,431)	-	14,503	(18,100)
Other financing sources (uses):							
Transfers in	-	11,646	-	200,000	-	1,721	10,412
Transfers out	(12,314)	-	-	(878,462)	-	(10,412)	(1,721)
Total other financing sources (uses)	(12,314)	11,646	-	(678,462)	-	(8,691)	8,691
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(12,314)	19,864	(123,420)	(2,219,893)	-	5,812	(9,409)
Cash and investments - beginning	56,389	(24,521)	31,107	2,111,494	9,984	4,000	5,419
Cash and investments - ending	<u>\$ 44,075</u>	<u>\$ (4,657)</u>	<u>\$ (92,313)</u>	<u>\$ (108,399)</u>	<u>\$ 9,984</u>	<u>\$ 9,812</u>	<u>\$ (3,990)</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 44,075</u>	<u>\$ (4,657)</u>	<u>\$ (92,313)</u>	<u>\$ (108,399)</u>	<u>\$ 9,984</u>	<u>\$ 9,812</u>	<u>\$ (3,990)</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 44,075</u>	<u>\$ (4,657)</u>	<u>\$ (92,313)</u>	<u>\$ (108,399)</u>	<u>\$ 9,984</u>	<u>\$ 9,812</u>	<u>\$ (3,990)</u>

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

	Central V State of Indiana	Title I 2008-09	Title I 2009-10	Innovative Ed Program Strategies Title II	Innovative Ed Program Strategies Title V Part A	Title V-A 2006-2007	Title V-A 2008-2009
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-	-
Federal sources	-	-	827,399	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	-	827,399	-	-	-	-
Disbursements:							
Current:							
Instruction	-	171,976	489,499	-	-	16,266	855
Support services	-	3,097	20,054	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	-	175,073	509,553	-	-	16,266	855
Excess (deficiency) of receipts over disbursements	-	(175,073)	317,846	-	-	(16,266)	(855)
Other financing sources (uses):							
Transfers in	-	16,883	-	-	-	-	-
Transfers out	-	-	(17,939)	-	-	-	-
Total other financing sources (uses)	-	16,883	(17,939)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(158,190)	299,907	-	-	(16,266)	(855)
Cash and investments - beginning	2,996	158,190	-	4,250	(2,474)	(21,283)	8,306
Cash and investments - ending	<u>\$ 2,996</u>	<u>\$ -</u>	<u>\$ 299,907</u>	<u>\$ 4,250</u>	<u>\$ (2,474)</u>	<u>\$ (37,549)</u>	<u>\$ 7,451</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ 2,996</u>	<u>\$ -</u>	<u>\$ 299,907</u>	<u>\$ 4,250</u>	<u>\$ (2,474)</u>	<u>\$ (37,549)</u>	<u>\$ 7,451</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ 2,996</u>	<u>\$ -</u>	<u>\$ 299,907</u>	<u>\$ 4,250</u>	<u>\$ (2,474)</u>	<u>\$ (37,549)</u>	<u>\$ 7,451</u>

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

	Title I 2007-08	IDEA Federal Part B 2008-09	IDEA Part B	IDEA Federal Part B 2009-10	Federal Preschool 2008-09	Federal Preschool 2009-10	Part B New
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-	-
Federal sources	-	358,891	-	2,271,600	26,591	85,200	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	358,891	-	2,271,600	26,591	85,200	-
Disbursements:							
Current:							
Instruction	-	199,686	-	1,841,253	17,006	59,161	-
Support services	-	76,116	-	532,227	9,435	33,208	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	-	275,802	-	2,373,480	26,441	92,369	-
Excess (deficiency) of receipts over disbursements	-	83,089	-	(101,880)	150	(7,169)	-
Other financing sources (uses):							
Transfers in	1,056	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	1,056	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,056	83,089	-	(101,880)	150	(7,169)	-
Cash and investments - beginning	(1,056)	(83,089)	(2,839)	-	(150)	-	(137)
Cash and investments - ending	\$ -	\$ -	\$ (2,839)	\$ (101,880)	\$ -	\$ (7,169)	\$ (137)
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ -	\$ -	\$ (2,839)	\$ (101,880)	\$ -	\$ (7,169)	\$ (137)
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	\$ -	\$ -	\$ (2,839)	\$ (101,880)	\$ -	\$ (7,169)	\$ (137)

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

	Drug Free Schools	Drug Free Schools 2008	Drug Free Schools 2007-08	Drug Free Schools 2009	Ed for Economics	Safe Routes	Title II Part A 2007
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,530	\$ -
State sources	-	-	-	-	-	4,532	-
Federal sources	16,815	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	16,815	-	-	-	-	20,062	-
Disbursements:							
Current:							
Instruction	14,612	998	16,059	8,153	-	20,940	14,370
Support services	36,207	-	1,017	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	50,819	998	17,076	8,153	-	20,940	14,370
Excess (deficiency) of receipts over disbursements	(34,004)	(998)	(17,076)	(8,153)	-	(878)	(14,370)
Other financing sources (uses):							
Transfers in	20,753	6,216	75,391	11,727	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	20,753	6,216	75,391	11,727	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(13,251)	5,218	58,315	3,574	-	(878)	(14,370)
Cash and investments - beginning	12,334	(5,622)	(58,376)	(4,155)	791	(850)	37,378
Cash and investments - ending	<u>\$ (917)</u>	<u>\$ (404)</u>	<u>\$ (61)</u>	<u>\$ (581)</u>	<u>\$ 791</u>	<u>\$ (1,728)</u>	<u>\$ 23,008</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	<u>\$ (917)</u>	<u>\$ (404)</u>	<u>\$ (61)</u>	<u>\$ (581)</u>	<u>\$ 791</u>	<u>\$ (1,728)</u>	<u>\$ 23,008</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	<u>\$ (917)</u>	<u>\$ (404)</u>	<u>\$ (61)</u>	<u>\$ (581)</u>	<u>\$ 791</u>	<u>\$ (1,728)</u>	<u>\$ 23,008</u>

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

	Title II Part A 08-09	Title II Part A 07-08	Title II Part D (685)	Title II Part A 09-10	Title II Part D (687)	English Language Acquisition
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	182,762	-	46,580	-	-	26,390
Temporary loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	182,762	-	46,580	-	-	26,390
Disbursements:						
Current:						
Instruction	253,578	-	-	264,926	-	26,424
Support services	-	-	31	-	-	440
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	253,578	-	31	264,926	-	26,864
Excess (deficiency) of receipts over disbursements	(70,816)	-	46,549	(264,926)	-	(474)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(70,816)	-	46,549	(264,926)	-	(474)
Cash and investments - beginning	(323,385)	6,253	(7,155)	(292,569)	(145)	(36,333)
Cash and investments - ending	<u>\$ (394,201)</u>	<u>\$ 6,253</u>	<u>\$ 39,394</u>	<u>\$ (557,495)</u>	<u>\$ (145)</u>	<u>\$ (36,807)</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ (394,201)</u>	<u>\$ 6,253</u>	<u>\$ 39,394</u>	<u>\$ (557,495)</u>	<u>\$ (145)</u>	<u>\$ (36,807)</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ (394,201)</u>	<u>\$ 6,253</u>	<u>\$ 39,394</u>	<u>\$ (557,495)</u>	<u>\$ (145)</u>	<u>\$ (36,807)</u>

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

	Title II Part D (689)	Fiscal Stabilization - Education (Stimulus)	Title I - Grants To LEAs (Stimulus)	Title I - School Improvement (Stimulus)	Special Education - Part B (Stimulus)	Education - Part B - Preschool (Stimulus)
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	-	2,066,677	256,516	-	1,681,055	44,970
Temporary loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	-	2,066,677	256,516	-	1,681,055	44,970
Disbursements:						
Current:						
Instruction	-	6,183,379	184,434	23,374	894,743	11,532
Support services	-	324,869	-	-	663,702	12,660
Noninstructional services	-	108,210	-	-	-	-
Facilities acquisition and construction	-	-	-	-	101,078	-
Debt services	-	-	-	-	-	-
Total disbursements	-	6,616,458	184,434	23,374	1,659,523	24,192
Excess (deficiency) of receipts over disbursements	-	(4,549,781)	72,082	(23,374)	21,532	20,778
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(4,549,781)	72,082	(23,374)	21,532	20,778
Cash and investments - beginning	744	4,549,781	-	-	-	-
Cash and investments - ending	<u>\$ 744</u>	<u>\$ -</u>	<u>\$ 72,082</u>	<u>\$ (23,374)</u>	<u>\$ 21,532</u>	<u>\$ 20,778</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ 744</u>	<u>\$ -</u>	<u>\$ 72,082</u>	<u>\$ (23,374)</u>	<u>\$ 21,532</u>	<u>\$ 20,778</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ 744</u>	<u>\$ -</u>	<u>\$ 72,082</u>	<u>\$ (23,374)</u>	<u>\$ 21,532</u>	<u>\$ 20,778</u>

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

	Education Technology (Stimulus)	Debt Service Pension Bond	School Bus Replacement	Construction	ISAIP Professional Development	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 19,228	\$ -	\$ 18,311,644
State sources	-	-	-	-	-	928,023
Federal sources	100,000	-	-	-	-	7,991,446
Temporary loans	-	-	-	-	-	2,818,057
Other	-	-	-	-	-	7,313
Total receipts	100,000	-	-	19,228	-	30,056,483
Disbursements:						
Current:						
Instruction	164,690	-	-	190,647	383	21,364,481
Support services	94	-	377,777	-	-	10,509,620
Noninstructional services	-	-	-	-	-	108,210
Facilities acquisition and construction	-	-	-	177,562	-	533,542
Debt services	-	1,457,128	-	-	-	6,404,770
Total disbursements	164,784	1,457,128	377,777	368,209	383	38,920,623
Excess (deficiency) of receipts over disbursements	(64,784)	(1,457,128)	(377,777)	(348,981)	(383)	(8,864,140)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	1,997,782
Transfers out	-	-	(1,500,000)	(2,100,000)	-	(9,839,733)
Total other financing sources (uses)	-	-	(1,500,000)	(2,100,000)	-	(7,841,951)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(64,784)	(1,457,128)	(1,877,777)	(2,448,981)	(383)	(16,706,091)
Cash and investments - beginning	-	(607,829)	2,126,814	3,209,190	785	14,403,695
Cash and investments - ending	\$ (64,784)	\$ (2,064,957)	\$ 249,037	\$ 760,209	\$ 402	\$ (2,302,396)
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ (64,784)	\$ (2,064,957)	\$ 249,037	\$ 760,209	\$ 402	\$ (2,302,396)
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	\$ (64,784)	\$ (2,064,957)	\$ 249,037	\$ 760,209	\$ 402	\$ (2,302,396)

