

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

AUDIT REPORT
OF
LAKE STATION COMMUNITY SCHOOLS
LAKE COUNTY, INDIANA
July 1, 2008 to June 30, 2010



FILED
03/02/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sandra Cain	07-01-08 to 06-30-11
Superintendent of Schools	Dan DeHaven	07-01-08 to 06-30-11
President of the School Board	James Vanderlin Edward Laco Karen Curtis	07-01-08 to 06-30-09 07-01-09 to 06-30-10 07-01-10 to 06-30-11



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 STATION COMMUNITY SCHOOLS, LAKE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lake Station Community Schools (School Corporation), as of and for the years ended June 30, 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.

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

As discussed in Note I, the School Corporation prepares its financial statements on the 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, 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 6, 2011, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

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

The 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 6, 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 STATION COMMUNITY SCHOOLS, LAKE COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lake Station Community Schools (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated January 6, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

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

Compliance and Other Matters

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

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

This report is intended solely for the information and use of the School Corporation's management, school board, 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 6, 2011

LAKE STATION COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 7,086,772	\$ -	\$ 121,118	\$ (6,965,654)
Support services	5,815,738	394,431	471,641	(4,949,666)
Noninstructional services	782,869	-	-	(782,869)
Facilities acquisition and construction	204,108	-	-	(204,108)
Debt service	4,146,768	-	-	(4,146,768)
Nonprogrammed charges	<u>828,842</u>	<u>-</u>	<u>-</u>	<u>(828,842)</u>
Total governmental activities	<u>\$ 18,865,097</u>	<u>\$ 394,431</u>	<u>\$ 592,759</u>	<u>(17,877,907)</u>
General receipts:				
Property taxes				2,934,088
Other local sources				743,208
State aid				8,902,370
Bonds and loans				2,408,834
Grants and contributions not restricted to specific programs				2,424,724
Sale of property				35
Investment earnings				16,034
Other				<u>19,659</u>
Total general receipts, interfund loans, transfers, and special items				<u>17,448,952</u>
Change in net assets				(428,955)
Net assets - beginning				<u>2,908,540</u>
Net assets - ending				<u>\$ 2,479,585</u>
<u>Assets</u>				
Cash and investments				\$ 1,951,126
Restricted assets:				
Cash and investments				<u>528,459</u>
Total assets				<u>\$ 2,479,585</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 528,459
Unrestricted				<u>1,951,126</u>
Total net assets				<u>\$ 2,479,585</u>

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

LAKE STATION COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 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	\$ 6,881,725	\$ -	\$ 85,772	\$ (6,795,953)
Support services	5,640,211	207,398	766,530	(4,666,283)
Noninstructional services	923,660	-	-	(923,660)
Facilities acquisition and construction	133,052	-	-	(133,052)
Debt service	3,331,182	-	-	(3,331,182)
Nonprogrammed charges	<u>757,796</u>	<u>-</u>	<u>-</u>	<u>(757,796)</u>
Total governmental activities	<u>\$ 17,667,626</u>	<u>\$ 207,398</u>	<u>\$ 852,302</u>	<u>(16,607,926)</u>
General receipts:				
Property taxes				2,910,339
Other local sources				680,825
State aid				10,185,063
Bonds and loans				2,000,516
Grants and contributions not restricted to specific programs				1,719,514
Sale of property				112
Investment earnings				34,771
Other				<u>36,815</u>
Total general receipts, interfund loans, transfers, and special items				<u>17,567,955</u>
Change in net assets				960,029
Net assets - beginning				<u>2,479,585</u>
Net assets - ending				<u>\$ 3,439,614</u>
<u>Assets</u>				
Cash and investments				\$ 2,380,654
Restricted assets:				
Cash and investments				<u>1,058,960</u>
Total assets				<u>\$ 3,439,614</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 1,058,960
Unrestricted				<u>2,380,654</u>
Total net assets				<u>\$ 3,439,614</u>

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

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

	General	School Lunch	Textbook Rental	Fiscal Stabilization	Debt Service	Capital Projects	Other	Totals
Receipts:								
Local sources	\$ 1,285,005	\$ 389,371	\$ 117,511	\$ -	\$ 1,097,230	\$ 573,225	\$ 390,764	\$ 3,853,106
Intermediate sources	220,768	-	-	-	-	-	13,888	234,656
State sources	8,965,153	3,550	98,128	-	-	-	344,801	9,411,632
Federal sources	-	369,963	-	870,959	-	-	1,267,298	2,508,220
Temporary loans	808,000	-	-	-	653,000	420,000	527,834	2,408,834
Interfund loans	-	-	-	-	-	125,000	100,000	225,000
Other	17,488	-	750	-	-	1,400	21	19,659
Total receipts	11,296,414	762,884	216,389	870,959	1,750,230	1,119,625	2,644,606	18,661,107
Disbursements:								
Current:								
Instruction	5,932,997	-	-	-	-	-	1,153,775	7,086,772
Support services	4,614,036	-	172,992	-	-	239,419	789,291	5,815,738
Noninstructional services	124,409	616,457	-	-	-	-	42,003	782,869
Facilities acquisition and construction	-	100,057	-	-	-	104,051	-	204,108
Debt services	2,451,000	-	-	-	1,316,768	223,000	156,000	4,146,768
Nonprogrammed charges	756,437	-	-	-	-	-	72,405	828,842
Interfund loans	-	-	-	-	225,000	-	-	225,000
Total disbursements	13,878,879	716,514	172,992	-	1,541,768	566,470	2,213,474	19,090,097
Excess (deficiency) of receipts over disbursements	(2,582,465)	46,370	43,397	870,959	208,462	553,155	431,132	(428,990)
Other financing sources (uses):								
Sale of capital assets	35	-	-	-	-	-	-	35
Transfers in	-	-	-	-	-	-	12,000	12,000
Transfers out	-	-	-	-	-	-	(12,000)	(12,000)
Total other financing sources (uses)	35	-	-	-	-	-	-	35
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,582,430)	46,370	43,397	870,959	208,462	553,155	431,132	(428,955)
Cash and investments - beginning	2,359,812	315,260	227,232	-	319,997	(188,777)	(124,984)	2,908,540
Cash and investments - ending	\$ (222,618)	\$ 361,630	\$ 270,629	\$ 870,959	\$ 528,459	\$ 364,378	\$ 306,148	\$ 2,479,585
Cash and Investment Assets - Ending								
Cash and investments	\$ (222,618)	\$ 361,630	\$ 270,629	\$ 870,959	\$ -	\$ 364,378	\$ 306,148	\$ 1,951,126
Restricted assets:								
Cash and investments	-	-	-	-	528,459	-	-	528,459
Total cash and investment assets - ending	\$ (222,618)	\$ 361,630	\$ 270,629	\$ 870,959	\$ 528,459	\$ 364,378	\$ 306,148	\$ 2,479,585
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 528,459	\$ -	\$ -	\$ 528,459
Unrestricted	(222,618)	361,630	270,629	870,959	-	364,378	306,148	1,951,126
Total cash and investment fund balance - ending	\$ (222,618)	\$ 361,630	\$ 270,629	\$ 870,959	\$ 528,459	\$ 364,378	\$ 306,148	\$ 2,479,585

