

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

LAKE RIDGE SCHOOLS
LAKE COUNTY, INDIANA

July 1, 2011 to June 30, 2013



FILED
05/30/2014

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance With Government Auditing Standards	6-7
Financial Statement:	
Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis	10-11
Notes to Financial Statement	12-16
Supplementary Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis	18-31
Schedule of Payables and Receivables	32
Schedule of Leases and Debt	33
Schedule of Capital Assets	35
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance	38-40
Schedule of Expenditures of Federal Awards	42-43
Notes to Schedule of Expenditures of Federal Awards	44
Schedule of Findings and Questioned Costs	45-64
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings	65
Corrective Action Plan	66-90
Exit Conference	91

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Edward R. Sopko	07-01-11 to 06-30-14
Superintendent of Schools	Sharon Johnson-Shirley, Ed. D	07-01-11 to 06-30-14
President of the School Board	Richard A. Lowe Glenn Johnson	07-01-11 to 06-30-13 07-01-13 to 06-30-14



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE LAKE RIDGE SCHOOLS, LAKE COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Lake Ridge Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School Corporation's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2011 to June 30, 2013.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2011 to June 30, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 11, 2014, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.


Paul D. Joyce, CPA
State Examiner

February 11, 2014



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE LAKE RIDGE SCHOOLS, LAKE COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Lake Ridge Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement, and have issued our report thereon dated February 11, 2014, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2013-001 and 2013-002 to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2013-001 and 2013-002.

Lake Ridge Schools' Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

February 11, 2014

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FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

LAKE RIDGE SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2012 and 2013

Fund Name	Cash and Investments 07-01-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13
General	\$ 2,990,285	\$ 15,857,729	\$ 16,868,155	\$ 14,904	\$ 1,994,763	\$ 14,971,370	\$ 15,209,759	\$ 288	\$ 1,756,662
Debt Service	429,070	748,151	151,987	(40,904)	984,330	93,219	508,801	-	568,748
Exempt Debt	(260,857)	3,531,821	3,199,930	-	71,034	3,189,199	2,513,776	-	746,457
Exempt Retirement/Severance Bond Debt Service	(23,477)	131,245	83,985	-	23,783	83,640	96,852	-	10,571
Capital Projects	(354,816)	1,098,723	808,472	-	(64,565)	809,787	496,327	-	248,895
School Transportation	1,654,662	1,623,715	706,775	(218,199)	2,353,403	1,212,200	909,935	-	2,655,668
School Bus Replacement	276,436	144,918	367,665	227,628	281,317	177,809	152,894	-	306,232
Rainy Day	1,036,831	-	-	-	1,036,831	-	-	-	1,036,831
Post-Retirement/Severance Future Benefits	173,896	-	45,750	196,500	324,646	831	152,483	1,274,818	1,447,812
Common School Fund	76,110	1,737,805	1,830,184	-	(16,269)	1,742,437	1,766,768	-	(40,600)
Construction Fund	321,152	25,000	262,997	-	83,155	-	60,209	-	22,946
School Lunch	69,338	1,434,837	1,301,963	-	202,212	1,538,439	1,332,942	-	407,709
Textbook Rental	(147,675)	165,702	292,904	40,904	(233,973)	170,989	47,242	-	(110,226)
Self-Insurance	1,524,750	535,366	566,524	(196,500)	1,297,092	-	22,274	(1,274,818)	-
Levy Excess	2	-	-	-	2	-	-	-	2
Educational License Plates	56	300	-	-	356	244	-	-	600
Alternative Education	(3,769)	3,769	-	-	-	-	-	-	-
School Library Printed Material	744	-	-	-	744	-	823	-	(79)
Safe Haven 2012-13	-	-	-	-	-	24,451	24,500	-	(49)
Best Buy Gift	1,986	-	1,900	-	86	-	-	-	86
Donations New Tech High	24,514	113	20,950	-	3,677	2,504	923	-	5,258
Scholarships and Awards	-	-	-	-	-	23,562	758	-	22,804
Health Clinic Initiative	6,964	-	6,870	-	94	650	1,341	-	(597)
SWCD Grant Outdoor Labs	1,035	-	-	-	1,035	-	-	-	1,035
Tech. Prep. Staff Development	1,764	-	-	-	1,764	-	-	-	1,764
Technical Assistance Fund	12,639	-	-	-	12,639	-	-	-	12,639
Computer Consortium/ ED Tech	(236,412)	383,100	147,615	-	(927)	161,208	174,583	-	(14,302)
Adult Education 2011-12	-	41,776	91,860	-	(50,084)	55,170	5,086	-	-
Adult Education 2012-13	-	-	-	-	-	43,257	51,175	-	(7,918)
High Ability 2010-11	14,077	-	14,077	-	-	-	-	-	-
High Ability 2011-12	-	32,253	30,356	-	1,897	79	1,976	-	-
High Ability 2012-13	-	-	-	-	-	31,083	25,991	-	5,092
Non-English Speaking Programs 2010-11	2,428	398	2,826	-	-	-	-	-	-
Non-English Speaking Programs 2011-12	-	7,527	8,366	-	(839)	839	-	-	-
Non-English Speaking Programs 2012-13	-	-	-	-	-	7,632	7,640	-	(8)
E-Rate Reimbursement	(104,481)	6,734	10,498	-	(108,245)	319,326	63,820	-	147,261
Indiana School Academic Improvement	10,579	-	-	-	10,579	-	-	-	10,579
Vending	35,355	3,217	38,370	-	202	3,362	-	-	3,564
Senator David Ford Technology	-	-	-	-	-	1,496	1,496	-	-
Title I 2009-10	141,746	-	-	(141,746)	-	-	-	-	-

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

LAKE RIDGE SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2012 and 2013
(Continued)

Fund Name	Cash and Investments 07-01-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13
Title I 2010-11	(235,357)	462,146	223,297	(7,613)	(4,121)	4,121	-	-	-
Title I 2011-12	-	748,622	1,033,909	139,930	(145,357)	327,338	184,477	-	(2,496)
Title I School Improvement	-	12,688	36,028	-	(23,340)	32,089	8,749	-	-
Title I 2012-13	-	-	-	-	-	708,671	891,702	-	(183,031)
IDEA	-	67,213	67,213	-	-	-	-	-	-
(IDEA, Part B) LEA Capacity Building (Sliver) Grants	-	-	70,000	-	(70,000)	70,000	-	-	-
Adult Basic Education 2010	20,558	-	20,586	-	(28)	28	-	-	-
Adult Basic Education 2011	-	71,607	80,559	-	(8,952)	16,085	7,133	-	-
Adult Basic Education 2012	-	-	-	-	-	70,204	71,077	-	(873)
Adult Education Innovation	-	-	-	-	-	3,241	3,241	-	-
Drug Free Programs 2009-10	(2,749)	12,278	9,690	-	(161)	161	-	-	-
Team Nutrition Training Grants	-	1,500	-	-	1,500	-	1,086	-	414
Vocational and Technical Board Grants	-	-	-	-	-	661	661	-	-
Project Head Start 2009	(1,017)	1,017	-	-	-	-	-	-	-
Project Head Start 2010	(354)	354	-	-	-	-	-	-	-
Project Head Start 2011	(56,957)	291,850	234,893	-	-	-	-	-	-
Project Head Start 2012	-	91,807	123,992	-	(32,185)	245,213	213,028	-	-
Project Head Start 2013	-	-	-	-	-	76,614	127,363	-	(50,749)
21st Century Learning Center	(31,980)	56,226	24,246	-	-	-	-	-	-
21st Century Community 2011-12	(760)	132,449	152,459	-	(20,770)	20,770	-	-	-
21st Century Community 2012-13	-	-	4,153	-	(4,153)	85,627	133,347	-	(51,873)
21st Century Community 2013-14	-	-	-	-	-	-	2,847	-	(2,847)
School to Work Opportunity Implementation	(623)	-	-	-	(623)	623	-	-	-
Title II Part A 2007-09	5,082	-	-	-	5,082	-	-	-	5,082
IDEA	(25,817)	31,752	5,935	-	-	-	-	-	-
Improving Teaching Quality, No Child Left, Title II, Part A	(7,654)	7,654	-	-	-	-	-	-	-
Title II Part A 2010-12	(90,288)	178,101	86,823	-	990	-	990	-	-
Title II Part A 2011-13	-	-	29,210	-	(29,210)	101,872	106,232	-	(33,570)
Title III 2010-11	(12,129)	12,129	-	-	-	-	-	-	-
Title III Part A 2011-12	-	3,551	3,805	-	(254)	254	-	-	-
Title III Part A 2012-13	-	-	-	-	-	-	12,030	-	(12,030)
Fiscal Stabilization Stimulus	(44,530)	64,872	20,342	-	-	-	-	-	-
Title I - School Improvement	(1,893)	35,925	34,032	-	-	7,769	7,769	-	-
Education Technology Cadre 2	(200)	200	-	-	-	-	-	-	-
Head Start Stimulus	52	5	-	-	57	-	-	-	57
New Technology Grants	-	125,000	1,129	-	123,871	-	58,340	-	65,531
Education Jobs	-	511,671	511,671	-	-	10,448	10,448	-	-
Payroll Fund	261,203	3,277,670	3,484,333	-	54,540	2,579,493	2,667,639	-	(33,606)
Totals	\$ 7,449,519	\$ 33,712,486	\$ 33,119,284	\$ 14,904	\$ 8,057,625	\$ 29,026,065	\$ 28,138,533	\$ 288	\$ 8,945,445