LAKE CENTRAL SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For the Year Ended June 30, 2009

	Retirement/ Severance Bond	Post-Retirement/ Severance Future Benefit	Totals
Additions:			
Contributions:			
Employer	\$ 929	\$ -	\$ 929
Deductions:			
Benefits	-	549,822	549,822
Excess (deficiency) of total additions over total deductions	929	(549,822)	(548,893)
Restated cash and investment fund balance - beginning	6,443,981	6,918,346	13,362,327
Cash and investment fund balance - ending	\$ 6,444,910	\$ 6,368,524	\$ 12,813,434
Net assets:			
Cash and investment basis held in trust	\$ 6,444,910	\$ 6,368,524	\$ 12,813,434

LAKE CENTRAL SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For the Year Ended June 30, 2010

	Retirement/ Severance Bond	Post-Retirement/ Severance Future Benefit	Totals
Additions:			
Contributions:			
Other	\$ -	\$ 48,568	\$ 48,568
Deductions:			
Benefits	-	1,690,781	1,690,781
Excess (deficiency) of total additions over total deductions	-	(1,642,213)	(1,642,213)
Other financing sources (uses):			
Transfers out	(4,585,625)	(800,000)	(5,385,625)
Excess (deficiency) of total additions over total deductions and other financing uses	(4,585,625)	(2,442,213)	(7,027,838)
Cash and investment fund balance - beginning	<u>6,444,910</u>	<u>6,368,524</u>	<u>12,813,434</u>
Cash and investment fund balance - ending	<u>\$ 1,859,285</u>	<u>\$ 3,926,311</u>	<u>\$ 5,785,596</u>
Net assets:			
Cash and investment basis held in trust	<u>\$ 1,859,285</u>	<u>\$ 3,926,311</u>	<u>\$ 5,785,596</u>

LAKE CENTRAL SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2009

	Payroll
Additions:	
Agency fund additions	\$ 14,746,094
Deductions:	
Agency fund deductions	14,752,488
Excess (deficiency) of total additions over total deductions	(6,394)
Cash and investment fund balance - beginning	70,939
Cash and investment fund balance - ending	\$ 64,545

LAKE CENTRAL SCHOOL CORPORATION
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended June 30, 2010

	Payroll
Additions:	
Agency fund additions	\$ 14,974,640
Deductions:	
Agency fund deductions	14,988,116
Excess (deficiency) of total additions over total deductions	(13,476)
Cash and investment fund balance - beginning	64,545
Cash and investment fund balance - ending	\$ 51,069

LAKE CENTRAL SCHOOL CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended June 30, 2010

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 4,151,138
Buildings	103,202,742
Improvements other than buildings	4,311,086
Machinery and equipment	<u>28,240,557</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 139,905,523</u>

LAKE CENTRAL SCHOOL CORPORATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
For the Year Ended June 30, 2010

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Homan, Bibich, Peifer & Watson Elementary	\$ 4,710,000	\$ 1,846,136
Kahler Middle	11,625,000	1,769,534
Freshman Center	11,390,000	1,628,566
Clark Middle	22,900,000	3,148,688
Common School Fund Loans Payable:		
Loan A1083	15,000	75
Loan A1179	30,000	20,250
Loan A1238	96,633	49,162
Loan A1296	173,835	51,281
Loan A1331	166,486	43,182
Loan A1397	250,000	52,558
Loan A1406	201,000	21,825
Bonds payable:		
General obligation bonds:		
Homan HVAC Bonds	1,220,000	432,813
Pension bonds	14,525,000	1,453,850
Total governmental activities debt	<u>\$ 67,302,954</u>	<u>\$ 10,517,920</u>

LAKE CENTRAL SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

ERROR CORRECTIONS

Adjustments to the Debt Service (020) Fund and the Debt Service Pension (025) Fund were noted in the prior report. School Corporation Officials had approved these adjustments in the prior financial statements and committed to post the adjustments to the records of the School Corporation. The Debt Service Fund in the prior audit had paid for Debt Service Pension expenditures totaling \$1,461,690. The following was noted in reviewing the ledgers for the current audit period for the subsequent posting of these adjustments.

1. \$730,082.50 - this is first part of the required adjustment from the prior audit report:
 - a. We noted the financial statements for fiscal years ended June 30, 2009 and 2010, and the receipt and disbursement ledgers, the disbursements for both funds in the financial statements did not agree with the ledgers for the audit period. The Debt Service Fund (Fund 020) in the financial statements reported negative disbursements for Bond Principal (acct 51100); disbursements were understated by \$730,082.50. System inquiry noted that the disbursement made in error on January 5, 2008 from Fund 020 (as noted in the prior audit report), was no longer posted to Fund 020; there were no transactions posted when viewed. Due to the method of correction, no audit trail existed in the ledger for the original posting and removal of the disbursement.
 - b. The review also noted an issue for the Debt Service Pension Fund (Fund 025). The transfer out of Fund 025 of \$730,082.50 in the financials did not appear in the ledger for the audit period. System inquiry determined that a transfer entry was entered in the computer on August 19, 2008, with a transaction date of January 5, 2008, for \$730,082.50. Due to the method used to make the adjustment, the transfers in and out in the financial statements did not agree. The transfer in was not reflected and disbursements were understated, due to the activity affecting two fiscal years. A correction has been made in the presented financial statements.
2. \$731,607.50 - this is the second part of the required adjustment from the prior audit report:
 - a. As noted above, the financial statements and ledgers did not agree. The Debt Service Fund (Fund 020) reported receipts twice for the adjustment; once on December 31, 2008, and again on January 31, 2009. The double posting error was noted and corrected by reversing the January receipt on December 30, 2009, which was in a different fiscal year. The correction for the posting error appeared in the financial statements for the second fiscal year as a transfer out, which is a disbursement transaction.
 - b. The two disbursements from Fund 25 were in both the ledger and the financial statements. When the receipt side of the double posting error was reversed, no such correction was posted to the disbursing fund (Fund 25). The one sided entry was detected and reflected on the bank reconciliation by the reconciliation consultant, but not given to School Corporation Officials for correction. As a result, the Debt Pension Fund 25 disbursements were overstated and the cash balance was understated in the second year by \$731,607.50. A correction has been made in the presented financial statements.

LAKE CENTRAL SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Some transactions were recorded as "negative" receipts and disbursements. Review of these determined that these were caused by error corrections of items posted in one fiscal year but corrected in another fiscal year. For example, Receipt 22229 was posted on April 16, 2008. The School Corporation posted the receipt originally to Title V-A 2006-2007 (Fund 423); but determined later the correction should have been posted to Title II Part A (Fund 684-0). Per our review of the receipt detail and cash balance reports, the correction was made for December 31, 2008, by posting a negative receipt to Fund 423 and the receipt to Fund 684-0. Since the School Corporation's fiscal year ends June 30, the posting a correction in different fiscal year created a negative receipt in the financial statements.

Other adjustments or corrections were noted in the audit, where an entry was backdated to the time of the original entry rather than for the date of the actual correcting entry. By entering a transaction in the current audit period for a prior period, through back dating, the records do not reflect all the transactions which occur and causes misstatements of receipts and disbursements in the financials to occur and not be detected.

The computerized accounting system must maintain electronic audit trails sufficient to trace all transactions from original source of entry into the system, through all system processing, and to the results produced by the system. The audit trails must also maintain sufficient information to trace all transactions from the final results produced by the system, through all system processing, and to the original source of entry into the system. Audit trails must also identify the user that processed the transaction or updated the information. These audit trails must be protected from modification and deletion.

The computerized accounting system must provide input edits and controls to assure that information entered into the system is accurate, that all appropriate information is entered into the system, and that information is entered into the system only once. All information entered into the system must be authorized through effective manual or electronic controls. Transaction dates should be based upon system generated dates which cannot be modified by the user. If necessary, the system may provide an additional effective date of the transaction that is user controlled. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 10)

Receipt and disbursement corrections or other errors should be corrected by memorandum entry with the issuance of a check and receipt to document the flow of the transactions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OPINION MODIFICATION – TRANSFERS BETWEEN FUNDS

A review of the financial statements and the ledgers of the School Corporation noted significant amounts of transfers between funds for the audit period. Amounts reported for the years ending June 30, 2009 and 2010, were \$5,076,465 and \$20,683,430, respectively. These amounts are material to the financial statements.

LAKE CENTRAL SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Review of the records and the School Board minutes determined there was a lack of controls over interfund transfers. We were advised the former Business Manager would instruct the Treasurer as to the amounts to record as transfers to the records, but did not provide or retain documentation to support the purpose of the transfer. Review of the minutes noted that several transfers were approved by the School Board, but the approved transfers were not recorded to the records.