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

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

	General	School Lunch	Textbook Rental	Fiscal Stabilization	Debt Service	Capital Projects	Other	Totals
Receipts:								
Local sources	\$ 261,705	\$ 194,306	\$ 45,556	\$ -	\$ 1,785,015	\$ 683,790	\$ 488,756	\$ 3,459,128
Intermediate sources	164,973	-	-	-	-	-	13,819	178,792
State sources	10,217,364	3,405	99,187	-	-	-	325,833	10,645,789
Federal sources	2,000	663,939	-	302,546	-	-	1,338,018	2,306,503
Temporary loans	768,000	-	-	-	406,000	406,000	420,516	2,000,516
Interfund loans	-	-	-	-	225,000	-	-	225,000
Other	31,010	-	2,082	-	-	23	3,700	36,815
Total receipts	11,445,052	861,650	146,825	302,546	2,416,015	1,089,813	2,590,642	18,852,543
Disbursements:								
Current:								
Instruction	5,084,832	-	-	689,627	-	-	1,107,266	6,881,725
Support services	3,644,517	-	155,834	376,723	-	521,943	941,194	5,640,211
Noninstructional services	173,305	704,372	-	592	-	-	45,391	923,660
Facilities acquisition and construction	-	-	-	-	-	65,547	67,505	133,052
Debt services	808,000	-	-	-	1,884,182	420,000	219,000	3,331,182
Nonprogrammed charges	649,901	-	-	106,563	1,332	-	-	757,796
Interfund loans	-	-	-	-	-	125,000	100,000	225,000
Total disbursements	10,360,555	704,372	155,834	1,173,505	1,885,514	1,132,490	2,480,356	17,892,626
Excess (deficiency) of receipts over disbursements	1,084,497	157,278	(9,009)	(870,959)	530,501	(42,677)	110,286	959,917
Other financing sources (uses):								
Sale of capital assets	112	-	-	-	-	-	-	112
Transfers in	36,369	-	-	-	-	-	-	36,369
Transfers out	-	-	-	-	-	-	(36,369)	(36,369)
Total other financing sources (uses)	36,481	-	-	-	-	-	(36,369)	112
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,120,978	157,278	(9,009)	(870,959)	530,501	(42,677)	73,917	960,029
Cash and investments - beginning	(222,618)	361,630	270,629	870,959	528,459	364,379	306,147	2,479,585
Cash and investments - ending	<u>\$ 898,360</u>	<u>\$ 518,908</u>	<u>\$ 261,620</u>	<u>\$ -</u>	<u>\$ 1,058,960</u>	<u>\$ 321,702</u>	<u>\$ 380,064</u>	<u>\$ 3,439,614</u>
Cash and Investment Assets - Ending								
Cash and investments	\$ 898,360	\$ 518,908	\$ 261,620	\$ -	\$ -	\$ 321,702	\$ 380,064	\$ 2,380,654
Restricted assets:								
Cash and investments	-	-	-	-	1,058,960	-	-	1,058,960
Total cash and investment assets - ending	<u>\$ 898,360</u>	<u>\$ 518,908</u>	<u>\$ 261,620</u>	<u>\$ -</u>	<u>\$ 1,058,960</u>	<u>\$ 321,702</u>	<u>\$ 380,064</u>	<u>\$ 3,439,614</u>
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 1,058,960	\$ -	\$ -	\$ 1,058,960
Unrestricted	898,360	518,908	261,620	-	-	321,702	380,064	2,380,654
Total cash and investment fund balance - ending	<u>\$ 898,360</u>	<u>\$ 518,908</u>	<u>\$ 261,620</u>	<u>\$ -</u>	<u>\$ 1,058,960</u>	<u>\$ 321,702</u>	<u>\$ 380,064</u>	<u>\$ 3,439,614</u>

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

LAKE STATION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

Primary Government: Lake Station Community Schools

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

Joint Venture

The School Corporation is a participant with 9 other school corporations in a joint venture to operate Northwest Indiana Special Education Cooperative which was created to provide instruction for handicapped children. The School Corporation is obligated by contract to a funding percentage based on its share of assessed valuation at March 1 of the previous year and its share of Average Daily Membership as compared to the total of all member school corporations determined annually. The governing board of the Cooperative consists of a member selected by each participating school corporation. The board has full authority to manage the Cooperative including responsibility for fiscal matters. Complete financial statements for the Northwest Indiana Special Education Cooperative can be obtained from 2150 West 97th Avenue, Crown Point, IN 46307.

The School Corporation is a participant in a joint venture to operate Northwest Indiana Public School Study Council which was created for the improvement of education and the study of problems and issues involved in public education. The School Corporation is obligated by contract to remit \$1,000 annually to supplement the Northwest Indiana Public School Study Council. Complete financial statements for the Northwest Indiana Public School Study Council can be obtained from Merrillville Community School Corporation, 6701 Delaware Street, Merrillville, IN 46410.