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

LAKE RIDGE SCHOOLS
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

The accompanying financial statement presents the financial information for the School Corporation.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts may include the following sources:

Local sources which include taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community services activities, and other revenue from local sources.

Intermediate sources which include distributions from the County for fees collected for or on behalf of the School Corporation including educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

LAKE RIDGE SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

State sources include distributions from the State of Indiana and are to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources include distributions from the federal government and are to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Temporary loans which include money received from a loan obtained to pay current expenses prior to the receipt of revenue from taxes levied for that purpose. These loans, sometimes designated tax anticipation warrants, must be repaid from the next semiannual distribution of local property taxes levied for such fund.

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

Other receipts which include amounts received from various sources which include return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements may include the following uses:

Instruction which includes outflows for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services which include outflows for food service operations and community service operations.

Facilities acquisition and construction which includes outflows for the acquisition, development, construction, and improvement of new and existing facilities.

Debt services which include fixed obligations resulting from financial transactions previously entered into by the School Corporation. It includes all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

LAKE RIDGE SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

F. Other Financing Sources and Uses

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

Sale of capital assets which includes money received when land, buildings, or equipment owned by the School Corporation is sold.

Transfers in which includes money received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

Transfers out which includes money paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the School Corporation. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

LAKE RIDGE SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

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

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the School Corporation to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is 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 this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member. As of March 2013, the employees pay the 3 percent.

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

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

LAKE RIDGE SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

B. Teachers' Retirement Fund

Plan Description

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

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

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 286-3544

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. For most of the funds with deficit cash balances, this is a result of various funds being set up for reimbursable grants. The reimbursement for expenditures made by the School Corporation were not received by June 30, 2013. For other funds, such as capital projects, common school, and textbook rental, the cash deficits are due to expenditures exceeding receipts.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's Office.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the School Corporation. It is presented as intended by the School Corporation

LAKE RIDGE SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012

	General	Debt Service	Exempt Debt	Exempt Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Post Retirement/ Severance Future Benefits	Common School Fund
Cash and investments - beginning	\$ 2,990,285	\$ 429,070	\$ (260,857)	\$ (23,477)	\$ (354,816)	\$ 1,654,662	\$ 276,436	\$ 1,036,831	\$ 173,896	\$ 76,110
Receipts:										
Local sources	772,044	748,151	3,531,821	131,245	1,098,723	1,623,715	144,918	-	-	150
Intermediate sources	62	-	-	-	-	-	-	-	-	-
State sources	15,028,634	-	-	-	-	-	-	-	-	-
Federal sources	56,989	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	1,737,655
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	15,857,729	748,151	3,531,821	131,245	1,098,723	1,623,715	144,918	-	-	1,737,805
Disbursements:										
Current:										
Instruction	10,088,581	-	-	-	-	-	-	-	-	-
Support services	6,225,721	-	-	-	736,620	706,775	41,752	-	45,750	-
Noninstructional services	522,410	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	31,443	-	-	-	71,852	-	-	-	-	1,830,184
Debt services	-	151,987	3,199,930	83,985	-	-	325,913	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	16,868,155	151,987	3,199,930	83,985	808,472	706,775	367,665	-	45,750	1,830,184
Excess (deficiency) of receipts over disbursements	(1,010,426)	596,164	331,891	47,260	290,251	916,940	(222,747)	-	(45,750)	(92,379)
Other financing sources (uses):										
Sale of capital assets	14,904	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	9,429	227,628	-	196,500	-
Transfers out	-	(40,904)	-	-	-	(227,628)	-	-	-	-
Total other financing sources (uses)	14,904	(40,904)	-	-	-	(218,199)	227,628	-	196,500	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(995,522)	555,260	331,891	47,260	290,251	698,741	4,881	-	150,750	(92,379)
Cash and investments - ending	\$ 1,994,763	\$ 984,330	\$ 71,034	\$ 23,783	\$ (64,565)	\$ 2,353,403	\$ 281,317	\$ 1,036,831	\$ 324,646	\$ (16,269)

LAKE RIDGE SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Construction Fund	School Lunch	Textbook Rental	Self- Insurance	Levy Excess	Educational License Plates	Alternative Education	School Library Printed Material	Best Buy Gift	Donations New Tech High
Cash and investments - beginning	\$ 321,152	\$ 69,338	\$ (147,675)	\$ 1,524,750	\$ 2	\$ 56	\$ (3,769)	\$ 744	\$ 1,986	\$ 24,514
Receipts:										
Local sources	-	185,407	36,065	535,366	-	-	-	-	-	113
Intermediate sources	-	-	-	-	-	300	-	-	-	-
State sources	-	-	129,637	-	-	-	-	-	-	-
Federal sources	-	1,249,430	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	25,000	-	-	-	-	-	3,769	-	-	-
Total receipts	25,000	1,434,837	165,702	535,366	-	300	3,769	-	-	113
Disbursements:										
Current:										
Instruction	-	-	-	-	-	-	-	-	1,900	20,950
Support services	30,000	264	292,904	-	-	-	-	-	-	-
Noninstructional services	-	1,295,975	-	-	-	-	-	-	-	-
Facilities acquisition and construction	232,997	5,724	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	566,524	-	-	-	-	-	-
Total disbursements	262,997	1,301,963	292,904	566,524	-	-	-	-	1,900	20,950
Excess (deficiency) of receipts over disbursements	(237,997)	132,874	(127,202)	(31,158)	-	300	3,769	-	(1,900)	(20,837)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	40,904	-	-	-	-	-	-	-
Transfers out	-	-	-	(196,500)	-	-	-	-	-	-
Total other financing sources (uses)	-	-	40,904	(196,500)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(237,997)	132,874	(86,298)	(227,658)	-	300	3,769	-	(1,900)	(20,837)
Cash and investments - ending	\$ 83,155	\$ 202,212	\$ (233,973)	\$ 1,297,092	\$ 2	\$ 356	\$ -	\$ 744	\$ 86	\$ 3,677