The following are some of the more significant transfers. These transfers did not have School Board approval:

1. \$3,000,000 and \$1,500,000 was transferred on December 31, 2009, from the School Bus Replacement and Transportation Funds to the Rainy Day Fund. The very next transaction recorded in the records was a transfer of \$4,500,000 from the Rainy Day Fund to the General Fund. Documentation was not available to document compliance with statute for these transfers.
2. Also on December 31, 2009, \$3,000,000 and \$500,000 was transferred to the Capital Projects Fund and General Fund, respectively, from the Pension Bond Fund. Another transfer was made from the Pension Bond Fund to the West Lake Cooperative 2009 Fund on June 23, 2010, for \$1,085,624.93. The transfer appears to be for Lake Central's share of the funding for West Lake, which would normally be paid from the General Fund. Documentation was not available to document the allowability of these transfers under IC 20-48-1-2 that provided the funding for the Pension Bond.
3. Transfers were made on December 31, 2009, from the Bond Construction Fund to the General Fund of \$1,500,000 and \$600,000. Due to a lack of documentation, the basis for making these transfers could not be determined.
4. A transfer of \$800,000 was made on May 25, 2010, from the Post-Retirement/Severance Future Benefits Fund to the General Fund. Documentation was not provided for audit to document the allowability of these transfers under statute.
5. Fund 391 (Insurance/Other Adjustments) exists in the School Corporation's records, for which the purpose for or use of such fund could not be determined. \$800,000 was transferred from Fund 391 (Insurance/Other Adjustments) on December 31, 2009, to the Capital Projects Fund. On May 31, 2010, this fund received \$200,000 from the Textbook Rental Fund. The allowability of the transfer from the Textbook Rental Fund, could not be determined due to the lack of documentation.

The lack of internal controls allowed the former Business Manager to make transfers without authorization.

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

LAKE CENTRAL SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

IC 36-1-8-5 states in part:

"(b) Whenever the purposes of a tax levy have been fulfilled and an unused and unencumbered balance remains in the fund, the fiscal body of the political subdivision shall order the balance of that fund to be transferred as follows, unless a statute provides that it be transferred otherwise: . . . (4) Funds of any other political subdivision, to the general fund or rainy day fund of the political subdivision, as provided in section 5.1 of this chapter . . ."

IC 20-48-1-2 states in part:

"(a) As used in this section, 'retirement or severance liability' means the payments anticipated to be required to be made to employees of a school corporation upon or after termination of the employment of the employees by the school corporation under an existing or previous employment agreement. . . . (c) In addition to the purposes set forth in section 1 of this chapter, a school corporation described in subsection (b) may issue bonds to implement solutions to contractual retirement or severance liability."

IC 5-1-13-2 states:

(a) Notwithstanding any other law, whenever: (1) bonds are issued by any local issuing body in the state of Indiana for any lawful purpose or project; (2) the purpose or project for which the bonds were issued has been accomplished or abandoned; and (3) a surplus remains from the proceeds of the bonds or investment earnings derived from the proceeds of those bonds; the local issuing body may use the surplus only in the manner prescribed by subsection (b), (c), or (d).

(b) The legislative body or other governing body of any such local issuing body may by an order, ordinance, or resolution entered of record direct the disbursing officer of such local issuing body to transfer the surplus bond proceeds or investment earnings to the fund of the local issuing body pledged to the payment of principal and interest on those bonds, and upon such order, ordinance, or resolution being made, the disbursing officer shall make such transfer. Thereafter such funds transferred shall be used for the payment of the bonds to which the surplus bond proceeds or investment earnings are attributable or interest due for such bonds.

(c) Surplus bond proceeds or investment earnings may be used by a local issuing body for the following purposes: (1) To maintain a debt service reserve fund for the bonds to which the surplus bond proceeds or investment earnings are attributable, at the level required under the terms of the bonds, if the local issuing body adopts an ordinance, resolution, or order authorizing that use of the proceeds or earnings. (2) To pay the principal or interest, or both, on any other bonds of the local issuing body, if the local issuing body adopts an ordinance, a resolution, or an order authorizing the use of the surplus proceeds to pay principal or interest on the bonds. (3) To reduce the rate or amount of ad valorem property taxes, special benefit taxes on property, or tax increment revenues imposed by or allocated to the local issuing body . . ."

The Textbook Rental Fund, designated Fund Number 0900 in the prescribed accounting system when established in the school corporation account, is to be used to record all receipts of fees collected for rent of textbooks and workbooks furnished to students; also, to record all disbursements for purchase of textbooks, for repair of textbooks and for workbooks to be used with rented textbooks furnished to students for a designated fee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 3)

LAKE CENTRAL SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Payments or transfers which are not authorized by statute, ordinance, resolution or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

CONTROLS OVER GRANT FUNDS AND REPORTING

We noted several deficiencies in the internal control system of the Lake Central School Corporation related to grant funds and reporting. The following deficiencies constitute material weaknesses:

1. No monitoring of the fund balances occurred to detect that disbursements exceeded the grant award and no efforts to investigate the cause was evident. For example, the Improving Teacher Quality (Title II Part A) Grant fund disbursements were accounted for in various funds, but only one fund number was used to account for the grant revenues. The grant award amount for the two years totaled \$365,102 but the disbursements totaled \$507,007. Another fund used to account for the Title II, Part A had disbursements of \$498,506 but the related revenue was not recorded in the same fund.
2. There was no oversight over the disbursements in the grant funds. The Title II, Part A Grant disbursements were for salaries. Review of the teachers being paid from Title II, Part A indicated that eleven in FY08-09 and twelve in FY09-10 were paid from the grant funds which were not included in the grant budget.
3. There was a lack of communication between the payroll, administration, and personnel department staff regarding information on personnel that would be paid out of the grant funds and those employees who needed to be removed from the grant funds payroll. The School Corporation appeared to continue to add personnel paid from a grant without removing existing staff no longer covered by a grant.
4. Grant funds for each program were comingled which resulted in School Corporation Officials being unaware if the grant award was expended for the program year.
5. There was no monitoring of grant reports filed. Reports filed did not agree with the School Corporation's ledgers.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

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

CONDITION OF RECORDS - PENSION BOND PROCEEDS

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

LAKE CENTRAL SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

We noted in reviewing receipts for Fund 620 (Retirement/Severance Bond Fund), pension bond proceeds that had been held in a trust account were transferred to the School Corporation's checking account in the 2008-2009 school year. These proceeds were posted to the record as a receipt at the time of transfer and not when the bond proceeds had been received. The trust account was being closed since the bank holding the account was discontinuing providing trust services. The balance, in the Trust account that was closed and transferred, was \$6,358,113. The trust account had not been previously reported in the financial statements or in the financial records of the School Corporation, although the trust account had held money of the School Corporation since the \$17,200,000 bond issue had been sold in 2004.

Since the official records of the School Corporation did not reflect the bond proceeds, and the dollar amounts which bypassed the official recordkeeping process is material to the financial statements, the School Corporation is lacking material financial compliance with laws and regulations. The amount recognized by the School Corporation in the audit period as receipts has been restated, based upon an audit adjustment that was approved by School Corporation Officials.

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

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

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

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

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

BANK RECONCILEMENT

The following discrepancies were noted concerning the bank reconciliation:

LAKE CENTRAL SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

1. The bank reconciliation was performed as a cash proof, taking prior month numbers and activity from the bank and bank activity in the ledgers to reconcile these totals to each instead of taking the ledger fund balance and bank balance and reconciling these balances to each other.
2. The outstanding check list provided did not agree to the amount used to reconcile the proof. At June 30, 2010, there was an unidentified difference of \$10,952.76.
3. The proof provided for audit reconciled the bank activity within the ledger instead of the balance of the funds.
4. There was an adjustment of \$731,607.50 (noted in the Errors Correction Comment above) that was to be posted to the ledgers from December 2009 that had not been made as of December 6, 2010. The consultant performing the bank reconciliations had not informed the School Corporation the details of the adjustment, nor had the School Corporation requested them.
5. A check that cleared the bank on December 22, 2004, was voided in the computer system but still appeared on the outstanding check listing as of December 6, 2010.
6. Interest earned as of December 2009 of \$4,170.11 was not posted to the ledgers as of December 6, 2010.
7. The high yield interest of \$130,690.81, which was from the 2007-2008 fiscal year has not been posted as of December 6, 2010. High yield interest, from the information provided, is the net of two investment activity lines and is not identified as interest earned and is interest that had appeared in the prior financial statements as an adjustment approved by School Corporation Officials. School Corporation Officials had agreed to post the high yield interest but did not. School Corporation Officials then posted only the portion of the interest that was separately identified in the bank proof performed for the month of December 2008. The amount not posted results in an understatement of the General Fund in the financial statements.
8. A \$4,000,000 investment redemption, which occurred in October of 2009, was not posted to the ledger until 2010. The new business manager preparing the financial report for the period ending June 30, 2010, detected and posted the \$4,000,000 redemption. This amount had been carried on the proof as a net of two investment lines combined with the interest as noted in Item 7.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

LAKE CENTRAL SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS
 (Continued)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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

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

OVERDRAWN CASH BALANCES

The following funds had overdrawn cash balances at June 30, 2009 and 2010:

Fund	2009	2010
General	\$ 6,393,687	\$ -
Debt Service	-	8,087,464
Capital Projects	4,386,712	3,508,376
Westlake Cooperative 2008	483,060	723,288
Westlake Cooperative 2009	1,375,142	-
Common School	181,795	134,674
Non-English Speaking 2009	24,521	4,657
USF Tech Refund	-	92,313
Insurance/Other Adjustment	-	108,399
IDEM Bibich Trail Waste Tire Grant	-	3,990
Innovative Ed Program Strategies Title V Part A	2,474	2,474
Title V-A 2006-2007	21,283	37,549
Title I 2007-08	1,056	-
IDEA Federal Part B 2008-09	85,928	-
IDEA Part B	2,839	2,839
IDEA Federal Part B 2009-10	-	101,880
Federal Preschool 2009-10	-	7,169
Drug Free Schools 2008	5,622	404
Drug Free Schools 2007-08	58,376	61
Drug Free Schools 2009	4,155	581
Safe Routes	850	1,728
Title II Part A 08-09	323,385	394,201
Title II Part A 09-10	292,569	557,495
English Language Acquisition	36,333	36,807
Title I - School Improvement (Stimulus)	-	23,374
Education Technology (Stimulus)	-	64,784
Debt Service Pension Bond	607,830	2,064,957

LAKE CENTRAL SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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)

CAPITAL PROJECTS FUND

The following deficiencies relating to the Capital Projects Fund (CPF) were noted:

1. The cash balances at June 30, 2009 and 2010, as well as those balances in the prior audit report, were negative balances. The overdrawn balances are presented in the comment above.
2. Disbursements were greater than receipts. After adjusting for temporary loans and for transfers, disbursements exceeded receipts by \$1,936,264 and \$3,950,780, for the years ending June 30, 2009 and 2010, respectively. Similar circumstances also existed for both years of the prior audit period.
3. Disbursements were greater than the approved budget. For the calendar years 2008 and 2009, the disbursements exceeded the approved budget by \$4,015,351 and \$7,357,216, respectively.
4. The School Corporation disbursed \$2,643,714 for 2009 heating and cooling costs which exceed the statutory limitation regarding how much can be spent.
5. Disbursements from the CPF, in the first six months of 2010, were \$10,098,286. After deduction of disbursements which do not require appropriation, such as \$2,716,928 in repayment of temporary loans and \$2,943,223 in transfers, expenditures in the first half of 2010 requiring appropriations were \$4,438,135. A Department of Local Government Finance (DLGF) notice dated August 31, 2010, noted no budget was approved for the CPF for 2010. The DLGF stated in the notice "Monies not available to fund appropriations."