The School Corporation is a participant in a joint venture to operate Northwest Indiana Educational Service Center which was created to cooperate and share programs such as curriculum development, instructional materials, needs assessments, computer utilization, and in-service education. The School Corporation is obligated to provide funding based on Average Daily Membership which is determined annually. Complete financial statements for the Northwest Indiana Educational Service Center can be obtained from School Town of Highland, 2030 41st Avenue, Highland, IN 46322.

The School Corporation is a participant with other school corporations in a joint venture to operate the Northwest Indiana Natural Gas Cooperative (Gas Cooperative), which was created to procure natural gas in a more economical and efficient manner. The Gas Cooperative operates

LAKE STATION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

under the authority of the Northwest Indiana Educational Service Center (Service Center). The School Corporation provides funding for administrative costs based upon a percentage basis of the Average Daily Membership counts not to exceed \$10,000. Complete financial statements for the Gas Cooperative can be obtained from the Service Center Administration Offices, 2939 41st Avenue, Highland, IN 46322.

The School Corporation is a participant with 10 other school corporations and four local universities in a joint venture to operate the Lakeshore Alliance for Student Success, Inc., (LASS) which was created to implement research-based strategies in order to improve student and organizational performance. The School Corporation is obligated by contract to remit membership dues of \$500 per school building or \$2,500 annually. The governing board of the LASS consists of two members, from each participating school corporation, the school corporation superintendent, and the teacher union president. The board has full authority to manage LASS, including responsibility for fiscal matters. Complete financial statements for the Lakeshore Alliance for Student Success, Inc., can be obtained from Merrillville Community School Corporation, 6701 Delaware Street, Merrillville, IN 46410.

Jointly Governed Organization

The School Corporation, in conjunction with 16 school corporations operating in Lake County, has created the Lake County Safe Schools Commission. The Commission was established to improve school safety. The Commission is governed by a board composed of a member from each school corporation in Lake County. Although the member schools may fund the Commission, the Commission has generated sufficient revenue through workshops without member payments. The Lake Station School Corporation operates the Lake County Safe Schools Commission and maintains the accounting records. Complete financial statements for the Commission can be obtained through the Lake Station Community Schools, 2500 Pike Street, Lake Station, IN 46405.

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.

LAKE STATION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

The textbook rental fund is used to account for the receipts and disbursements of textbooks.

The fiscal stabilization fund accounts for the financial resources received from the American Recovery and Reinvestment Act of 2009.

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

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

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.

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.

LAKE STATION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

4. Capital Assets

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

5. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary 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:

- 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.

LAKE STATION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Receipts and Disbursements

Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

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.
4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

Government-Wide Financial Statements

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

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis. The effects of interfund 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.

LAKE STATION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. 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	\$ 222,618	\$ -
Common School Technology 2010	-	3,472
Special Ed Part B Stimulus	-	4,518

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

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. 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

LAKE STATION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

public funds of the political subdivision. The School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2010, the School Corporation had deposit balances in the amount of \$2,660,657.

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 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.

LAKE STATION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2009 and 2010, were as follows:

Transfer From	Transfer To	2009	2010
Other Governmental Funds	General Fund	\$ -	\$ 36,369
Other Governmental Funds	Other Governmental Funds	<u>12,000</u>	<u>-</u>
Totals		<u>\$ 12,000</u>	<u>\$ 36,369</u>

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

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; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters are covered by commercial insurance from independent third parties.

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.

During 2002, the School Corporation joined with other governmental entities in the Porter County Schools Employees' Insurance Trusts, a public entity risk pool currently operating as a common risk management and insurance program for 10 member governmental entities. This risk pool was formed in the 1997. The purpose of the risk pool is to provide a medium for the funding and administration of medical benefits to employees. The School Corporation pays an annual premium to the risk pool for its medical benefits coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$100,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$100,000 limit.

B. Holding Corporations

The School Corporation has entered into a capital lease with Lake Station Community Schools Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2009 and 2010 totaled \$90,000 and \$88,500, respectively.

LAKE STATION COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

The School Corporation has entered into a capital lease with Lake Station Elementary School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing elementary school facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments will begin in 2012.

C. Subsequent Events

Due to delays cause by trending of assessments, 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. The County issued a provisional billing due May 10, 2010, based upon the 2008 pay 2009 tax rates. The County has not been advised when the tax rates for 2009 pay 2010 will be established.

The School Corporation issued tax anticipation warrants on January 4, 2010, totaling \$1,908,000 which were due by December 31, 2010. The School Corporation was not able to repay the warrants by December 31, 2010, due to the delays in receiving final property tax settlement from the County; thus, the bank was willing to extend the due date to December 31, 2011, at an interest rate of 1%.

D. Termination Benefits

Teachers and Administrators Retirement Program

Benefit Category I (Grandfathered Group)

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

Retirement/Severance Pay

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

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

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

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

LAKE STATION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Retirement/Severance benefits of up to \$2,000 will be paid in June of the year of retirement. For the 2008-2009 fiscal year, a total of \$5,100 was paid out to 3 teachers. For the 2009-2010 fiscal year, a total of \$8,000 was paid out to 4 teachers.

Section 125 Benefit

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

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

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

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

Additional Section 125 Retirement Benefits

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

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

Retirees have the option under Section 125 to receive the Additional Section 125 benefit in cash or applied toward the cost of qualified Section 125 benefits. Cash distributions of the Additional Section 125 benefit shall be made beginning with the first pay day of the new

LAKE STATION COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

school year in the teacher's year of retirement on the basis of equalizing the amount due over 26 pays per year for a period of 5 years or until the retiree is eligible for normal nonreduced Social Security benefits, whichever comes first.

The Section 125 and Additional Section 125 benefits will be paid out over 5 years. For the 2008-2009 fiscal year \$70,272 was paid out for 7 teachers and 1 administrator. For the 2009-2010 fiscal year \$77,595 was paid out for 7 teachers and 1 administrator.

Bridge Benefits Program

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

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

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

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

Retirement Annuity Program 401(a) – Certified

Beginning at the end of the 2000-2001 school year, Lake Station Community Schools will establish and maintain a qualified Section 401(a) Annuity Plan, hereinafter referred to as the "401(a) Plan" for full-time certified, administrators and noncertified employees. The School Corporation will make contributions to a 401(a) account on behalf of teachers, administrators, and noncertified employees who have contributed an equal amount to a Section 403(b) Plan, for 2008-2009 of up to 2% and for 2009-2010 of up to 1% for teachers of their annual base salary. For the 2008-2009 fiscal year, \$20,158 for 17 teachers was contributed to 401(a) plan accounts. For the 2009-2010 fiscal year, \$9,159 for 15 teachers was contributed to 401(a) plan accounts.