LAKE RIDGE SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Health Clinic Initiative	SWCD Grant Outdoor Labs	Tech. Prep. Staff Development	Technical Assistance Fund	Computer Consortium/ ED Tech	Adult Education 2011-12	High Ability 2010-11	High Ability 2011-12	Non-English Speaking Programs 2010-11	Non-English Speaking Programs 2011-12
Cash and investments - beginning	\$ 6,964	\$ 1,035	\$ 1,764	\$ 12,639	\$ (236,412)	\$ -	\$ 14,077	\$ -	\$ 2,428	\$ -
Receipts:										
Local sources	-	-	-	-	-	-	-	-	398	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	325,996	-	-	32,253	-	7,527
Federal sources	-	-	-	-	-	41,776	-	-	-	-
Temporary loans	-	-	-	-	57,104	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	383,100	41,776	-	32,253	398	7,527
Disbursements:										
Current:										
Instruction	-	-	-	-	-	82,183	8,827	9,989	2,826	8,366
Support services	6,870	-	-	-	147,615	9,677	5,250	20,367	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	6,870	-	-	-	147,615	91,860	14,077	30,356	2,826	8,366
Excess (deficiency) of receipts over disbursements	(6,870)	-	-	-	235,485	(50,084)	(14,077)	1,897	(2,428)	(839)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(6,870)	-	-	-	235,485	(50,084)	(14,077)	1,897	(2,428)	(839)
Cash and investments - ending	\$ 94	\$ 1,035	\$ 1,764	\$ 12,639	\$ (927)	\$ (50,084)	\$ -	\$ 1,897	\$ -	\$ (839)

LAKE RIDGE SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	E-Rate Reimbursement	Indiana School Academic Improvement	Vending	Title I 2009-10	Title I 2010-11	Title I 2011-12	Title I School Improvement	IDEA	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Adult Basic Education 2010
Cash and investments - beginning	\$ (104,481)	\$ 10,579	\$ 35,355	\$ 141,746	\$ (235,357)	\$ -	\$ -	\$ -	\$ -	\$ 20,586
Receipts:										
Local sources	6,734	-	3,217	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	462,146	748,622	12,688	67,213	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	6,734	-	3,217	-	462,146	748,622	12,688	67,213	-	-
Disbursements:										
Current:										
Instruction	-	-	38,370	-	173,211	893,611	228	67,213	-	20,586
Support services	10,498	-	-	-	33,210	116,997	35,800	-	70,000	-
Noninstructional services	-	-	-	-	10,258	23,301	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	6,618	-	-	-	-	-
Total disbursements	10,498	-	38,370	-	223,297	1,033,909	36,028	67,213	70,000	20,586
Excess (deficiency) of receipts over disbursements	(3,764)	-	(35,153)	-	238,849	(285,287)	(23,340)	-	(70,000)	(20,586)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	141,746	-	-	-	-
Transfers out	-	-	-	(141,746)	(7,613)	(1,816)	-	-	-	-
Total other financing sources (uses)	-	-	-	(141,746)	(7,613)	139,930	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,764)	-	(35,153)	(141,746)	231,236	(145,357)	(23,340)	-	(70,000)	(20,586)
Cash and investments - ending	\$ (108,245)	\$ 10,579	\$ 202	\$ -	\$ (4,121)	\$ (145,357)	\$ (23,340)	\$ -	\$ (70,000)	\$ (28)

LAKE RIDGE SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Adult Basic Education 2011	Drug Free Programs 2009-10	Team Nutrition Training Grants	Project Head Start 2009	Project Head Start 2010	Project Head Start 2011	Project Head Start 2012	21st Century Learning Center	21st Century Community 2011-12	21st Century Community 2012-13
Cash and investments - beginning	\$ -	\$ (2,749)	\$ -	\$ (1,017)	\$ (354)	\$ (56,957)	\$ -	\$ (31,980)	\$ (760)	\$ -
Receipts:										
Local sources	-	-	-	1,017	354	-	-	459	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	71,607	12,278	1,500	-	-	291,850	91,807	55,767	132,449	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	71,607	12,278	1,500	1,017	354	291,850	91,807	56,226	132,449	-
Disbursements:										
Current:										
Instruction	45,648	8,326	-	-	-	231,177	121,870	23,884	99,154	181
Support services	34,911	1,364	-	-	-	2,454	1,647	362	53,305	3,972
Noninstructional services	-	-	-	-	-	1,262	475	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	80,559	9,690	-	-	-	234,893	123,992	24,246	152,459	4,153
Excess (deficiency) of receipts over disbursements	(8,952)	2,588	1,500	1,017	354	56,957	(32,185)	31,980	(20,010)	(4,153)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(8,952)	2,588	1,500	1,017	354	56,957	(32,185)	31,980	(20,010)	(4,153)
Cash and investments - ending	\$ (8,952)	\$ (161)	\$ 1,500	\$ -	\$ -	\$ -	\$ (32,185)	\$ -	\$ (20,770)	\$ (4,153)

LAKE RIDGE SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	School to Work Opportunity Implementation	Title II Part A 2007-09	IDEA	Improving Teaching Quality, No Child Left, Title II, Part A	Title II Part A 2010-12	Title II Part A 2011-13	Title III 2010-11	Title III Part A 2011-12
Cash and investments - beginning	\$ (623)	\$ 5,082	\$ (25,817)	\$ (7,654)	\$ (90,288)	\$ -	\$ (12,129)	\$ -
Receipts:								
Local sources	-	-	-	619	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	31,752	7,035	178,101	-	12,129	3,551
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	-	-	31,752	7,654	178,101	-	12,129	3,551
Disbursements:								
Current:								
Instruction	-	-	5,935	-	69,517	25,104	-	3,805
Support services	-	-	-	-	17,306	4,106	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	-	5,935	-	86,823	29,210	-	3,805
Excess (deficiency) of receipts over disbursements	-	-	25,817	7,654	91,278	(29,210)	12,129	(254)
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	25,817	7,654	91,278	(29,210)	12,129	(254)
Cash and investments - ending	\$ (623)	\$ 5,082	\$ -	\$ -	\$ 990	\$ (29,210)	\$ -	\$ (254)

LAKE RIDGE SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2012
 (Continued)

	Fiscal Stabilization Stimulus	Title I - School Improvement	Education Technology Cadre 2	Head Start Stimulus	New Technology Grants	Education Jobs	Payroll Fund	Totals
Cash and investments - beginning	\$ (44,530)	\$ (1,893)	\$ (200)	\$ 52	\$ -	\$ -	\$ 261,203	\$ 7,449,519
Receipts:								
Local sources	24,898	-	-	-	-	-	-	8,845,414
Intermediate sources	-	-	-	-	-	-	-	362
State sources	-	-	-	-	-	-	-	15,524,047
Federal sources	39,974	35,925	-	-	125,000	511,671	-	4,241,260
Temporary loans	-	-	-	-	-	-	-	1,794,759
Other	-	-	200	5	-	-	3,277,670	3,306,644
Total receipts	64,872	35,925	200	5	125,000	511,671	3,277,670	33,712,486
Disbursements:								
Current:								
Instruction	-	31,606	-	-	1,129	506,739	-	12,590,916
Support services	20,342	2,426	-	-	-	4,932	-	8,683,197
Noninstructional services	-	-	-	-	-	-	-	1,853,681
Facilities acquisition and construction	-	-	-	-	-	-	-	2,172,200
Debt services	-	-	-	-	-	-	-	3,761,815
Nonprogrammed charges	-	-	-	-	-	-	3,484,333	4,057,475
Total disbursements	20,342	34,032	-	-	1,129	511,671	3,484,333	33,119,284
Excess (deficiency) of receipts over disbursements	44,530	1,893	200	5	123,871	-	(206,663)	593,202
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	14,904
Transfers in	-	-	-	-	-	-	-	616,207
Transfers out	-	-	-	-	-	-	-	(616,207)
Total other financing sources (uses)	-	-	-	-	-	-	-	14,904
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	44,530	1,893	200	5	123,871	-	(206,663)	608,106
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 57	\$ 123,871	\$ -	\$ 54,540	\$ 8,057,625