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

IC 6-1.1-18-4 states in part:

". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

IC 20-40-8-19 states:

"Money in the fund may be used to pay for up to one hundred percent (100%) of the following costs of a school corporation:

LAKE CENTRAL SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

- (1) Utility services.
- (2) Property or casualty insurance.
- (3) Both utility services and property or casualty insurance.

A school corporation's expenditures under this section may not exceed in 2008 and in 2009 three and five-tenths percent (3.5%) of the school corporation's 2005 calendar year distribution."

DEBT SERVICE DISBURSEMENT POSTINGS

The School Corporation received tax distributions in the 2009-2010 school year for Debt Service and Debt Service Pension Funds. Two new funds were created to account for exempt portion of these distributions and related disbursements. However, the debt service disbursements related to the new funds were not posted to these funds but to the original Debt Service and Debt Service Pension Funds which caused the original funds to be over drawn and the two new funds to be overstated.

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

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

Records presented for audit did not support the ADM claimed by the School Corporation. Documentation supporting the DOE-ME Membership Report created for the 2008-2009 school year was not provided. The Membership Report was not certified by the principals, and the parochial schools did not certify the students counted as dual enrollment students. The ADM counts were submitted using the Membership Report; however, there still were differences in the dual enrollment students. Information was not presented for audit to convert the differences into full-time equivalents.

For the 2009-2010 school year, the computerized file for the Membership Report was not presented for audit. Other files were provided, which lacked sufficient information to readily determine which students were included on the ADM report. Also, a detailed listing of students was not provided for one of the schools therefore we were unable to verify ADM in total.

IC 5-15-6-3(f) concerning destruction of public records, states in part:

"Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Officials should maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM. The building level official (Principal, Assistant Principal, etc.) responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (The School Administrator, Volume 163, September 2003, and Volume 182, June 2008) (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

LAKE CENTRAL SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

COMMON SCHOOL LOAN PAYMENTS

The School Corporation has several Common School Fund Loans with the State of Indiana. The loan repayments are withheld from the General Fund's monthly distributions from the State of Indiana. The Debt Service Fund is budgeted to repay the General Fund for these loan payments. Two payments were made in 2009, to the General Fund. The first payment for January 1, 2009, was based upon the scheduled amount, even though the State had only withheld five of the six scheduled payments. The second payment for the July 1, 2009, amount was based upon the seven payments the State withheld. The amount transferred to General Fund was based upon thirteen monthly payments, resulting in \$15,008.83 too much being transferred from the Debt Service Fund.

Payments or transfers which are not authorized by statute, ordinance, resolution or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

CLAIMS

A review of claims noted the following:

1. Invoices were dated prior the purchase order date. Twenty four percent of the claims reviewed had invoices attached which were dated before the purchase order date.
2. Supporting documentation for two security service claims were not signed by the principal or supervisor. We were unable to verify the rate being paid for security service.
3. Payments were made to Crown Point Community School for \$14,404 in 2009, for shared costs between the two School Corporations, without a written contract.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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

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

TERMINATION OF LEASE - HOLDING CORPORATION

The lease for Kolling School in the 2008-2009 school year, was completed and paid off. The Holding Corporation account was closed on May 6, 2009, and \$62,066.14 was returned to the School Corporation. The amount received from the Holding Corporation was deposited into the Construction Fund.

LAKE CENTRAL SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

IC 20-47-2-23 states:

"(a) Upon the termination of a lease entered into under this chapter, the lessor corporation shall return to the school corporation any money held by the lessor corporation that exceeds the amount needed to retire bonds issued under this chapter and to dissolve the lessor corporation.

(b) A school corporation shall deposit the money received under subsection (a) in its debt service fund or capital projects fund."

CHECK FORMS

Voided blank checks were not retained for audit. Check forms are not kept in a secure location.

IC 5-15-6-3(f) concerning destruction of public records, states in part:

"Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

The computerized accounting system must incorporate features that assure all accounting information is reported accurately and completely. Procedures must also exist to assure that only authorized individuals have access to computer generated output. All receipts or payments generated by the accounting system must include unique document identification numbers either preprinted on the form or printed on the form by the application system. If the numbers are printed on the form by the application system, adequate security must be implemented to prevent unauthorized modification of the number sequence. Preprinted receipt and check stock must not include preprinted signatures, must be securely stored, and usage must be logged and reconciled. If the report content can be modified via user selection of various criteria such as account codes, department codes, transaction codes, status codes, etc., the report heading should contain sufficient information regarding the selection criteria to allow another user to understand what information is being reported and recreate the report. All output reports must clearly indicate the effective dates of the information in addition to the report generation date. Output reports must have appropriate subtotals to allow reconciliation to other reports and to external documentation. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 10)

PENALTIES, INTEREST, AND OTHER CHARGES

Of the four quarterly reports filed in 2009, two payments were made late resulting in penalties and interest totaling \$82.94 paid to the Internal Revenue Service.

A finance charge of \$13.87 paid to Call One was observed in a review of claims.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

LAKE CENTRAL SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

INTERNAL CONTROLS – PAYROLL SETTINGS

During our review of payroll, we observed adjustments made for the employer's quarterly federal tax return (Tax Form 941). The adjustments were related to Medicare and Social Security withholdings. Payroll employees have the ability to change settings in the computer system which allowed an error to occur in which several employees did not have Medicare or Social Security taken out of their paychecks.

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

INTERNAL CONTROLS – PAYROLL

The amounts posted to the ledger and financial statements as disbursed for payroll could not be reconciled to the amounts reported on the 941's. For calendar year 2009, we compared the payroll disbursements from the ledger and financial statements to the amounts reported on the 941's. After adjusting for some amounts charged to payroll object codes that would not appear on the 941's, the comparison resulted in \$2,469,131 more disbursed for payroll costs than the amounts reported on the 941's. We could not identify the cause for the difference. Inquiry of staff did not provide any additional explanation for the difference. A reconciliation of the 941 and the payroll amounts per the ledger is not performed by School Corporation employees.

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

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

LAKE CENTRAL SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

BUS RIDER FEE

The School Corporation approved on June 2, 2008, charging bus riders \$10 per year for a transportation fee. The School Corporation receives local and state sources for transportation related expenditures. The fee was collected during the 2008-2009 and 2009-2010 school years. The School Board adopted a resolution on September 20, 2010, to discontinue charging the fee, to comply with an opinion issued by the Indiana Attorney General regarding the charging of transportation fees.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

TEXTBOOK RENTAL RECEIPTS - (Applies to All Schools)

We noted the following concerning controls over the receipting of textbook rental fees:

1. Textbook rental receipts for all schools were preprinted on prenumbered receipts. When payment's were received, the student's preprinted receipt was pulled and payment was noted on the receipt. Additionally generic receipt books also were used for payments received for textbook rental. Per the Business Manager's written directive, there were four different stations receiving money during registration and issuing the generic receipts. All textbook rental collections could not be accounted for.
2. When full payment is collected, the amount received, payment type, date, and issuing officer's initials are noted on the preprinted receipt. The top copy of the triplicate form is then provided to the payee along with the top copy of the generic receipt.
3. When partial payments are collected, the amount received, payment type, date, issuing officer's initials, and remaining balance are noted on the preprinted receipt. A generic receipt is issued to the payee.
4. Receipts are not issued at the High School. A copy of the invoice is issued to the payee and noted on the invoice that payment was received. A list of payments received is generated from the computerized system at the end of the day and is used to write an official receipt for the day's collections.

The original copy of Form TBR-2 shall be given to the student if the student pays the fee, which copy serves as a receipt for the rental fees collected from the student. When book lists are used in lieu of itemization on the form, a copy of the appropriate list shall be attached to the student's copy and one copy shall be retained for audit. A TBR-2 should be issued each time a payment is received. TBR-2 forms should not be issued prior to payments being made by parents or students. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 4)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

LAKE CENTRAL SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

FINES AND FEES (Applies to Lake Central High School)

The Lake Central High School is collecting parking fees, General Education Development (GED) fees, and Library fines and fees. These fees were being receipted to and retained in various extra-curricular funds without being remitted to the School Corporation. A similar comment appeared in the last two prior reports.

IC 20-26-4-1 concerning duties of the School Corporation Treasurer, states in part: "(d) The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds . . ." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate School Corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions.