LAKE STATION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Benefit Category II (Non-grandfathered Group)

One-Time Severance/Retirement Program

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

Retirement/Severance Pay

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

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

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

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

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

Retirement/Severance benefits of \$2,000 will be paid in June of the year of retirement. Severance and Bridge benefits shall be capped at \$10,000 per individual employee. For the 2009-2010 fiscal year, \$1,600 was paid to one employee.

Classified Employees Retirement Program

Section 125 Benefit

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

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

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

LAKE STATION COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Employees hired after the 1982-1983 school year may accumulate a total of 150 sick days for the calculation of Section 125 Benefits.

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

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

No benefits were paid for this category during the audit period.

Supplemental (Sick Day) Contribution

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

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

Beginning at the end of the 2000-2001 school year, Lake Station Community Schools will establish and maintain a qualified Section 401(a) Annuity Plan, hereinafter referred to as the "401(a) Plan" for full-time certified, administrators and noncertified employees. The School Corporation will make contributions to a 401(a) account on behalf of teachers, administrators, and noncertified employees who have contributed an equal amount to a Section 403(b) Plan, of up to 2.5% for 2008-2009 and 2% for 2009-2010 for teachers, 5% for administrators and up to 6% for noncertified employees of their annual base salary. For the 2008-2009 fiscal year, \$75,965 for 66 teachers, \$54,099 for 12 administrators, and \$33,479 for 40 noncertified employees was contributed to 401(a) plan accounts. For the 2009-2010 fiscal year, \$46,368 for 68 teachers, \$44,488 for 12 administrators, and \$31,907 for 39 noncertified employees was contributed to 401(a) plan accounts.

E. Other Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health and life insurance benefits, as authorized by Indiana Code 5-10-8, to all administrators who retire from the School Corporation. The School Corporation provides 100% of the life insurance benefits. The retiree provides \$100 per month and the School Corporation provides the balance due for the health insurance postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. Currently, 11 retirees meet these eligibility requirements for the life insurance and 6 retirees meet these eligibility requirements for health insurance benefits. During the year ended June 30, 2010, disbursements of \$4,942 were recognized for postemployment benefits.

LAKE STATION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plans

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy

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 for 2008-2009 and 2009-2010 were \$152,142 and \$154,749, 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.

LAKE STATION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 for 2008-2009 and 2009-2010 were \$330,318 and \$328,023, respectively.

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

	Transportation Operating	Special Education Preschool	Lake County Safe Schools	Education License Plate	Alternative Education Grant	Early Intervention	Discovery Alliance
Receipts:							
Local sources	\$ 276,909	\$ 2,025	\$ 4,760	\$ -	\$ -	\$ -	\$ 11,316
Intermediate sources	-	-	-	488	-	-	-
State sources	-	37,852	-	-	2,903	23,872	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	219,000	-	-	-	-	-	-
Interfund loans	100,000	-	-	-	-	-	-
Other	21	-	-	-	-	-	-
Total receipts	595,930	39,877	4,760	488	2,903	23,872	11,316
Disbursements:							
Current:							
Instruction	-	-	-	-	2,903	34,945	2,019
Support services	260,013	-	1,581	310	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Debt services	107,000	-	-	-	-	-	-
Nonprogrammed charges	-	71,750	-	-	-	-	-
Total disbursements	367,013	71,750	1,581	310	2,903	34,945	2,019
Excess (deficiency) of receipts over disbursements	228,917	(31,873)	3,179	178	-	(11,073)	9,297
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	228,917	(31,873)	3,179	178	-	(11,073)	9,297
Cash and investments - beginning	(80,958)	50,367	1,262	224	-	11,073	3,881
Cash and investments - ending	\$ 147,959	\$ 18,494	\$ 4,441	\$ 402	\$ -	\$ -	\$ 13,178
Cash and Investment Assets - Ending							
Cash and investments	\$ 147,959	\$ 18,494	\$ 4,441	\$ 402	\$ -	\$ -	\$ 13,178
Total cash and investment assets - ending	\$ 147,959	\$ 18,494	\$ 4,441	\$ 402	\$ -	\$ -	\$ 13,178
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 147,959	\$ 18,494	\$ 4,441	\$ 402	\$ -	\$ -	\$ 13,178
Total cash and investment fund balance - ending	\$ 147,959	\$ 18,494	\$ 4,441	\$ 402	\$ -	\$ -	\$ 13,178

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

	Wellness	High Ability Grant	Common School Technology 2009	Non-English Speaking Grant	Indiana Tobacco Prevention Grant	DCS 2008
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	13,400	-	-	-	-	-
State sources	-	31,651	214,340	26,683	-	7,500
Federal sources	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	13,400	31,651	214,340	26,683	-	7,500
Disbursements:						
Current:						
Instruction	-	31,651	-	26,683	-	2,542
Support services	8,657	-	214,340	-	-	-
Noninstructional services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	8,657	31,651	214,340	26,683	-	2,542
Excess (deficiency) of receipts over disbursements	4,743	-	-	-	-	4,958
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	4,743	-	-	-	-	4,958
Cash and investments - beginning	-	-	-	-	125	(4,958)
Cash and investments - ending	\$ 4,743	\$ -	\$ -	\$ -	\$ 125	\$ -
Cash and Investment Assets - Ending						
Cash and investments	\$ 4,743	\$ -	\$ -	\$ -	\$ 125	\$ -
Total cash and investment assets - ending	\$ 4,743	\$ -	\$ -	\$ -	\$ 125	\$ -
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 4,743	\$ -	\$ -	\$ -	\$ 125	\$ -
Total cash and investment fund balance - ending	\$ 4,743	\$ -	\$ -	\$ -	\$ 125	\$ -