LAKE RIDGE SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013

	General	Debt Service	Exempt Debt	Exempt Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Post Retirement/ Severance Future Benefits	Common School Fund
Cash and investments - beginning	\$ 1,994,763	\$ 984,330	\$ 71,034	\$ 23,783	\$ (64,565)	\$ 2,353,403	\$ 281,317	\$ 1,036,831	\$ 324,646	\$ (16,269)
Receipts:										
Local sources	269,241	93,219	3,189,199	83,640	809,787	1,212,200	177,809	-	831	9,010
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	14,698,829	-	-	-	-	-	-	-	-	-
Federal sources	3,300	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	1,733,427
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	14,971,370	93,219	3,189,199	83,640	809,787	1,212,200	177,809	-	831	1,742,437
Disbursements:										
Current:										
Instruction	8,157,505	-	-	-	-	-	-	-	-	-
Support services	6,524,426	-	-	-	496,327	909,935	79,398	-	152,483	-
Noninstructional services	494,885	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	32,883	-	-	-	-	-	-	-	-	1,766,768
Debt services	60	508,801	2,513,776	96,852	-	-	73,496	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-
Total disbursements	15,209,759	508,801	2,513,776	96,852	496,327	909,935	152,894	-	152,483	1,766,768
Excess (deficiency) of receipts over disbursements	(238,389)	(415,582)	675,423	(13,212)	313,460	302,265	24,915	-	(151,652)	(24,331)
Other financing sources (uses):										
Sale of capital assets	288	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	1,274,818	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	288	-	-	-	-	-	-	-	1,274,818	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(238,101)	(415,582)	675,423	(13,212)	313,460	302,265	24,915	-	1,123,166	(24,331)
Cash and investments - ending	\$ 1,756,662	\$ 568,748	\$ 746,457	\$ 10,571	\$ 248,895	\$ 2,655,668	\$ 306,232	\$ 1,036,831	\$ 1,447,812	\$ (40,600)

LAKE RIDGE SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Construction Fund	School Lunch	Textbook Rental	Self- Insurance	Levy Excess	Educational License Plates	School Library Printed Material	Safe Haven 2012-13	Best Buy Gift	Donations New Tech High
Cash and investments - beginning	\$ 83,155	\$ 202,212	\$ (233,973)	\$ 1,297,092	\$ 2	\$ 356	\$ 744	\$ -	\$ 86	\$ 3,677
Receipts:										
Local sources	-	200,498	47,990	-	-	-	-	-	-	2,504
Intermediate sources	-	-	-	-	-	244	-	-	-	-
State sources	-	2,674	122,999	-	-	-	-	24,451	-	-
Federal sources	-	1,335,267	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	-	1,538,439	170,989	-	-	244	-	24,451	-	2,504
Disbursements:										
Current:										
Instruction	-	-	-	-	-	-	-	-	-	923
Support services	-	-	47,242	-	-	-	823	24,500	-	-
Noninstructional services	-	1,299,959	-	-	-	-	-	-	-	-
Facilities acquisition and construction	60,209	32,983	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	22,274	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-
Total disbursements	60,209	1,332,942	47,242	22,274	-	-	823	24,500	-	923
Excess (deficiency) of receipts over disbursements	(60,209)	205,497	123,747	(22,274)	-	244	(823)	(49)	-	1,581
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	(1,274,818)	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	(1,274,818)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(60,209)	205,497	123,747	(1,297,092)	-	244	(823)	(49)	-	1,581
Cash and investments - ending	\$ 22,946	\$ 407,709	\$ (110,226)	\$ -	\$ 2	\$ 600	\$ (79)	\$ (49)	\$ 86	\$ 5,258

LAKE RIDGE SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Scholarships and Awards	Health Clinic Initiative	SWCD Grant Outdoor Labs	Tech. Prep. Staff Development	Technical Assistance Fund	Computer Consortium/ ED Tech	Adult Education 2011-12	Adult Education 2012-13	High Ability 2011-12	High Ability 2012-13
Cash and investments - beginning	\$ -	\$ 94	\$ 1,035	\$ 1,764	\$ 12,639	\$ (927)	\$ (50,084)	\$ -	\$ 1,897	\$ -
Receipts:										
Local sources	23,562	650	-	-	-	-	14,550	-	79	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	161,208	-	-	-	31,083
Federal sources	-	-	-	-	-	-	40,620	43,257	-	-
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	23,562	650	-	-	-	161,208	55,170	43,257	79	31,083
Disbursements:										
Current:										
Instruction	-	-	-	-	-	-	5,086	45,358	1,976	18,144
Support services	-	1,341	-	-	-	174,583	-	5,817	-	7,847
Noninstructional services	-	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	758	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-
Total disbursements	758	1,341	-	-	-	174,583	5,086	51,175	1,976	25,991
Excess (deficiency) of receipts over disbursements	22,804	(691)	-	-	-	(13,375)	50,084	(7,918)	(1,897)	5,092
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	22,804	(691)	-	-	-	(13,375)	50,084	(7,918)	(1,897)	5,092
Cash and investments - ending	\$ 22,804	\$ (597)	\$ 1,035	\$ 1,764	\$ 12,639	\$ (14,302)	\$ -	\$ (7,918)	\$ -	\$ 5,092

LAKE RIDGE SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Non-English Speaking Programs 2011-12	Non-English Speaking Programs 2012-13	E-Rate Reimbursement	Indiana School Academic Improvement	Vending	Senator David Ford Technology	Title I 2010-11	Title I 2011-12	Title I School Improvement	Title I 2012-13
Cash and investments - beginning	\$ (839)	\$ -	\$ (108,245)	\$ 10,579	\$ 202	\$ -	\$ (4,121)	\$ (145,357)	\$ (23,340)	\$ -
Receipts:										
Local sources	839	-	319,326	-	3,362	-	4,121	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	-	7,632	-	-	-	1,496	-	-	-	-
Federal sources	-	-	-	-	-	-	-	327,338	32,089	708,671
Temporary loans	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	839	7,632	319,326	-	3,362	1,496	4,121	327,338	32,089	708,671
Disbursements:										
Current:										
Instruction	-	7,640	-	-	-	-	-	131,624	-	696,228
Support services	-	-	63,820	-	-	1,496	-	48,874	8,749	168,431
Noninstructional services	-	-	-	-	-	-	-	3,979	-	27,043
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-	-
Total disbursements	-	7,640	63,820	-	-	1,496	-	184,477	8,749	891,702
Excess (deficiency) of receipts over disbursements	839	(8)	255,506	-	3,362	-	4,121	142,861	23,340	(183,031)
Other financing sources (uses):										
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	839	(8)	255,506	-	3,362	-	4,121	142,861	23,340	(183,031)
Cash and investments - ending	\$ -	\$ (8)	\$ 147,261	\$ 10,579	\$ 3,564	\$ -	\$ -	\$ (2,496)	\$ -	\$ (183,031)

LAKE RIDGE SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	(IDEA, Part B) LEA Capacity Building (Sliver) Grants	Adult Basic Education 2010	Adult Basic Education 2011	Adult Basic Education 2012	Adult Education Innovation	Drug Free Programs 2009-10	Team Nutrition Tranining Grants	Vocational and Technical Board Grants	Project Head Start 2012
Cash and investments - beginning	\$ (70,000)	\$ (28)	\$ (8,952)	\$ -	\$ -	\$ (161)	\$ 1,500	\$ -	\$ (32,185)
Receipts:									
Local sources	-	28	259	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
Federal sources	70,000	-	15,826	70,204	3,241	161	-	661	245,213
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	70,000	28	16,085	70,204	3,241	161	-	661	245,213
Disbursements:									
Current:									
Instruction	-	-	3,732	63,013	3,241	-	1,086	661	207,057
Support services	-	-	3,401	8,064	-	-	-	-	4,230
Noninstructional services	-	-	-	-	-	-	-	-	1,741
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	7,133	71,077	3,241	-	1,086	661	213,028
Excess (deficiency) of receipts over disbursements	70,000	28	8,952	(873)	-	161	(1,086)	-	32,185
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	70,000	28	8,952	(873)	-	161	(1,086)	-	32,185
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (873)	\$ -	\$ -	\$ 414	\$ -	\$ -