Extracurricular activities are defined as athletic, social or other school functions, the cost of which is not paid from public funds. These activities do not include functions conducted solely by any organization of parents and/or teachers (IC 20-41-1-7). Note that this statutory definition does not include any curricular or educational functions. All educational functions are the specific responsibility of the governing body (board of school trustees, etc.) of the school corporation acting on its behalf (IC 20-26-5-4), including providing the facilities and equipment therefore. All monies received for educational purposes, including those related to educational programs or facilities must be receipted to school corporation funds. The following items erroneously appear in funds of the extra-curricular account. Accounting for them should be in the general fund of the school corporation. Examples are: Library Fines and Fees, Night School Fees. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

The following types of items should not be assessed, collected, or receipted to a school extra-curricular account: Parking Fees, Instructional Fees, Fees for Payroll positions. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

RECEIPT ISSUANCE – UNREASONABLE DELAY (Applies to Clark Middle School)

Receipts are not issued at the time collections are received. A batch of receipts is issued when a deposit is made. For example, receipts were written and deposited on the following three days during the month of December, 2009:

December 4, 2009
December 9, 2009
December 17, 2009

Textbook receipts were being held up to 32 days before being deposited or receipted into the ledger.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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

LAKE CENTRAL SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

RECEIPTS (Applies to Peifer Elementary)

The composition of cash, check, or money order was not always noted on the handwritten receipts used for textbook rental collections. Therefore, we were unable to determine if the deposits were made in the same form as received.

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

RECEIPTS ISSUANCE (Applies to Homan Elementary)

Upon review of receipts, we noted that receipt numbers were not issued in numerical sequence. Receipt numbers could be manually inputted and were not automatically numbered by the computer. Nonsufficient fund checks are being manually voided by entering a negative receipt.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE LAKE CENTRAL SCHOOL CORPORATION, LAKE COUNTY, INDIANA

Compliance

We have audited the compliance of the Lake Central School Corporation (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2009 and 2010. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

As described in items 2010-5, 2010-6, 2010-7, and 2010-8 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Allowable Costs, Reporting, Cash Management, and Suspension and Debarment that are applicable to its Special Education Cluster, Title I, Part A Cluster, and Improving Teacher Quality State Grants. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

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

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

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

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

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

A control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in items 2010-5, 2010-6, 2010-7, and 2010-8, of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider items 2010-5, 2010-6, 2010-7, and 2010-8, to be material weaknesses.

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

January 4, 2011

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

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-09	Total Federal Awards Expended 06-30-10
U.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Indiana Department of Education Child Nutrition Cluster				
School Breakfast Program (SBP)	10.553		\$ 66,450	\$ 79,683
National School Lunch Program (NSLP)	10.555		788,564	965,633
Special Milk Program for Children (SMP)	10.556		<u>1,686</u>	<u>1,546</u>
Total for cluster			<u>856,700</u>	<u>1,046,862</u>
Pass-Through Indiana Department of Education Fresh Fruit and Vegetable Program (FFVP)	10.582		<u>58,925</u>	-
Total for federal grantor agency			<u>915,625</u>	<u>1,046,862</u>
U.S. DEPARTMENT OF TRANSPORTATION				
Pass-Through Indiana Department of Transportation Highway Planning and Construction Cluster				
Highway Planning and Construction Safe Routes to School Program	20.205		<u>10,652</u>	<u>20,940</u>
Total for federal grantor agency			<u>10,652</u>	<u>20,940</u>
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010	09-4615 10-4615	601,161 <u>4,266</u>	175,073 <u>509,554</u>
Total for program			<u>605,427</u>	<u>684,627</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389		-	<u>184,434</u>
Total for cluster			<u>605,427</u>	<u>869,061</u>
Special Education Cluster				
Special Education - Grants to States (IDEA, Part B)	84.027	14208-064-PN01 14209-064-PN01 14210-064-PN01	168,919 2,444,089 <u>-</u>	- 275,802 <u>2,373,480</u>
Total for program			<u>2,613,008</u>	<u>2,649,282</u>
Special Education - Preschool Grants (IDEA Preschool)	84.173	45708-064-PN01 45708-064-PY02 45709-064-PN01 45710-064-PN01	24,260 9,693 79,150 <u>-</u>	- - 26,441 <u>92,370</u>
Total for program			<u>113,103</u>	<u>118,811</u>
ARRA - Special Education - Grants to States (IDEA, Part B), Recovery Act	84.391	33310-064-SN01	-	<u>1,659,522</u>
ARRA - Special Education - Preschool Grants (IDEA Preschool), Recovery Act	84.392	44410-064-SN01	-	<u>24,192</u>
Total for cluster			<u>2,726,111</u>	<u>4,451,807</u>

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

LAKE CENTRAL SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2009 and 2010
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-09	Total Federal Awards Expended 06-30-10
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through Indiana Department of Education (continued)				
Educational Technology State Grants Cluster				
ARRA - Education Technology State Grants, Recovery Act	84.386	S386A090014	-	164,784
Total for cluster			-	164,784
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394		-	6,616,458
Total for cluster			-	6,616,458
Safe and Drug-Free School and Communities - State Grants	84.186	08-4615 09-4615	16,446 -	- 9,435
Total for program			16,446	9,435
State Grants for Innovative Programs	84.298	07-4615 07 Supplemental	8,596 5,096	- -
Total for program			13,692	-
English Language Acquisition Grants	84.365	FY 08-09 FY 09-10	28,050 -	- 26,930
Total for program			28,050	26,930
Improving Teacher Quality State Grants	84.367	08-4615 09-4615	182,360 -	- 182,742
Total for program			182,360	182,742
Total for federal grantor agency			3,572,086	12,321,217
Total federal awards expended			<u>\$ 4,498,363</u>	<u>\$ 13,389,019</u>

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

LAKE CENTRAL SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

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

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

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2009 and 2010. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2009	2010
School Breakfast Program	10.553	\$ 12,968	\$ 12,892
National School Lunch Program	10.555	152,144	155,047

LAKE CENTRAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Qualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified for all programs except Special Education Cluster, Title I, Part A Cluster, and Improving Teacher Quality-State Grants

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
84.367	Child Nutrition Cluster Title I, Part A Cluster Special Education Cluster State Fiscal Stabilization Fund Cluster Improving Teacher Quality State Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$537,094

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2010-1, ERROR CORRECTION - POSTING CORRECTIONS TO THE RECORDS

Adjustments to the Debt Service (020) Fund and the Debt Service Pension (025) Fund were noted in the prior report. School Corporation Officials had approved these adjustments in the prior financial statements and committed to post the adjustments to the records of the School Corporation.

LAKE CENTRAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The Debt Service Fund in the prior audit had paid for Debt Service Pension expenditures totaling \$1,461,690. The following was noted in reviewing the ledgers for the current audit period for the subsequent posting of these adjustments.

1. \$730,082.50 - this is first part of the required adjustment from the prior audit report:
 - a. We noted the financial statements for fiscal years ended June 30, 2009 and 2010, and the receipt and disbursement ledgers, the disbursements for both funds in the financial statements did not agree with the ledgers for the audit period. The Debt Service Fund (Fund 020) in the financial statements reported negative disbursements for Bond Principal (acct 51100); disbursements were understated by \$730,082.50. System inquiry noted that the disbursement made in error on January 5, 2008 from Fund 020 (as noted in the prior audit report), was no longer posted to Fund 020; there were no transactions posted as the account reflected no activity when viewed. Due to the method of correction, no audit trail existed in the ledger for the original posting and removal of the disbursement.
 - b. The review also noted an issue for the Debt Service Pension Fund (Fund 025). The transfer out of Fund 025 of \$730,082.50 in the financials did not appear in the ledger for the audit period. System inquiry determined that a transfer entry was entered in the computer on August 19, 2008, with a transaction date of January 5, 2008, for \$730,082.50. Due to the method used to make the adjustment, the transfers in and out in the financial statements did not agree. The transfer in was not reflected and disbursements were understated, due to the activity affecting two fiscal years. A correction has been made in the presented financial statements.
2. \$731,607.50 - this is the second part of the required adjustment from the prior audit report:
 - a. As noted above, the financial statements and ledgers did not agree. The Debt Service Fund (Fund 020) reported receipts twice for the adjustment; once on December 31, 2008, and again on January 31, 2009. The double posting error was noted and corrected by reversing the January receipt on December 30, 2009, which was in a different fiscal year. The correction for the posting error appeared in the financial statements for the second fiscal year as a transfer out, which is a disbursement transaction.
 - b. The two disbursements from Fund 25 were in both the ledger and the financial statements. When the receipt side of the double posting error was reversed, no such correction was posted to the disbursing fund (Fund 25). The one sided entry was detected and reflected on the bank reconciliation by the reconciliation consultant, but not given to School Corporation Officials for correction. As a result, the Debt Pension Fund 25 disbursements were overstated and the cash balance was understated in the second year by \$731,607.50. A correction has been made in the presented financial statements.

Other adjustments or corrections were noted in the audit, where an entry was backdated to the time of the original entry rather than for the date of the actual correcting entry. By entering a transaction in the current audit period for a prior period, through back dating, the records do not reflect all the transactions which occur and causes misstatements of receipts and disbursements in the financials to occur and not be detected.

LAKE CENTRAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The computerized accounting system must maintain electronic audit trails sufficient to trace all transactions from original source of entry into the system, through all system processing, and to the results produced by the system. The audit trails must also maintain sufficient information to trace all transactions from the final results produced by the system, through all system processing, and to the original source of entry into the system. Audit trails must also identify the user that processed the transaction or updated the information. These audit trails must be protected from modification and deletion.

The computerized accounting system must provide input edits and controls to assure that information entered into the system is accurate, that all appropriate information is entered into the system, and that information is entered into the system only once. All information entered into the system must be authorized through effective manual or electronic controls. Transaction dates should be based upon system generated dates which cannot be modified by the user. If necessary, the system may provide an additional effective date of the transaction that is user controlled. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 10)

Receipt and disbursement corrections or other errors should be corrected by memorandum entry with the issuance of a check and receipt to document the flow of the transactions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

We recommended School Corporation Officials develop and implement internal controls over error corrections, which would provide reliable records and accurate financial statements.

FINDING 2010-2, TRANSFERS BETWEEN FUNDS

A review of the financial statements and the ledgers of the School Corporation noted significant amounts of transfers between funds for the audit period. Amounts reported for the years ending June 30, 2009 and 2010, were \$5,076,465 and \$20,683,430, respectively. These amounts are material to the financial statements.