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

	Title I	Title V	Title IV Part A	Title II Part A	Title III	Reading First
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 587
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	671,008	-	6,542	80,349	24,750	431,648
Temporary loans	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	671,008	-	6,542	80,349	24,750	432,235
Disbursements:						
Current:						
Instruction	483,306	6,625	6,542	73,619	25,890	405,953
Support services	118,539	14,881	-	2,000	-	14,591
Noninstructional services	42,003	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	655
Total disbursements	643,848	21,506	6,542	75,619	25,890	421,199
Excess (deficiency) of receipts over disbursements	27,160	(21,506)	-	4,730	(1,140)	11,036
Other financing sources (uses):						
Transfers in	-	12,000	-	-	-	-
Transfers out	-	-	-	(12,000)	-	-
Total other financing sources (uses)	-	12,000	-	(12,000)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	27,160	(9,506)	-	(7,270)	(1,140)	11,036
Cash and investments - beginning	(19,802)	10,956	-	14,285	1,140	29,303
Cash and investments - ending	\$ 7,358	\$ 1,450	\$ -	\$ 7,015	\$ -	\$ 40,339
Cash and Investment Assets - Ending						
Cash and investments	\$ 7,358	\$ 1,450	\$ -	\$ 7,015	\$ -	\$ 40,339
Total cash and investment assets - ending	\$ 7,358	\$ 1,450	\$ -	\$ 7,015	\$ -	\$ 40,339
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 7,358	\$ 1,450	\$ -	\$ 7,015	\$ -	\$ 40,339
Total cash and investment fund balance - ending	\$ 7,358	\$ 1,450	\$ -	\$ 7,015	\$ -	\$ 40,339

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

	Drug Free Schools	School Bus Replacement	Common School Bailey	Common School Central	Common School Hamilton	Totals
Receipts:						
Local sources	\$ -	\$ 95,167	\$ -	\$ -	\$ -	\$ 390,764
Intermediate sources	-	-	-	-	-	13,888
State sources	-	-	-	-	-	344,801
Federal sources	53,001	-	-	-	-	1,267,298
Temporary loans	-	-	692	2,941	305,201	527,834
Interfund loans	-	-	-	-	-	100,000
Other	-	-	-	-	-	21
Total receipts	53,001	95,167	692	2,941	305,201	2,644,606
Disbursements:						
Current:						
Instruction	51,097	-	-	-	-	1,153,775
Support services	1,500	-	692	3,030	149,157	789,291
Noninstructional services	-	-	-	-	-	42,003
Debt services	-	49,000	-	-	-	156,000
Nonprogrammed charges	-	-	-	-	-	72,405
Total disbursements	52,597	49,000	692	3,030	149,157	2,213,474
Excess (deficiency) of receipts over disbursements	404	46,167	-	(89)	156,044	431,132
Other financing sources (uses):						
Transfers in	-	-	-	-	-	12,000
Transfers out	-	-	-	-	-	(12,000)
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	404	46,167	-	(89)	156,044	431,132
Cash and investments - beginning	-	14,073	-	89	(156,044)	(124,984)
Cash and investments - ending	\$ 404	\$ 60,240	\$ -	\$ -	\$ -	\$ 306,148
Cash and Investment Assets - Ending						
Cash and investments	\$ 404	\$ 60,240	\$ -	\$ -	\$ -	\$ 306,148
Total cash and investment assets - ending	\$ 404	\$ 60,240	\$ -	\$ -	\$ -	\$ 306,148
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 404	\$ 60,240	\$ -	\$ -	\$ -	\$ 306,148
Total cash and investment fund balance - ending	\$ 404	\$ 60,240	\$ -	\$ -	\$ -	\$ 306,148

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

	Transportation Operating	Special Education Preschool	Lake County Safe Schools	Education License Plate	Alternative Education Grant	Safe Haven	Early Intervention
Receipts:							
Local sources	\$ 381,295	\$ -	\$ 603	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	319	-	-	-
State sources	63,238	17,875	-	-	8,732	20,000	11,640
Federal sources	-	-	-	-	-	-	-
Temporary loans	232,000	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	676,533	17,875	603	319	8,732	20,000	11,640
Disbursements:							
Current:							
Instruction	-	-	-	-	8,732	-	9,679
Support services	295,231	-	621	720	-	495	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	219,000	-	-	-	-	-	-
Interfund loans	100,000	-	-	-	-	-	-
Total disbursements	614,231	-	621	720	8,732	495	9,679
Excess (deficiency) of receipts over disbursements	62,302	17,875	(18)	(401)	-	19,505	1,961
Other financing sources (uses):							
Transfers out	-	(36,369)	-	-	-	-	-
Total other financing sources (uses)	-	(36,369)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	62,302	(18,494)	(18)	(401)	-	19,505	1,961
Cash and investments - beginning	147,959	18,494	4,441	401	-	-	-
Cash and investments - ending	\$ 210,261	\$ -	\$ 4,423	\$ -	\$ -	\$ 19,505	\$ 1,961
Cash and Investment Assets - Ending							
Cash and investments	\$ 210,261	\$ -	\$ 4,423	\$ -	\$ -	\$ 19,505	\$ 1,961
Total cash and investment assets - ending	\$ 210,261	\$ -	\$ 4,423	\$ -	\$ -	\$ 19,505	\$ 1,961
Cash and Investment Fund Balance - Ending							
Unrestricted	\$ 210,261	\$ -	\$ 4,423	\$ -	\$ -	\$ 19,505	\$ 1,961
Total cash and investment fund balance - ending	\$ 210,261	\$ -	\$ 4,423	\$ -	\$ -	\$ 19,505	\$ 1,961