LAKE RIDGE SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Project Head Start 2013	21st Century Community 2011-12	21st Century Community 2012-13	21st Century Community 2013-14	School to Work Opportunity Implementation	Title II Part A 2007-09	Title II Part A 2010-12	Title II Part A 2011-13
Cash and investments - beginning	\$ -	\$ (20,770)	\$ (4,153)	\$ -	\$ (623)	\$ 5,082	\$ 990	\$ (29,210)
Receipts:								
Local sources	-	-	-	-	623	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Federal sources	76,614	20,770	85,627	-	-	-	-	101,872
Temporary loans	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total receipts	76,614	20,770	85,627	-	623	-	-	101,872
Disbursements:								
Current:								
Instruction	125,648	-	82,854	751	-	-	360	90,493
Support services	764	-	50,493	2,096	-	-	630	15,739
Noninstructional services	951	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
Total disbursements	127,363	-	133,347	2,847	-	-	990	106,232
Excess (deficiency) of receipts over disbursements	(50,749)	20,770	(47,720)	(2,847)	623	-	(990)	(4,360)
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(50,749)	20,770	(47,720)	(2,847)	623	-	(990)	(4,360)
Cash and investments - ending	\$ (50,749)	\$ -	\$ (51,873)	\$ (2,847)	\$ -	\$ 5,082	\$ -	\$ (33,570)

LAKE RIDGE SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2013
 (Continued)

	Title III Part A 2011-12	Title III Part A 2012-13	Title I - School Improvement	Head Start Stimulus	New Technology Grants	Education Jobs	Payroll Fund	Totals
Cash and investments - beginning	\$ (254)	\$ -	\$ -	\$ 57	\$ 123,871	\$ -	\$ 54,540	\$ 8,057,625
Receipts:								
Local sources	-	-	-	-	-	-	-	6,463,327
Intermediate sources	-	-	-	-	-	-	-	244
State sources	-	-	-	-	-	-	-	15,050,372
Federal sources	254	-	7,769	-	-	10,448	-	3,199,202
Temporary loans	-	-	-	-	-	-	-	1,733,427
Other	-	-	-	-	-	-	2,579,493	2,579,493
Total receipts	<u>254</u>	<u>-</u>	<u>7,769</u>	<u>-</u>	<u>-</u>	<u>10,448</u>	<u>2,579,493</u>	<u>29,026,065</u>
Disbursements:								
Current:								
Instruction	-	12,030	7,769	-	8,340	10,448	-	9,681,967
Support services	-	-	-	-	50,000	-	-	8,851,509
Noninstructional services	-	-	-	-	-	-	-	1,828,558
Facilities acquisition and construction	-	-	-	-	-	-	-	1,892,843
Debt services	-	-	-	-	-	-	-	3,192,985
Nonprogrammed charges	-	-	-	-	-	-	-	23,032
Interfund loans	-	-	-	-	-	-	2,667,639	2,667,639
Total disbursements	<u>-</u>	<u>12,030</u>	<u>7,769</u>	<u>-</u>	<u>58,340</u>	<u>10,448</u>	<u>2,667,639</u>	<u>28,138,533</u>
Excess (deficiency) of receipts over disbursements	<u>254</u>	<u>(12,030)</u>	<u>-</u>	<u>-</u>	<u>(58,340)</u>	<u>-</u>	<u>(88,146)</u>	<u>887,532</u>
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	288
Transfers in	-	-	-	-	-	-	-	1,274,818
Transfers out	-	-	-	-	-	-	-	(1,274,818)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>288</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>254</u>	<u>(12,030)</u>	<u>-</u>	<u>-</u>	<u>(58,340)</u>	<u>-</u>	<u>(88,146)</u>	<u>887,820</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ (12,030)</u>	<u>\$ -</u>	<u>\$ 57</u>	<u>\$ 65,531</u>	<u>\$ -</u>	<u>\$ (33,606)</u>	<u>\$ 8,945,445</u>

LAKE RIDGE SCHOOLS
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2013

School Corporation	Accounts Payable	Accounts Receivable
Governmental activities	<u>\$ 477,559</u>	<u>\$ 398,523</u>

LAKE RIDGE SCHOOLS
SCHEDULE OF LEASES AND DEBT
June 30, 2013

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Capital Leases:				
Wells Fargo (Lake Ridge Schools Renovation Corporation First Mortgage Refunding Bonds)	High School/Field House Renovation	\$ <u>190,000</u>	08-10-03	02-10-14

Type	Description of Debt	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Notes and loans payable	Common Schools Loans		\$ 30,813,455	\$ 2,597,591
General obligation bonds	Pension Bond Debt		660,000	79,835
Other debt	Unreimbursed Textbooks		<u>-</u>	<u>22,495</u>
Totals			<u>\$ 31,473,455</u>	<u>\$ 2,699,921</u>

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LAKE RIDGE SCHOOLS
SCHEDULE OF CAPITAL ASSETS
June 30, 2013

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>Ending Balance</u>
Governmental activities:	
Land	\$ 168,535
Buildings	60,073,343
Improvements other than buildings	3,900,000
Machinery, equipment, and vehicles	<u>1,297,234</u>
Total capital assets	<u>\$ 65,439,112</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE LAKE RIDGE SCHOOLS, LAKE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Lake Ridge Schools (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2011 to June 30, 2013. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

Basis for Qualified Opinion on the Head Start Cluster

As described in items 2013-004, 2013-006, and 2013-007 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Matching, Cash Management, Reporting and Allowable Costs that are applicable to its Head Start Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

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

Qualified Opinion on the Head Start Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Head Start Cluster* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Head Start Cluster for the period of July 1, 2011 to June 30, 2013.

Basis for Qualified Opinion on the Twenty-First Century Community Learning Centers

As described in item 2013-009 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding allowed and unallowable costs that are applicable to its Twenty-First Century Community Learning Centers program. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

Qualified Opinion on the Twenty-First Century Community Learning Centers

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Twenty-First Century Community Learning Centers* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Twenty-First Century Community Learning Centers program for the period of July 1, 2011 to June 30, 2013.

Basis for Qualified Opinion on the Child Nutrition Cluster

As described in items 2013-011, 2013-012, and 2013-013 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding reporting, special tests and provisions and procurement, suspension and debarment costs that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

Qualified Opinion on the Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Child Nutrition Cluster* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster program for the period of July 1, 2011 to June 30, 2013.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2011 to June 30, 2013.

Other Matters

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

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

Report on Internal Control Over Compliance

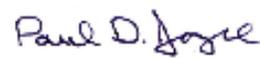
Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2013-003, 2013-005, 2013-008, and 2013-010 to be material weaknesses.

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

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


Paul D. Joyce, CPA
State Examiner

February 11, 2014

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

LAKE RIDGE SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the years ended June 30, 2012 and 2013

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 06-30-12	Total Federal Awards Expended 06-30-13
U.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Indiana Department of Education Child Nutrition Cluster				
School Breakfast Program	10.553	2011-12	\$ 421,362	\$ 473,918
National School Lunch Program	10.555	2012-13	<u>771,924</u>	<u>787,831</u>
Total for cluster			<u>1,193,286</u>	<u>1,261,749</u>
Child and Adult Care Food Program	10.558			
		Snack	104,984	118,079
		Supper	<u>21,103</u>	<u>29,943</u>
Total for program			<u>126,087</u>	<u>148,022</u>
Total for federal grantor agency			<u>1,319,373</u>	<u>1,409,771</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	10-4650	230,910	-
		11-4650	1,035,725	184,477
		12-4650	<u>-</u>	<u>891,702</u>
Total for program			<u>1,266,635</u>	<u>1,076,179</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	10-4650	20,342	-
		11-4650	<u>34,032</u>	<u>7,769</u>
Total for program			<u>54,374</u>	<u>7,769</u>
Total for cluster			<u>1,321,009</u>	<u>1,083,948</u>
School Improvement Grants Cluster				
School Improvement Grants	84.377	11-4650	<u>36,028</u>	<u>8,749</u>
Total for cluster			<u>36,028</u>	<u>8,749</u>
Pass-Through University of Indianapolis State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397		<u>1,129</u>	<u>58,340</u>
Total for cluster			<u>1,129</u>	<u>58,340</u>