Review of the records and the School Board minutes determined there was a lack of controls over interfund transfers. We were advised the former Business Manager would instruct the Treasurer as to the amounts to record as transfers to the records, but did not provide or retain documentation to support the purpose of the transfer. Review of the minutes noted that several transfers were approved by the School Board, but the approved transfers were not recorded to the records.

The following are some of the more significant transfers. These transfers did not have School Board approval:

LAKE CENTRAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

1. \$3,000,000 and \$1,500,000 was transferred on December 31, 2009, from the School Bus Replacement and Transportation Funds to the Rainy Day Fund. The very next transaction recorded in the records was a transfer of \$4,500,000 from the Rainy Day Fund to the General Fund. Documentation was not available to document compliance with statute for these transfers.
2. Also on December 31, 2009, \$3,000,000 and \$500,000 was transferred to the Capital Projects Fund and General Fund, respectively, from the Pension Bond Fund. Another transfer was made from the Pension Bond Fund to the West Lake Cooperative 2009 Fund on June 23, 2010, for \$1,085,624.93. The transfer appears to be for Lake Central's share of the funding for West Lake, which would normally be paid from the General Fund. Documentation was not available to document the allowability of these transfers under IC 20-48-1-2 that provided the funding for the Pension Bond.
3. Transfers were made on December 31, 2009, from the Bond Construction Fund to the General Fund of \$1,500,000 and \$600,000. Due to a lack of documentation, the basis for making these transfers could not be determined.
4. A transfer of \$800,000 was made on May 25, 2010, from the Post-Retirement/Severance Future Benefits Fund to the General Fund. Documentation was not provided for audit to document the allowability of these transfers under statute.
5. Fund 391 (Insurance/Other Adjustments) exists in the School Corporation's records, for which the purpose for or use of such fund could not be determined. \$800,000 was transferred from Fund 391 (Insurance/Other Adjustments) on December 31, 2009, to the Capital Projects Fund. On May 31, 2010, this fund received \$200,000 from the Textbook Rental Fund. The allowability of the transfer from the Textbook Rental Fund, could not be determined due to the lack of documentation.

The lack of internal controls allowed the former Business Manager to make transfers without authorization.

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

IC 36-1-8-5 states in part:

"(b) Whenever the purposes of a tax levy have been fulfilled and an unused and unencumbered balance remains in the fund, the fiscal body of the political subdivision shall order the balance of that fund to be transferred as follows, unless a statute provides that it be transferred otherwise: . . . (4) Funds of any other political subdivision, to the general fund or rainy day fund of the political subdivision, as provided in section 5.1 of this chapter . . ."

IC 20-48-1-2 states in part:

"(a) As used in this section, 'retirement or severance liability' means the payments anticipated to be required to be made to employees of a school corporation upon or after termination of the employment of the employees by the school corporation under an existing

LAKE CENTRAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

or previous employment agreement. . . . (c) In addition to the purposes set forth in section 1 of this chapter, a school corporation described in subsection (b) may issue bonds to implement solutions to contractual retirement or severance liability."

IC 5-1-13-2 states:

(a) Notwithstanding any other law, whenever: (1) bonds are issued by any local issuing body in the state of Indiana for any lawful purpose or project; (2) the purpose or project for which the bonds were issued has been accomplished or abandoned; and (3) a surplus remains from the proceeds of the bonds or investment earnings derived from the proceeds of those bonds; the local issuing body may use the surplus only in the manner prescribed by subsection (b), (c), or (d).

(b) The legislative body or other governing body of any such local issuing body may by an order, ordinance, or resolution entered of record direct the disbursing officer of such local issuing body to transfer the surplus bond proceeds or investment earnings to the fund of the local issuing body pledged to the payment of principal and interest on those bonds, and upon such order, ordinance, or resolution being made, the disbursing officer shall make such transfer. Thereafter such funds transferred shall be used for the payment of the bonds to which the surplus bond proceeds or investment earnings are attributable or interest due for such bonds.

(c) Surplus bond proceeds or investment earnings may be used by a local issuing body for the following purposes: (1) To maintain a debt service reserve fund for the bonds to which the surplus bond proceeds or investment earnings are attributable, at the level required under the terms of the bonds, if the local issuing body adopts an ordinance, resolution, or order authorizing that use of the proceeds or earnings. (2) To pay the principal or interest, or both, on any other bonds of the local issuing body, if the local issuing body adopts an ordinance, a resolution, or an order authorizing the use of the surplus proceeds to pay principal or interest on the bonds. (3) To reduce the rate or amount of ad valorem property taxes, special benefit taxes on property, or tax increment revenues imposed by or allocated to the local issuing body . . ."

The Textbook Rental Fund, designated Fund Number 0900 in the prescribed accounting system when established in the school corporation account, is to be used to record all receipts of fees collected for rent of textbooks and workbooks furnished to students; also, to record all disbursements for purchase of textbooks, for repair of textbooks and for workbooks to be used with rented textbooks furnished to students for a designated fee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 3)

Payments or transfers which are not authorized by statute, ordinance, resolution or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

We recommended that the School Corporation develop and implement internal controls over interfund transfers, maintain supporting documentation, and obtain appropriate authorization from the School Board prior to transfer.

LAKE CENTRAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2010-3, INTERNAL CONTROLS OVER GRANT FUNDS AND REPORTING

We noted several deficiencies in the internal control system of the Lake Central School Corporation related to grant funds and reporting. The following deficiencies constitute material weaknesses:

1. No monitoring of the fund balances occurred to detect that disbursements exceeded the grant award and no efforts to investigate the cause was evident. For example, the Improving Teacher Quality (Title II Part A) Grant fund disbursements were accounted for in various funds, but only one fund number was used to account for the grant revenues. The grant award amount for the two years totaled \$365,102 but the disbursements totaled \$507,007. Another fund used to account for the Title II, Part A had disbursements of \$498,506 but the related revenue was not recorded in the same fund.
2. There was no oversight over the disbursements in the grant funds. The Title II, Part A Grant disbursements were for salaries. Review of the teachers being paid from Title II, Part A indicated that eleven in FY08-09 and twelve in FY09-10 were paid from the grant funds which were not included in the grant budget.
3. There was a lack of communication between the payroll, administration, and personnel department staff regarding information on personnel that would be paid out of the grant funds and those employees who needed to be removed from the grant funds payroll. The School Corporation appeared to continue to add personnel paid from a grant without removing existing staff no longer covered by a grant.
4. Grant funds for each program were comingled which resulted in School Corporation Officials being unaware if the grant award was expended for the program year.
5. There was no monitoring of grant reports filed. Reports filed did not agree with the School Corporation's ledgers.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

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

We recommended that the School Corporation develop and implement internal controls related to monitoring and oversight of grant funds and reporting, and to improve communication regarding the grant funds.

FINDING 2010-4, CONDITION OF RECORDS - PENSION BOND PROCEEDS

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

LAKE CENTRAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

We noted in reviewing receipts for Fund 620 (Retirement/Severance Bond Fund), pension bond proceeds that had been held in a trust account were transferred to the School Corporation's checking account in the 2008-2009 school year. These proceeds were posted to the record as a receipt at the time of transfer and not when the bond proceeds had been received. The trust account was being closed since the bank holding the account was discontinuing providing trust services. The balance, in the Trust account that was closed and transferred, was \$6,358,113. The trust account had not been previously reported in the financial statements or in the financial records of the School Corporation, although the trust account had held money of the School Corporation since the \$17,200,000 bond issue had been sold in 2004.

Since the official records of the School Corporation did not reflect the bond proceeds, and the dollar amounts which bypassed the official recordkeeping process is material to the financial statements, the School Corporation is lacking material financial compliance with laws and regulations. The amount recognized by the School Corporation in the audit period as receipts has been restated, based upon an audit adjustment that was approved by School Corporation Officials.

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

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

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

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

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

We recommended that the School Corporation review internal controls and procedures to ensure that all financial activity related to funds held in trust are properly accounted for in the financial records of the School Corporation.

LAKE CENTRAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III – Federal Award Findings and Questioned Costs

FINDING 2010-5, ALLOWABLE COSTS

Federal Agency: U.S. Department of Education
Pass-Through Agency: Indiana Department of Education
Federal Program: Improving Teacher Quality State Grants, Title I, Part A Cluster
CFDA Numbers: 84.367, 84.010, 84.389
Program Numbers: 08-4615, 09-4615, 10-4615

The 2008-2009 Improving Teacher Quality Grant Fund expenditures did include the 5 personnel identified in the grant budget. Expenditures posted to the Fund also included 9 additional teacher salaries totaling \$229,236.32 which were not identified in the grant budget.

The 2009-2010 Improving Teacher Quality Grant Fund expenditures did include 6 budgeted identified personnel. Expenditures posted to the Fund also included 11 additional teacher salaries totaling \$371,815 which were not identified in the grant budget.

The additional salaries for unidentified teachers from the grant fund budget are determined to be unallowable grant expenditures and caused the grant funds to be overdrawn in fiscal year 2008-2009 by \$578,577 and \$922,436 in fiscal year 2009-2010.

The Title I Grants to Local Educational Agencies (Title I) expenditures for fiscal year 2008-2009 included the 26 budgeted identified personnel. Expenditures posted to the Fund also included 9 additional teachers' salaries totaling \$30,097.

The fiscal year 2009-2010 Title I expenditures included the 24 personnel identified in the grant budget. Expenditures included 7 additional teachers and assistants' salaries totaling \$47,211. The Title I ARRA budget was not presented for audit. Therefore, we were unable to determine if the teachers paid from the Fund were identified in the budget.

EDGAR 80.20(b) (4) states in part:

"Actual expenditures or outlays must be compared with budgeted amounts for each grant and subgrant."

EDGAR 80.20(b)(5) states:

"Allowable cost. Applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allow ability, and allocability of costs."