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

	Ready Schools Grant	Discovery Alliance	Wellness	High Ability Grant	Common School Technology 2009	Common School Technology 2010	Non-English Speaking Grant
Receipts:							
Local sources	\$ -	\$ 1,788	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	13,500	-	-	-	-
State sources	23,868	-	-	31,398	92,660	34,348	22,074
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	23,868	1,788	13,500	31,398	92,660	34,348	22,074
Disbursements:							
Current:							
Instruction	22,687	3,169	-	31,398	-	-	22,074
Support services	-	-	10,234	-	92,660	37,820	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	22,687	3,169	10,234	31,398	92,660	37,820	22,074
Excess (deficiency) of receipts over disbursements	1,181	(1,381)	3,266	-	-	(3,472)	-
Other financing sources (uses):							
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,181	(1,381)	3,266	-	-	(3,472)	-
Cash and investments - beginning	-	13,178	4,743	-	-	-	-
Cash and investments - ending	\$ 1,181	\$ 11,797	\$ 8,009	\$ -	\$ -	\$ (3,472)	\$ -
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 1,181	\$ 11,797	\$ 8,009	\$ -	\$ -	\$ (3,472)	\$ -
Total cash and investment assets - ending	\$ 1,181	\$ 11,797	\$ 8,009	\$ -	\$ -	\$ (3,472)	\$ -
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	\$ 1,181	\$ 11,797	\$ 8,009	\$ -	\$ -	\$ (3,472)	\$ -
Total cash and investment fund balance - ending	\$ 1,181	\$ 11,797	\$ 8,009	\$ -	\$ -	\$ (3,472)	\$ -

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

	Indiana Tobacco Prevention Grant	Title I	Title V	Title IV Part A	Title II Part A	Title III	Reading First
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	617,716	1,062	10,443	75,048	23,140	374,465
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	617,716	1,062	10,443	75,048	23,140	374,465
Disbursements:							
Current:							
Instruction	-	393,066	-	10,443	41,873	23,140	395,404
Support services	125	161,046	2,512	-	-	-	1,325
Noninstructional services	-	43,557	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	125	597,669	2,512	10,443	41,873	23,140	396,729
Excess (deficiency) of receipts over disbursements	(125)	20,047	(1,450)	-	33,175	-	(22,264)
Other financing sources (uses):							
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(125)	20,047	(1,450)	-	33,175	-	(22,264)
Cash and investments - beginning	125	7,359	1,450	-	7,015	-	40,339
Cash and investments - ending	\$ -	\$ 27,406	\$ -	\$ -	\$ 40,190	\$ -	\$ 18,075
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ -	\$ 27,406	\$ -	\$ -	\$ 40,190	\$ -	\$ 18,075
Total cash and investment assets - ending	\$ -	\$ 27,406	\$ -	\$ -	\$ 40,190	\$ -	\$ 18,075
<u>Cash and Investment Fund Balance - Ending</u>							
Unrestricted	\$ -	\$ 27,406	\$ -	\$ -	\$ 40,190	\$ -	\$ 18,075
Total cash and investment fund balance - ending	\$ -	\$ 27,406	\$ -	\$ -	\$ 40,190	\$ -	\$ 18,075

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

	Drug Free Schools	Special Ed Part B Stimulus	School Bus Replacement	Common School Bailey	Common School Hamilton	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ 105,070	\$ -	\$ -	\$ 488,756
Intermediate sources	-	-	-	-	-	13,819
State sources	-	-	-	-	-	325,833
Federal sources	197,084	39,060	-	-	-	1,338,018
Temporary loans	-	-	96,000	67,176	25,340	420,516
Other	-	-	-	3,700	-	3,700
Total receipts	197,084	39,060	201,070	70,876	25,340	2,590,642
Disbursements:						
Current:						
Instruction	102,023	43,578	-	-	-	1,107,266
Support services	70,426	-	242,639	-	25,340	941,194
Noninstructional services	1,834	-	-	-	-	45,391
Facilities acquisition and construction	-	-	-	67,505	-	67,505
Debt services	-	-	-	-	-	219,000
Interfund loans	-	-	-	-	-	100,000
Total disbursements	174,283	43,578	242,639	67,505	25,340	2,480,356
Excess (deficiency) of receipts over disbursements	22,801	(4,518)	(41,569)	3,371	-	110,286
Other financing sources (uses):						
Transfers out	-	-	-	-	-	(36,369)
Total other financing sources (uses)	-	-	-	-	-	(36,369)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	22,801	(4,518)	(41,569)	3,371	-	73,917
Cash and investments - beginning	404	-	60,239	-	-	306,147
Cash and investments - ending	\$ 23,205	\$ (4,518)	\$ 18,670	\$ 3,371	\$ -	\$ 380,064
Cash and Investment Assets - Ending						
Cash and investments	\$ 23,205	\$ (4,518)	\$ 18,670	\$ 3,371	\$ -	\$ 380,064
Total cash and investment assets - ending	\$ 23,205	\$ (4,518)	\$ 18,670	\$ 3,371	\$ -	\$ 380,064
Cash and Investment Fund Balance - Ending						
Unrestricted	\$ 23,205	\$ (4,518)	\$ 18,670	\$ 3,371	\$ -	\$ 380,064
Total cash and investment fund balance - ending	\$ 23,205	\$ (4,518)	\$ 18,670	\$ 3,371	\$ -	\$ 380,064

LAKE STATION COMMUNITY SCHOOLS
 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	\$ 31,742
Buildings	12,851,703
Improvements other than buildings	2,046,884
Machinery and equipment	<u>3,563,700</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 18,494,029</u>

LAKE STATION COMMUNITY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2010

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Edison Jr/Sr High School	\$ 935,000	\$ 89,500
Bailey Elementary School	2,800,000	-
Notes and loans payable	<u>10,360,671</u>	<u>928,246</u>
Total governmental activities debt	<u>\$ 14,095,671</u>	<u>\$ 1,017,746</u>

LAKE STATION COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH/FUND BALANCES

The School Corporation had overdrawn cash or fund balances as shown below:

Fund	June 30, 2009	June 30,2010
General	\$ 222,618	\$ -
Common School Technology 2010	-	3,472
Special Ed Part B Stimulus	-	4,518

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

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

Records were not presented for audit to support the 2008-2009 ADM claimed by the School Corporation.

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)

TEXTBOOK RENTAL RECEIPTS (Applies to Hamilton Elementary School)

The textbook rental receipts were not always clearly marked in the area designated cash, check, money order, etc; therefore, we were unable to trace the composition of the receipts to the detail on the deposit slips. Also the textbook rental receipts were not always deposited within a reasonable time. Collections, in some instances, were held for periods in excess of 17 days before depositing.