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

LAKE RIDGE SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the years ended June 30, 2012 and 2013
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-12	Total Federal Awards Expended 06-30-13
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through The Center of Workforce Innovations Adult Education - Basic Grants to States	84.002	2011-8013 2012-8013 2013-8013	80,559 - -	7,133 71,077 3,241
Total for program			<u>80,559</u>	<u>81,451</u>
Pass-Through Indiana Department of Education Safe and Drug-Free Schools and Communities - State Grants	84.186	4650-09	<u>9,690</u>	-
Twenty-First Century Community Learning Centers	84.287	2010-2011 2011-2012 2012-2013 2013-2014	24,246 152,459 4,153 -	- - 133,347 2,847
Total for program			<u>180,858</u>	<u>136,194</u>
English Language Acquisition State Grants	84.365	2011-2012 2012-2013	3,805 -	- 12,030
Total for program			<u>3,805</u>	<u>12,030</u>
Improving Teacher Quality State Grants	84.367	09-4650 11-4650 12-4650	5,935 86,823 29,210	- 990 106,232
Total for program			<u>121,968</u>	<u>107,222</u>
Education Jobs Fund	84.410		<u>511,671</u>	<u>10,448</u>
Total for federal grantor agency			<u>2,266,717</u>	<u>1,498,382</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Pass-Through Geminus Corporation Head Start Cluster Head Start	93.600	FY 2011 FY 2012 FY 2013	234,893 123,992 -	- 213,028 127,363
Total for federal grantor agency			<u>358,885</u>	<u>340,391</u>
Total federal awards expended			<u>\$ 3,944,975</u>	<u>\$ 3,248,544</u>

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

LAKE RIDGE SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Lake Ridge Schools (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except for the school lunch program in which the federal awards expended is based upon when the federal award is received. 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 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.

Note 2. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2012 and 2013. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2012	2013
School Breakfast Program	10.553	\$ 25,576.30	\$ 27,983.93
National School Lunch Program	10.555	47,017.62	46,519.93

LAKE RIDGE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified for the Education Jobs Fund and Qualified for Head Start Cluster, Twenty-First Century Community Learning Centers and Child Nutrition Cluster
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.287	Child Nutrition Cluster
84.410	Twenty-First Century Community Learning Centers
	Education Jobs Fund
	Head Start Cluster

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

Auditee qualified as low-risk auditee?	no
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LAKE RIDGE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II - Financial Statement Findings

FINDING 2013-001 - INTERNAL CONTROLS AND COMPLIANCE OVER REPORTING FEDERAL EXPENDITURES IN THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The School Corporation has not designed a proper system of internal control, which would include segregation of duties, related to the preparation of the Schedule of Expenditures of Federal Awards (SEFA). The Treasurer independently prepares the SEFA for inclusion in the financial report without an oversight, review or approval process. A lack of segregation of duties within an internal control system could allow material misstatements of the SEFA to remain undetected. A proper system of internal controls would include segregation of duties by having proper oversight, review or approval process and would allow the School Corporation to prevent, or detect and correct, errors on the SEFA in a timely manner.

In failing to establish controls to effectively identify, manage, and report federal financial assistance, the School Corporation materially misrepresented the federal assistance expended during the 2011-2012 and 2012-2013 school years.

During the audit of the SEFA, we noted the following material errors and/or omissions:

1. The School Corporation failed to report the Education Job Funds which were passed through the Indiana Department of Education in the amount of \$511,671 for the year ended June 30, 2012 and \$10,448 for the year ended June 30, 2013.
2. The School Corporation incorrectly included various State Grants on the SEFA of \$55,825 for the year ended June 30, 2012, and \$35,608 for the year ended June 30, 2013.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

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

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

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

LAKE RIDGE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

OMB Circular A-133, Subpart C, section .310 (b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
..."

***FINDING 2013-002 - INTERNAL CONTROLS AND COMPLIANCE
OVER FINANCIAL TRANSACTIONS AND REPORTING***

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the School Corporation to reduce risks to the achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to receipts, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. One person is responsible for issuing and recording receipts, as well as reconciling the bank balances. There is no segregation of duties, including no oversight, review or approval process.
2. Issuing and Recording Receipts: Official receipts are not written at the time of the transaction. The Treasurer writes receipts after he deposits funds to the bank. Failure to timely record receipt transactions results in inaccurate cash and investment balances.
3. Monitoring of Controls: Effective internal control over financial reporting requires the School Board to monitor and assess the quality of the School Corporation's system of internal control. The School Board has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the School Corporation at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the School Corporation has no process to identify or communicate corrective actions to improve controls.

LAKE RIDGE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Section III - Federal Award Findings and Questioned Costs

FINDING 2013-003 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO EDUCATION JOBS GRANT

Federal Agency: U.S. Department of Education
Federal Program: Education Jobs Fund
CFDA Number: 84.410
Federal Award Number and Year (or Other Identifying Number): None
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and a majority of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs, Cash Management, Level of Effort, and Reporting. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

Activities Allowed or Unallowed and Allowable Costs

The Education Jobs Fund grant is to be used to pay the salaries of teachers and other employees who provide school-level educational and related services. The Business Manager gave the payroll clerk a list of teachers to be paid from the grant. The grant funds were used for payment of the payrolls dated September 2, 2011, September 16, 2011, April 13, 2012, and September 28, 2012. There was no evidence that the Business Manager or another designated employee compared the payroll distribution reports for the Education Jobs Fund, to the list of teachers designated to be paid from the Education Jobs Fund to ensure that only eligible teachers received compensation from the Education Jobs Fund.

Cash Management and Reporting

The Treasurer prepares and submits the request for reimbursement and other required reports via the Indiana Department of Education's website. There is no review or oversight by anyone other than the Treasurer.

LAKE RIDGE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Level of Effort

The Indiana Department of Education calculates the level of effort based upon the financial information reported to them by the School Corporation every 6 months per what is commonly referred to as the Form 9. Officials indicated that the Treasurer prepares the Form 9s based upon the financial records of the School Corporation, and that the Business Manager reviews the information prior to submitting it to the Indiana Department of Education; however, there is no evidence of a review being performed.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

FINDING 2013-004 - COMPLIANCE RELATED TO HEAD START GRANT IN-KIND MATCH

Federal Agency: U.S. Department of Health and Human Services

Federal Program: Head Start

CFDA Number: 93.600

Federal Award Number and Year (or Other Identifying Number): FY 2011, FY 2012, FY 2013

Pass-Through Entity: Geminus Corporation

The School Corporation, in conjunction with the Geminus Corporation, operates the Head Start Program. The federal funding is passed-through the Geminus Corporation to the School Corporation on a monthly reimbursement basis. The School Corporation is required to contribute at least 20 percent of the cost of the program through monetary or in-kind contributions. A monthly report is submitted to Geminus Corporation detailing the in-kind contributions. During our audit, we found amounts claimed as in-kind contributions that the School Corporation could not provide sufficient supporting documentation for. Amounts claimed as in-kind contributions for volunteer hours, donations of various items, utility expenses, staff salaries, and salaries of food service personnel, which were funded under another federal program, were arbitrarily determined by the School Corporation.

The following table details the in-kind contributions not supported.

LAKE RIDGE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Description	FY 2011	FY 2012	FY 2013	Total
Volunteer hours	\$ -	\$ 500.01	\$ 1,499.66	\$ 1,999.67
Donations	800.00	1,720.00	600.00	3,120.00
Utilities expenses	8,458.17	14,499.72	6,041.55	28,999.44
Staff salaries	12,943.70	22,469.40	9,151.65	44,564.75
Food services salaries funded by another federal program	<u>16,032.80</u>	<u>20,856.00</u>	<u>7,112.00</u>	<u>44,000.80</u>
Total	<u>\$ 38,234.67</u>	<u>\$ 60,045.13</u>	<u>\$ 24,404.86</u>	<u>\$ 122,684.66</u>

The total program costs for our audit period July 1, 2011 to June 30, 2013 for Head Start were \$699,276 which would require \$139,855.20 of in-kind contributions. The total amount of in-kind contributions reported by the School Corporation was \$395,667.47. After allowing for the reduction of \$122,684.66, in the questioned costs, the School Corporation did meet the matching requirements for each fiscal year. However, the School Corporation must maintain sufficient records to document any in-kind contributions reported to the pass-through delegate Geminus Corporation.