We recommended School Corporation Officials establish internal controls to ensure that only properly approved budgeted disbursements are posted to the grant funds.

LAKE CENTRAL SCHOOL CORPORATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 (Continued)

FINDING 2010-6, REPORTING

Federal Agency: U.S. Department of Education
 Pass-Through Agency: Indiana Department of Education
 Federal Program: Title I, Part A Cluster, Improving Teacher Quality State Grants
 CFDA Numbers: 84.010, 84.367, 84.389
 Program Numbers: 08-4615, 09-4615, 10-4615

Five of the eight quarterly reports for Title I Grants to Local Educational Agencies (Title I) were not provided for audit. The three reports provided for audit did agree to the School Corporation's records except that the cash on hand balance as reported did not agree to the fund balances per the School Corporation ledgers.

The following table presents the difference between what was reported as compared to the cash fund balance for the fiscal year 2009-2010 Title I:

<u>Date</u>	<u>Reported Cash on Hand</u>	<u>Fund Cash Balance</u>	<u>Over or (Under) Reported</u>
December 31, 2009	\$ 143,290	\$ 136,425	\$ 6,865
March 31, 2010	220,364	213,244	7,120
June 30, 2010	148,940	299,907	(150,967)

The 2008-2009 Annual Expenditure Report for Title I at June 30, 2009, was inaccurate. The following table presents a comparison of what was reported as to what was in the ledgers:

<u>Line Item</u>	<u>Reported</u>	<u>Ledgers</u>	<u>Difference</u>
Total Federal Funds Received	\$ 799,262	\$ 99,262	\$ -
Deduct: Fund Disbursements	486,855	641,072	(154,217)
Fund Balance at the End of Project Period	312,407	158,190	154,217

The 2007-2008 Final Report of Expenditures for Improving Teacher Quality State Grants required detail, by the amount expended from different categories, according to the amounts budgeted in the grant application. Officials did not complete the form as required as the detail was not presented. The report did not contain any signatures or dates. We were unable to determine from the documentation provided if the Final Report of Expenditures had been submitted to the Indiana Department of Education.

EDGAR 80.20(b) (1) states:

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

LAKE CENTRAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Failure to adhere to reporting requirements may cause the School Corporation to be determined to be ineligible for future federal funding.

We recommended that School Corporation Officials complete the final expenditures to agree to the School Corporation's detail of disbursements ledger and sign and date certifying the report.

FINDING 2010-7, CASH MANAGEMENT

Federal Agency: U.S. Department of Education
Pass-Through Agency: Indiana Department of Education
Federal Program: Improving Teacher Quality State Grants, Title I, Part A Cluster
CFDA Numbers: 84.367, 84.010, 84.389
Program Numbers: 08-4516, 09-4516, 10-4516

We were unable to determine if the cash management requirements were met for Improving Teacher Quality State Grants because of the following:

1. Officials did not maintain separate funds for each grant program.
2. The grant receipts were posted to two different funds while the disbursements were posted to four different funds.
3. Several additional employees that were not listed in the grant budget, were paid from the established grant funds as noted above in finding 2010-5.

Title I amounts received by the School Corporation for these grant awards are drawn down in advance. Officials are required to review needs and draw funds as needed. The drawdown requests are included in the applications for grant funds. The procedure used by the School Corporation was to take the award, and divide by the number of months the funds will cover, which are 12. However, the Indiana Department of Education will not allow more than 20% of the Title I award to be drawn in each of the first three months of the grant period, which covers July through September.

The grant cash balance exceeded the following month's disbursements for 9 out of 12 months by amounts ranging from \$10,261 to \$96,530 for the Title I grant for the fiscal year 2008-2009. The cash balance for the grant fiscal year 2009-2010, exceeded the following month's disbursements for 8 out of 12 months by amounts ranging from \$37,008 to \$215,415.

EDGAR 80.20(b)(7) states in part:

"Cash management. Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursements by grantees and subgrantees must be followed whenever advance payment procedures are used...Grantees must monitor cash drawdown's by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

Failure to adhere to cash management requirements may cause the School Corporation to be ineligible for future federal funding.

We recommended that School Corporation Officials establish internal controls over grant funds to ensure the appropriate corresponding grant receipts and disbursements are posted to the appropriate grant funds.

LAKE CENTRAL SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2010-8, SUSPENDED AND DISBARRED – CONTROLS AND COMPLIANCE

Federal Agency: U.S. Department of Education
Pass-Through: Indiana Department of Education
Federal Programs: Special Education Cluster
CFDA Number: 84.027, 84.173, 84.391, 84.392
Program Number: 33310-064-SN01

The School Corporation does not have a system in place for determining whether or not a vendor has been excluded from doing business with the Federal Government. Inquiry of School Corporation staff determined that they were not aware of the requirements regarding suspended or debarred parties. The special grants normally received by the School Corporation (excluding ARRA grants) have very minimal purchases and contracted services.

EDGAR 80.35 states:

"Grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, 'Debarment and Suspension.'"

The lack of control allows for the potential of a suspended or debarred vendor doing business with the School Corporation and being paid from federal funds. If a suspended or debarred vendor were to be paid from federal funds received by the School Corporation, a loss of federal funds to the School Corporation would occur.

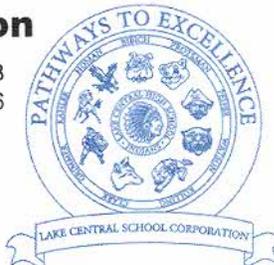
We recommended that School Corporation Officials design and implement controls to prevent the potential of a debarred or suspended vendor from being paid from federal funds.

Lake Central School Corporation

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Lawrence Veracco, Ph.D
Superintendent

Rob James
Director of Business
Services

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number: 2008-2 Cash Management
Original SBA Audit Report Number: B34215
Fiscal Year: July 1, 2006 to June 30, 2008
Auditee Contact Person: Robert James
Title of Contact Person: Director of Business Services
Phone Number: 219-365-8507, ext. 124

Status of Finding:

This finding has not been corrected as of June 30, 2010. Receipts and disbursements for the Improving Teacher Quality grants continued to be posted to multiple funds; however each fund did not correspond to a specific grant year. Some of the employees paid out of the grant funds were not the ones noted on the grant application.

Finding Number: 2008-3 Allowable Costs
Original SBA Audit Report Number: B34215
Fiscal Year: July 1, 2006 to June 30, 2008
Auditee Contact Person: Robert James
Title of Contact Person: Director of Business Services
Phone Number: 219-365-8507, ext. 124

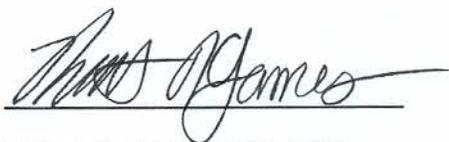
Status of Finding:

As noted above, this finding has not been corrected as of June 30, 2010. The Improving Teacher Quality grant funds continued to pay employees that were not listed on the grant application. It appears that these individuals were in addition to the personnel identified by the grant. This has once again caused the grant funds to be overdrawn during the current audit period.

Finding Number:	2008-4 Reporting
Original SBA Audit Report Number:	B34215
Fiscal Year:	July 1, 2006 to June 30, 2008
Auditee Contact Person:	Robert James
Title of Contact Person:	Director of Business Services
Phone Number:	219-365-8507, ext. 124

Status of Finding:

Final Expenditure reports for the Improving Teacher Quality grant have been completed and provided for audit. However, these reports continued to report all of the disbursements in one expenditure category, even though actual disbursements covered multiple categories. Therefore, this finding has not been corrected as of June 30, 2010.



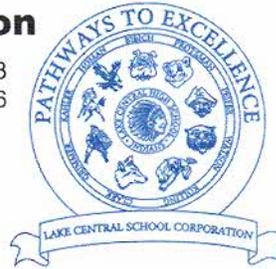
Robert K. James, CPA, CBO
Director of Business Services

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CORRECTIVE ACTION PLAN

Section II – Financial Statement Findings

FINDING 2010-1, ERROR CORRECTION – POSTING CORRECTIONS TO THE RECORDS

Auditee Contact Person: Rob James
Title of Contact Person: Director of Business Services
Phone Number: 219-365-8507

The Lake Central School Corporation will properly post all future adjusting entries to the financial system. Transfers In and Out between funds will also balance at all times. The adjustments will be verified by the Director of Business Services and confirmed on the semi-annual financial reports.

FINDING 2010-2, TRANSFERS BETWEEN FUNDS

Auditee Contact Person: Rob James
Title of Contact Person: Director of Business Services
Phone Number: 219-365-8507

When a transfer is determined to be necessary, the proposed transfer between funds will be initiated by the Director of Business Services. All transfers will contain documentation stating the reason for the transfer and a computation calculating the amount to be transferred. Before the transfer will occur, the School Board will be presented with the amount of the transfer, the funds affected, and the purpose of the transfer. Upon receiving School Board approval, the Corporation Treasurer will post the approved transfer. The Director of Business Services will regularly review the transfers posted to the financial system to confirm that non-approved transfer haven't been posted. We believe these procedures will tighten our internal controls so improper transfers are not made.

FINDING 2010-3, INTERNAL CONTROLS OVER GRANTS AND REPORTING

Auditee Contact Person: Rob James
Title of Contact Person: Director of Business Services
Phone Number: 219-365-8507

The Director of Business Services will review all fund balances on a regular basis to verify that improper expenses are not being charged to the grant funds. Each grant will have its own fund and a new fund will be created for each new grant award. Therefore, each grant will operate independently and will not be comingled with other grant awards. The Director of Business Services will provide the Directors of Curriculum financial reports so they are aware of the expenses charged to the grants that they oversee. Administrators will communicate due dates for all grant reports to each other.

FINDING 2010-4, CONDITION OF RECORDS – PENSION BOND PROCEEDS

Auditee Contact Person: Rob James
Title of Contact Person: Director of Business Services
Phone Number: 219-365-8507

This finding has already been corrected, as it was a one-time transaction during the 2008-2009 school year. However, in the future, all dollars in the name of the Lake Central School Corporation will either be accounted for in our financial system or reported as Cash with Fiscal Agent on the financial statements.