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

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

RECEIPTS (Applies to Bailey Elementary School)

Receipts for assignment books were combined with textbook rental receipts and were not marked in the area designated cash, check, money order, etc. Therefore, we could not determine whether the deposit to bank was in the same form as received.

LAKE STATION COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

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

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

The Claim for Payment (Form SA-7) was signed only by the Extra-Curricular Treasurer. A similar comment was in the prior Report B34397.

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

ECA DEPOSITS (Applies to Edison Jr./Sr. High School)

Receipts were not always deposited within a reasonable time. Receipts, in some instances, were held for periods in excess of 13 days before depositing and in some cases, accumulated to over \$5,000 before a deposit was made.

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

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

Official receipts and textbook rental receipts were not always clearly marked in the area designated cash, check, money order, etc. The total amount of receipts agreed to the total indicated on the deposit slip, however, the composition on the deposit slip did not agree to the composition of the official receipts and the textbook rental receipts.

A similar comment was in the prior Report B34397.

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

CONDITION OF RECORDS (Applies to Edison Jr./Sr. High School)

Beginning with the 2008-2009 school year, transactions for the extra-curricular account were processed through a computer software program. The computer software produces a Schedule of Balances, Receipts, and Expenditures (Schedule) in summary form, which is the equivalent of the Financial Reports Form SA5-1 which includes a Schedule of Receipts, Disbursements, and Balances. Additionally, the computer software produces a Detail Ledger report, which is the equivalent of the Form SA-6.

Also, the beginning and ending balances per the Schedule of Balance, Receipts, and Expenditures, does not agree from one school year to the next.

When the Treasurer reconciles the bank account, she reconciles to the Schedule of Balances, Receipts and Expenditures. She has not attempted to reconcile the Detail Ledger to the Schedule in an attempt to determine a reason for the discrepancies.

LAKE STATION COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

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 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)

THEFT (Applies to Edison Jr./Sr. High School)

The Treasurer made up a deposit on August 23, 2010, totaling \$10,279 which included \$3,455 in cash. She placed the deposit in an unlocked bank deposit bag and set the bag next to her lock box. (Staff and students have access to her Office.) She did not have time to take the deposit to the bank so at the end of the day she put the deposit bag in the lock box. The next day she dropped the deposit at the bank. The bank later called her and said that the cash was short \$1,000. The Treasurer filed a police report on August 25, 2010.

Break-ins, burglaries or other crimes committed against the governmental unit should be documented by the filing of an official police report. Insurance companies should be contacted to request payment for any allowable coverage. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

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

Compliance

We have audited the compliance of the Lake Station Community Schools (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 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.

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2009 and 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2010-1 and 2010-2.

Internal Control Over Compliance

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

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

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

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 2010-1 and 2010-2 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. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs 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 6, 2011

LAKE STATION COMMUNITY SCHOOLS
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	10.553	FY 09-10	\$ 159,828	\$ 181,952
National School Lunch Program	10.555	FY 09-10	413,550	482,123
Summer Food Service Program for Children	10.559	FY 09-10	<u>37,068</u>	<u>42,861</u>
Total for federal grantor agency			<u>610,446</u>	<u>706,936</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			
		08-4680	56,797	-
		09-4680	587,051	66,271
		10-4680	<u>-</u>	<u>531,397</u>
Total for program			<u>643,848</u>	<u>597,668</u>
ARRA - Title I Grants to Local Educational Agencies	84.389	FY 09-10	<u>52,597</u>	<u>174,283</u>
Total for cluster			<u>696,445</u>	<u>771,951</u>
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund - Education State Grants	84.394			
		09-4680	-	977,458
		10-4680	<u>-</u>	<u>196,047</u>
Total for cluster			<u>-</u>	<u>1,173,505</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186			
		08-4680	6,542	-
		09-4680	<u>-</u>	<u>10,443</u>
Total for program			<u>6,542</u>	<u>10,443</u>
State Grants for Innovative Programs	84.298			
		07-4680	10,956	1,062
		08-4680	<u>10,550</u>	<u>1,450</u>
Total for program			<u>21,506</u>	<u>2,512</u>
Reading First State Grants	84.357			
		07-08	192,865	-
		08-09	228,334	219,393
		09-10	<u>-</u>	<u>177,337</u>
Total for program			<u>421,199</u>	<u>396,730</u>
English Language Acquisition Grants	84.365			
		07-08	1,140	-
		08-09	24,750	-
		09-10	<u>-</u>	<u>23,140</u>
Total for program			<u>25,890</u>	<u>23,140</u>
Improving Teacher Quality State Grants	84.367			
		07-4680	14,285	-
		08-4680	61,334	7,015
		09-4680	<u>-</u>	<u>34,858</u>
Total for program			<u>75,619</u>	<u>41,873</u>
Total for federal grantor agency			<u>1,247,201</u>	<u>2,420,154</u>
Total federal awards expended			<u>\$ 1,857,647</u>	<u>\$ 3,127,090</u>

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

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

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Lake Station Community Schools (School Corporation) and is presented in accordance with the 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	\$ 13,520	\$ 12,208
National School Lunch Program	10.555	35,104	32,460

LAKE STATION COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

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

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

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.357	Title I, Part A Cluster State Fiscal Stabilization Fund Cluster Reading First State Grants

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

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

Section III – Federal Award Findings and Questioned Costs

FINDING 2010-1, ACTIVITIES ALLOWED OR UNALLOWED

Federal Agency: U.S. Department of Education
Federal Program: Title I, Part A Cluster; State Fiscal Stabilization Fund
Cluster; Reading First State Grants
CFDA Number: 84.010; 84.389; 84.394; 84.357
Pass-Through Entity: Indiana Department of Education

Officials indicated that expenditures for the federal grants are approved by the Grant Program Administrators and the Treasurer prior to payment. These approvals are indicated by their signatures being noted either on the accounts payable vouchers (claims), or on a claim docket.

We noted that none of the accounts payable vouchers (claims) had been signed by the Treasurer. Furthermore, 20% of the claims examined from the Title I, Title I ARRA, and the Reading First State Grants were not signed by the program administrators. And, none of the claims for the Fiscal Stabilization Program were signed by the program administrators.