45 CFR 92.24 states in part:

"(b) Qualifications and exceptions-

- (1) Costs borne by other Federal grant agreements. Except as provided by Federal statute, a cost sharing or matching requirement may not be met by costs borne by another Federal grant. This prohibition does not apply to income earned by a grantee or subgrantee from a contract awarded under another Federal grant. . . .
- (6) Records. Costs and third party in-kind contributions counting towards satisfying a cost sharing or matching requirement must be verifiable from the records of grantees and subgrantee or cost-type contractors. These records must show how the value placed on third party in-kind contributions was derived. To the extent feasible, volunteer services will be supported by the same methods that the organization uses to support the allowability of regular personnel costs."

Failure to comply with matching requirements, which includes maintaining accurate and complete records, and ensuring only allowable items are used as the match, could affect the School Corporation's ability to receive future federal awards.

We recommended that the School Corporation officials establish controls and a method of allocation of costs equitable to the Head Start Program.

FINDING 2013-005 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO HEAD START

Federal Agency: U.S. Department of Health and Human Services
Federal Program: Head Start
CFDA Number: 93.600
Federal Award Number and Year (or Other Identifying Number): FY 2011, FY 2012, FY 2013
Pass-Through Entity: Geminus Corporation

LAKE RIDGE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Allowable Activities, Allowable Costs, Cash Management, Equipment Management, Matching and Earmarking, Period of Availability, and Reporting. The failure to establish an effective internal control system places the school corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

Allowable Activities/Costs

The School Corporation did not implement effective procedures to ensure that all activities of the Head Start program were allowed or that all expenditures were allowable costs and eligible for reimbursement. The Program Director was entirely responsible to determine which activities and costs are considered allowable. The School Treasurer, who also signed the claims for payment, did not possess a copy of the grant agreement to monitor if payment for goods and services were allowed in accordance with the grant agreement.

Cash Management

The Program Director prepared the requests for reimbursement from Geminus Corporation on a monthly basis. There was no evidence of any review or oversight of the claims for reimbursement.

Equipment Management

The Program Director was responsible for ensuring a list was made of all equipment purchases and disposals, an inventory of equipment is periodically performed, and ensuring disposals are handled in compliance with federal guidelines. There was no oversight by management to ensure that a proper listing of equipment purchases with Head Start funds was being maintained.

Matching and Earmarking

There were not adequate controls in place to ensure the correct amount of parent volunteer hours were being claimed to Geminus Corporation on the monthly claims for in-kind services. There was no documentation as to how the total hours claimed were calculated. In addition, there were no controls in place to assure the Head Start administrative earmark (the costs of developing and administering a Head Start program shall not exceed 15 percent of the annual total program costs), or that the targeted earmarking requirements (not less than 10 percent of the total number of children actually enrolled by each Head Start Agency and each delegate agency must be children with disabilities) were being met.

Period of Availability

The School Corporation had not established controls to ensure federal funds were expended or obligated only during the authorized period of availability.

Reporting

The School Corporation had not established effective internal controls to ensure accurate reporting of Head Start disbursements to Geminus Corporation. There was no evidence that reports were reviewed by personnel other than the preparer.

LAKE RIDGE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

**FINDING 2013-006 - COMPLIANCE RELATED TO HEAD
START CASH MANAGEMENT AND REPORTING**

Federal Agency: U.S. Department of Health and Human Services

Federal Program: Head Start

CFDA Number: 93.600

Federal Award Number and Year (or Other Identifying Number): FY 2011, FY 2012, FY 2013

Pass-Through Entity: Geminus Corporation

Amounts requested for reimbursement from the Geminus Corporation were not based on actual ledger expenditures. When testing reimbursement requests, we noted 12 out of the 24 monthly claims for reimbursement had errors totaling \$35,546.49. The errors were subsequently discovered by the School Corporation personnel in April of 2013, the Geminus Corporation was contacted, and the errors were corrected.

45 CFR 92.20 states in part:

"(b) The financial management systems of other grantees and subgrantees must meet the following standards:

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

Continued submission of requests for reimbursement which are not accurate could result in a loss of future federal grant awards.

LAKE RIDGE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

We recommended that School Corporation officials implement a system to ensure grant reimbursement requests are based on actual expenditures.

**FINDING 2013-007 - COMPLIANCE RELATED TO
HEAD START GRANT ALLOWABLE COSTS**

Federal Agency: U.S. Department of Health and Human Services

Federal Program: Head Start

CFDA Number: 93.600

Federal Award Number and Year (or Other Identifying Number): FY 2011, FY 2012, FY 2013

Pass-Through Entity: Geminus Corporation

The Program Director for Head Start was paid a portion of her salary from the Head Start grant, the Twenty-First Century Community Learning Centers grant, and the Adult Education - Basic Grants to States grant. The Head Start Director did not maintain any records on her time and effort spent on the Head Start program. Approximately 50 percent of her salary was paid from Head Start funds. The cost allocated to the Head Start program, representing 50 percent of the salary of the Director, of \$35,627.67 for the 2011-2012 school year and \$37,342.31 for the 2012-2013 school year have been determined to be questioned costs.

In addition, the salary schedule and any adjustments to the salary schedule for Head Start employees were not approved by the Lake Ridge School Board. Salary and benefits are allowable expenditures under the grant provided they comply with the School Corporation's and State's policies and procedures for establishing and paying compensation and benefits, and they are applied consistently to both federal and nonfederal activities.

Indiana Code 20-25-3-6 states in part: ". . . (d) The board shall contract for and establish the amount of salary or compensation to be paid to each officer, agent, and employee chosen or elected by the board. . . ."

An employee, who works on more than one federal program, must maintain a time and effort log that accurately reflects the percentage of time/hours the employee spends performing work on each federal grant.

OMB Circular A-87 Attachment B, section 8 h states in part:

- "(1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.
- (2) No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.
- (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

LAKE RIDGE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:
- (a) More than one Federal award,
 - (b) A Federal award and a non-Federal award,
 - (c) An indirect cost activity and a direct cost activity,
 - (d) Two or more indirect activities which are allocated using different allocation bases, or
 - (e) An unallowable activity and a direct or indirect cost activity.
- (5) Personnel activity reports or equivalent documentation must meet the following standards:
- (a) They must reflect an after the fact distribution of the actual activity of each employee,
 - (b) They must account for the total activity for which each employee is compensated,
 - (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
 - (d) They must be signed by the employee.
 - (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
 - (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
 - (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
 - (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances."

Costs that do not have adequate documentation may be deemed "unallowable" and subject to repayment.

We recommended that School Corporation officials follow federal policies and procedures for documenting wages and salaries paid from federal grant funds in conformity with federal requirements over allowable costs.

LAKE RIDGE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2013-008 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS

Federal Agency: U.S. Department of Education
Federal Program: Twenty-First Century Community Learning Centers
CFDA Number: 84.287
Federal Award Number and Year: 2010-2011, 2011-2012, 2012-2013, 2013-2014
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Allowable Activities, Allowable Costs, Cash Management, Level of Effort, Period of Availability, and Reporting. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

Allowable Activities/Costs

The School Corporation did not implement effective procedures to ensure that all activities of the Twenty-First Century Community Learning Centers grant were allowed or that all expenditures were allowable costs and eligible for reimbursement. The School Corporation relied solely upon the Program Director to determine which activities and costs are considered allowable. The grant agreement provides information for determining which activities and costs are allowable and how such costs should be documented. The School Treasurer, who also signed the claims for payment, did not possess a copy of the grant agreement to monitor if payment for goods and services were allowed in accordance with the grant agreement.

Cash Management

The School Corporation requests reimbursement of federal grant funds periodically. The claims for reimbursement are prepared and submitted for reimbursement without any evidence of review or oversight.