Section III – Federal Award Findings

FINDING 2010-5, ALLOWABLE COSTS

Auditee Contact Person: Rob James
Title of Contact Person: Director of Business Services
Phone Number: 219-365-8507

Auditee Contact Person: Mark Kellogg
Title of Contact Person: Director of Primary Education
Phone Number: 219-365-8507

The Director of Business Services and the Director of Primary Education have reviewed all personnel paid from the Improving Teacher Quality and Title 1 grant funds. All personnel that were not identified on the respective grant applications have had their salaries moved to other funds. The Administration will work with the payroll department to verify that only individuals specifically outlined in each respective grant application will be paid from the grant. By sharing financial reports among administrators, only allowable expenditures will be charged to the grants.

FINDING 2010-6, REPORTING

Auditee Contact Person: Rob James
Title of Contact Person: Director of Business Services
Phone Number: 219-365-8507

Auditee Contact Person: Mark Kellogg
Title of Contact Person: Director of Primary Education
Phone Number: 219-365-8507

The Lake Central School Corporation will prepare all required financial reports and remit them to the Indiana Department of Education within the prescribed timeframe. Financial reports will accurately reflect the receipts, disbursements, and balances of the grant, as posted in our financial system. Copies of the reports will be retained by the school corporation.

FINDING 2010-7, CASH MANAGEMENT

Auditee Contact Person: Rob James
Title of Contact Person: Director of Business Services
Phone Number: 219-365-8507

Auditee Contact Person: Mark Kellogg
Title of Contact Person: Director of Primary Education
Phone Number: 219-365-8507

The Lake Central School Corporation will maintain separate funds for each grant award. Grants activity will not be comingled between funds. The administrators will work closely with the payroll department to ensure that only personnel outlined on the grant application are paid from the grant.

The school corporation will no longer have excess cash on hand for grants received through the Indiana Department of Education. Effective July 1, 2010, all federal grants passed-through the Indiana Department of Education will be on a reimbursement basis.

FINDING 2010-8, SUSPENDED AND DISBARRED – CONTROLS AND COMPLIANCE

Auditee Contact Person: Rob James
Title of Contact Person: Director of Business Services
Phone Number: 219-365-8507

Auditee Contact Person: Joan Machuca
Title of Contact Person: Director of Westlake Special Education Cooperative
Phone Number: 219-865-1171

The Director of Business Services will furnish the Special Education and Accounts Payable departments with links to the *Excluded Parties List System (EPLS)*. The status of all vendors receiving over \$25,000 will be verified by the Special Education Department before entering into contracts or issuing purchase orders.



Robert K. James, CPA
Director of Business Services
January 4, 2011

LAKE CENTRAL SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on January 4, 2011, with Lorri Miskus, Treasurer; Robert James, Director of Business Services; Dr. Larry Veracco, Superintendent of Schools; George Baranowski, President of the School Board; Mark Kellogg, Director of Primary Education; and Al Gandolfi, Assistant Superintendent of Schools. The official response has been made a part of this report and may be found on pages 96 through 99.

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Lawrence Veracco, Ph.D
Superintendent

Rob James
Director of Business
Services

OFFICIAL RESPONSE

January 18, 2011

Mr. Bruce Hartman
State Examiner
Indiana State Board of Accounts
302 West Washington Street, Room E418
Indianapolis, IN 46204-2765

Dear Mr. Hartman:

This is the official response to the Indiana State Board of Accounts audit report of the Lake Central School Corporation for the period July 1, 2008 to June 30, 2010.

Error Corrections

The Lake Central School Corporation will properly post all future adjusting entries to the financial system. Transfers In and Out between funds will also balance at all times. The adjustments will be verified by the Director of Business Services and confirmed on the semi-annual financial reports.

Opinion Modification – Transfers Between Funds

The school corporation recognizes that the prior administration often transferred dollars between funds without supporting documentation and without seeking School Board approval for the transfers. The new administration has established the following procedures to transfer dollars between corporation funds. When a transfer is determined to be necessary, the proposed transfer between funds will be initiated by the Director of Business Services. All transfers will contain documentation stating the reason for the transfer and a computation calculating the amount to be transferred. Before the transfer will occur, the School Board will be presented with the amount of the transfer, the funds affected, and the purpose of the transfer. Upon receiving School Board approval, the Corporation Treasurer will post the approved transfer. The Director of Business Services will regularly review the transfers posted to the financial system to confirm that non-approved transfer haven't been posted. We believe these procedures will tighten our internal controls so improper transfers are not made.

Controls over Grant Funds and Reporting

The school corporation has conducted a thorough review of all of the employees' payroll distributions. We have identified the individuals who were not being charged to the proper fund and have subsequently corrected their distribution codes. In the future, the Director of Business Services will review all fund balances on a regular basis to verify that improper expenses are not being charged to the grant funds. Each grant will have its own fund and a new fund will be created for each new grant award. Therefore, each grant will operate independently and will not be comingled with other grant awards. The Director of

Business Services will provide the Directors of Curriculum financial reports so they are aware of the expenses charged to the grants that they oversee. Administrators will communicate due dates for all grant reports to each other.

Condition of Records – Pension Bond Proceeds

The district acknowledges that the pension bond proceeds should have been accounted for in our financial system from the time the bonds were originally sold. In the future, all dollars in the name of the Lake Central School Corporation will either be accounted for in our financial system or reported as Cash with Fiscal Agent on the financial statements.

Bank Reconciliation

The Lake Central School Corporation currently uses an outside consultant to perform the monthly bank reconciliations for the district. The new administration has implemented procedures of reviewing the work of the vendor, instead of just presuming the reconciliation was accurate. Any posting adjustments that are required will be made immediately.

Overdrawn Cash Balances

The Lake Central School Corporation did not receive timely tax settlements from the County Auditor during the audit period. Therefore, most of the tax supported funds were negative at June 30, 2009 and June 30, 2010. Most of the other funds noted in the Audit Results and Comments were grants that work on a reimbursement basis. Unfortunately, this will continue in the future, as the Indiana Department of Education now requires that all federal grants that run through the State operate on a reimbursement basis. Therefore, these funds will always be in the negative at the local level.

Capital Projects Fund

The prior administration often paid for capital improvements within the district from the Capital Projects Fund, often disregarding the budget approved Department of Local Government Finance (DLGF). The new administration recognizes the Capital Projects Fund does not have the capacity to finance major capital improvements in the district. In the future, larger projects will need to be funded through other financing sources and the district will adhere to the budget amounts set forth by the DLGF.

Debt Service Disbursement Postings

The district is in the process of transferring dollars from the new debt service funds to the old debt service funds to reimburse them for the disbursements improperly posted. After the transfers are completed, the old debt service funds will no longer be overdrawn.

Average Daily Membership (ADM) – Lack of Records

The district will retain all records supporting the amounts claimed on the Average Daily Membership (ADM) count and reported on the DOE-ME report. The district administrators will verify that the amount on the supporting documentation agrees to the counts being reported before claims are submitted.

Common School Loan Repayments

In the future, the district will use the actual amounts withheld from the General Fund's monthly distribution as the basis for the amount the Debt Service Fund will reimburse the General Fund. The overpayment to the General Fund in 2009 has been corrected.

Claims

The district has identified the areas where orders were being placed with vendors without properly going through the purchase order process. Administrators have been instructed of the proper procedures to follow when making purchases, which include obtaining the proper supporting documentation and written approvals for purchases.

Termination of Lease – Holding Corporation

When leases are paid off in the future, any money returned to the school corporation by the holding corporation will be receipted into the district's Debt Service Fund or Capital Projects Fund.

Check Forms

The school corporation recognizes that all voided checks need to be retained for audit. In the future, voided checks will be kept in a locked filing cabinet and presented at the time of audit.

Penalties, Interest, and Other Charges

The district will implement control procedures to ensure that reports are completed in a timely manner to avoid penalties and interest charges. Unfortunately, the school corporation continues to have cash flow issues due to the delays in receiving timely tax settlements from the County Auditor. This has forced the district to issue tax anticipation warrants at the taxpayer's expense in order to have funds available to make payroll and our semi-annual debt payments. Since payroll and debt payments are our first priority, there may be times in the future that vendor payments will need to be delayed, depending on cash flow. This could result in late fees being assessed by the vendor.

Internal Controls – Payroll Settings

The administration will review the settings in our payroll system to ensure that all employees have Medicare and Social Security withholdings taken out of their paychecks.

Internal Controls – Payroll

The administration has instructed the payroll department to maintain records reconciling the amounts reported on the 941's to the payroll amounts recorded in the financial system. These reconciliements will be kept with the submitted 941's and available for future audits.

Bus Rider Fee

As noted in the Audit Result and Comment, the district has discontinued charging this fee based upon the opinion issued by the Indiana Attorney General.

Textbook Rental Receipts

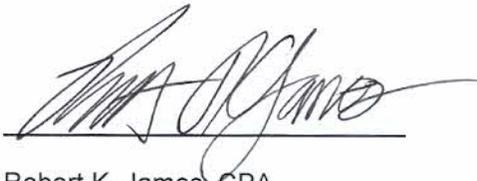
The district switched to online book rental payments for the 2010-2011 school year. This has removed the need to have preprinted receipts at each school. Payments that are still made in person will be collected in accordance to the State Board of Accounts recommended procedures.

Fines and Fees

The administration will review the fees collected at the High School. Fees that are not considered extra-curricular in nature will be remitted to the School Corporation Central Office in a timely manner.

Receipts and Receipt Issuance

The Director of Business Services will meet with all of the extra-curricular bookkeepers in the district to discuss the issuance of receipts. The bookkeepers will be reminded that receipts need to be issued in numerical sequence when the money is received, filled out completely, and deposited to the bank in a timely manner.

A handwritten signature in black ink, appearing to read "R. K. James", is written over a horizontal line.

Robert K. James, CPA
Director of Business Services