The Treasurer explained that prior to July 1, 2008, she would sign a claim docket which contained language indicating she had reviewed and approved the expenditures. She stated the claim docket was changed to exclude her signature. She continued to review the expenditures, but was not signing anything to indicate approval. The claim dockets were signed by the members of the School Board to indicate they had reviewed and approved the claims for payment.

EDGAR 80.20 (b)(3) states in part:

" . . . Internal control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes."

Lack of grant supervisory review of expenditures or supporting documentation attached to expenditures could lead to federal money being spent on unallowable activities.

We recommended that School Corporation Officials implement procedures and controls to ensure that the expenditure of federal funds are reviewed to ensure the expenditure is allowable under the grant guidelines. Additionally, documentation of performance of such controls and procedures should be maintained and available for audit.

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

FINDING 2010-2, CASH MANAGEMENT

Federal Agency: U.S. Department of Education
Federal Program: ARRA – Title I Grants to Local Educational Agencies; Reading First State Grants
CFDA Number: 84.389; 84.357
Pass-Through Entity: Indiana Department of Education

Amounts received by the School Corporation for the ARRA - Title I Grants to Local Educational Agencies and Reading First State Grants were drawn down in advance. School Corporation Officials are required to review needs and draw funds as needed in accordance with federal guidelines. The draw-down requests are included in the applications for grant funds. Furthermore, School Corporation Officials have the opportunity to modify requests to address current needs.

The cash balance of the ARRA - Title I Grants to Local Educational Agencies exceeded the allowable cash balance based on estimated future requirements for 7 of the 15 months during the audit period.

The cash balance of the Reading First State Grants exceeded the allowable cash balance based on estimated future requirements for 12 of the 24 months during the audit period.

Cash drawdown requests were not revised to ensure there would not be excess cash on hand, indicating that School Corporation Officials do not have a system in place for monitoring cash needs.

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 disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

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

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

LAKE STATION COMMUNITY SCHOOLS

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



DAN DEHAVEN
SUPERINTENDENT

NICK GEORGION
PUPIL PERSONNEL DIRECTOR

Date: November 30, 2010

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NO. 2008-1

Original SBA Audit Report:	Cash Management
Fiscal Year:	June 30, 2008
Auditee Contact Person:	Sandra Cain
Title of Contact Person:	Director of Business Affairs
Phone Number:	(219) 962-1159

Status of Finding: The Director of Business Affairs and Title I Director continued to review monthly cash balances and advise the appropriate individuals whenever balances exceeded 10%. Beginning July 1, 2010 all federal grants became reimbursable and therefore this finding should no longer be an issue.

Signature: _____

LAKE STATION COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on January 6, 2011, with Karen Curtis, President of the School Board; Dan DeHaven, Superintendent of Schools; and Sandra Cain, Treasurer. The official response has been made a part of this report and may be found on pages 50 through 52.

**LAKE STATION COMMUNITY SCHOOLS
SUPERINTENDENT'S OFFICE**

TO: Bruce Hartman
State Board of Accounts

FROM: Dan DeHaven

RE: Audit Finding July 1, 2008 to June 30, 2010

DATE: January 11, 2011

Average Daily Membership - Lack of Records

The ADM could not be verified due to the lack of records showing student names for each ADM count. The Superintendent will instruct each principal to submit accurate records to support each school's ADM report.

Textbook Rental Receipts (Hamilton Elementary)

Textbook rental receipts did not always show which type of funds were received (cash, check, money order, etc) The Superintendent will meet with each principal and secretary to correct this omission.

Receipts (Bailey Elementary)

Assignment book receipts were combined with book rental receipts and did not designate cash or check. The Superintendent will meet with each principal and secretary to correct this practice.

Extra Curricular Disbursements (Edison Jr/Sr High School)

Claim for payment forms (SA-7) are not being signed by the person authorized to sign and the person who receives the goods. The Extra-Curricular treasurer is to sign the required SA-7 form as well. The Superintendent will instruct the bookkeeper and Director of Business to follow this directive.

ECA Deposits & ECA and Textbook Rental Receipts (Edison Jr/Sr High School)

Some ECA deposits were held for unreasonable lengths of time before depositing. Book rental receipts did not indicate cash or check. The superintendent and the Director of Business will meet the principal and bookkeeper to correct these issues.

Condition of Records (Edison Jr/Sr High School)

Ending and beginning balances for the 2008-09 and 2009-10 school years could not be balanced. We purchased new ECA software from Software Design Systems (SDS) at the start of the 2008-09 school year. We experienced many start-up problems and after two years of trying to get SDS to correct our issues have made the decision to purchase another software program. We are currently examining possible companies and will have a new software program in place by August 2011.

Theft (Edison Jr/Sr High School)

The theft of this money has been thoroughly investigated by the Lake Station Police. The police were not able to determine who took the money. All employees in the office area on the day of the theft were given a written type of polygraph and a Voice Stress Test. The insurance company was contacted to determine our coverage and the police report was shared with the auditors. We have applied for a Common School Construction Loan to remodel the bookkeeper's office so that it can be completely secured with a door and a glass wall. This will be completed in the spring of 2011.

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STATE BOARD OF ACCOUNTS

Lesniak O'Rourke

Attorneys At Law
(An Association)

Richard J. Lesniak
William A. O'Rourke

40 E. Joliet Street, Suite B.
Scherverville, Indiana 46375
Telephone: (219) 864 - 5300
Fax: (219) 864 - 3935

Norma Novak
Administrator

January 6, 2011

Superintendent Dan DeHaven
Lake Station Community Schools
2500 Pike Street
Lake Station, Indiana 46405

RE: State Board of Accounts Audit

Dear Superintendent Dan DeHaven:

This is in response to your December 1, 2010 request for information.

Pending or Threatened Litigation, Claims, and Assessments excluding unasserted claims and assessments

I am unaware of any material pending or threatened litigation, claims and assessments.

Unasserted Claims and Assessments

There are no unasserted possible claims or assessments that are probable of assertion.

Response

This response includes all matters that are listed as of June 30, 2010 and during the period from that date to the effective date, December 30, 2010, of this response.

Very truly yours,

LESNIAK O'ROURKE

BY: William A. O'Rourke
William A. O'Rourke

WAO:de