Level of Effort

The Indiana Department of Education calculates the level of effort based upon the financial information reported to them by the School Corporation every six months per what is commonly referred to as the Form 9. Officials indicated that the Treasurer prepares the Form 9s based upon the financial records of the School Corporation, and that the Business Manager reviews the information prior to submitting it to the Indiana Department of Education; however, there is no evidence of a review being performed.

Period of Availability

The School Corporation has not established controls to ensure federal funds are expended or obligated only during the authorized period of availability.

Reporting

The School Corporation has not established effective internal controls to ensure accurate reporting of Twenty-First Century Community Learning Center Grant disbursements to the Indiana Department of Education. There was no evidence that reports were reviewed by personnel other than the preparer.

LAKE RIDGE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the School Corporation.

We recommended that School Corporation's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

***FINDING 2013-009 - COMPLIANCE RELATED TO TWENTY-FIRST CENTURY
COMMUNITY LEARNING CENTERS GRANT ALLOWABLE COSTS***

Federal Agency: U.S. Department of Education

Federal Program: Twenty-First Century Community Learning Centers

CFDA Number: 84.287

Federal Award Number and Year: 2010-2011, 2011-2012, 2012-2013, 2013-2014

Pass-Through Entity: Indiana Department of Education

The Program Director of the Twenty-First Century Community Learning Centers grant is paid a portion of her salary from the Twenty-First Century Community Learning Centers grant, the Head Start grant, and the Adult Education - Basic Grants to States grant. The Twenty-First Century Community Learning Centers Program Director did not maintain any records on her time and effort spent on Twenty-First Century Community Learning Centers grant activities. Regardless of the Directors time spent on Twenty First Century Community Learning Centers grant activities, approximately 46 percent of her salary was paid from Twenty-First Century Community Learning Centers grant funds.

In addition, a full-time employee of the School Corporation received \$37.50 per hour for her bookkeeping work for the Twenty-First Century Community Learning Centers grant. The bookkeeper did not provide timesheets for dates and times worked. We are questioning the undocumented costs allocated to Twenty-First Century Community Learning Center grant for the Program Director and bookkeeper of \$40,694.52 for the 2011-2012 school year and \$39,197.11 for the 2012-2013 school year.

LAKE RIDGE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Lastly, the hourly rate of pay of \$25 to \$35 per hour for employees paid by the Twenty-First Century Learning Center grant was not approved by the Lake Ridge School Board. Salary and benefits are allowable expenditures under the grant provided they comply with the State and School Corporation policies and procedures for establishing and paying compensation and benefits, and they are applied consistently to both federal and nonfederal activities.

Indiana Code 20-25-3-6 states in part: ". . . (d) The board shall contract for and establish the amount of salary or compensation to be paid to each officer, agent, and employee chosen or elected by the board. . . ."

An employee, who works on more than one federal program, must maintain a time and effort log that accurately reflects the percentage of time/hours the employee spends performing work on each federal grant.

OMB Circular A-87 Attachment B, section 8 h states in part:

- "(1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.
- (2) No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.
- (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.
- (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:
 - (a) More than one Federal award,
 - (b) A Federal award and a non-Federal award,
 - (c) An indirect cost activity and a direct cost activity,
 - (d) Two or more indirect activities which are allocated using different allocation bases, or
 - (e) An unallowable activity and a direct or indirect cost activity.
- (5) Personnel activity reports or equivalent documentation must meet the following standards:
 - (a) They must reflect an after the fact distribution of the actual activity of each employee,
 - (b) They must account for the total activity for which each employee is compensated,

LAKE RIDGE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee.
- (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
 - (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
 - (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
 - (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances."

Costs that do not have adequate documentation may be deemed "unallowable" and subject to repayment.

We recommended that School Corporation officials follow federal policies and procedures for documenting wages and salaries paid from federal grant funds in conformity with federal requirements over allowable costs.

***FINDING 2013-010 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS
THAT HAVE A DIRECT AND MATERIAL EFFECT ON THE CHILD NUTRITION CLUSTER***

Federal Agency: U.S. Department of Agriculture
Federal Program: School Breakfast Program, National School Lunch Program
CFDA Number: 10.555, 10.553
Federal Award Number and Year: FY 2011-2012, FY 2012-2013
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Eligibility, Procurement, Suspension and Debarment, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications and School Food Accounts. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

LAKE RIDGE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Eligibility and Special Tests and Provisions - Verification of Free and Reduced Price Applications:

The School Corporation has not designed or implemented adequate policies or procedures to ensure that student's eligibility for free and reduced price lunches is properly determined or that the applications for free and reduced price lunches are verified in compliance with program requirements. The Extra-Curricular Treasurer at each building is solely responsible for the eligibility determinations. During the verification process, building principals send out letters to request documentation of income from the families. The building principals approve the continued status for those applicants, as part of the 3 percent verification process. On the applications, there are separate signature areas for the original determination of free, reduced, or paid meals and the verification of status. In the verification file, there were applications that did not provide evidence of this segregation of duty. The verification of income and continued eligibility should be approved by someone other than the person who approved the original application.

Procurement, Suspension, and Debarment

The School Corporation relied on a contractual food service management company to perform procurement activities and to verify compliance with suspension and debarment requirements. The Food Service Director is an employee of the food service management company and relies on corporate management to procure and provide a list of allowable vendors for food and supplies. There is no local School Corporation oversight or approval of the food service management company's decisions with regard to procurement, suspension, or debarment. In addition, local officials do not monitor suspension or debarment for disbursements to vendors other than to the food service management company.

Reporting

The School Corporation did not have effective policies and procedures in place to ensure that required reports were accurately prepared and timely submitted. The Food Service Director was solely responsible for preparing and submitting all required claims for reimbursement of free and reduced meals served. There was no segregation of duties, such as an oversight or approval process. The annual financial reports for School Lunch were prepared by the School Corporation Treasurer and entered into the State's electronic reporting system by the Food Service Director. The School Corporation Treasurer, then electronically approves the financial report, but supporting documentation was not provided for audit to verify his approval.

Special Tests and Provisions - School Food Accounts

The School Corporation does not have effective policies and procedures in place to ensure that the School Lunch fund was properly maintained. There was no segregation of duties, such as an oversight or approval process of the financial records of the School Lunch fund. The School Corporation Treasurer is solely responsible for the postings and reconciliation of the School Lunch fund #80.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

LAKE RIDGE SCHOOLS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 (Continued)

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

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements noted above that have a direct and material effect on the program.

FINDING 2013-011 - COMPLIANCE OVER REPORTING FOR THE CHILD NUTRITION CLUSTER

Federal Agency: U.S. Department of Agriculture
 Federal Program: School Breakfast Program, National School Lunch Program
 CFDA Numbers: 10.553, 10.555
 Federal Award Number and Year: FY 2011-12, FY 2012-13
 Pass-Through Entity: Indiana Department of Education

There were two annual financial reports submitted for the audit period, but the reports did not agree to the School Corporation's records. The annual financial reports for the years ended June 30, 2012 and 2013, did not properly report the purchase of equipment over \$300. The report for both school years reported the amount of equipment purchased over \$300 as zero. However, in the ledger, purchases of equipment were \$5,723 and \$32,983, respectively.

The School Corporation contracts with a food service management company to administer the food service program. The School Corporation Treasurer prepared the annual financial report and allocated a percentage of all School Lunch fund expenses (including the payments to the Food Management Company) to food, direct labor, and miscellaneous expenses. No amount was reported as the purchase of equipment. The following table compares the expenditures reported to the Indiana Department of Education verses the expenditures in the School Corporation's Ledger:

Year Ended June 30, 2012	Reported	ledger	Difference
Food Expense	\$ 508,318	\$ -	\$ 508,318
Labor Direct Preparation	580,498	-	580,498
Miscellaneous	213,147	8,475	204,672
Equipment more than \$300	-	5,723	(5,723)
Food Service Management	-	1,282,316	(1,282,316)
Repair and Maintenance	-	5,449	(5,449)
Totals	<u>\$ 1,301,963</u>	<u>\$ 1,301,963</u>	<u>\$ -</u>

LAKE RIDGE SCHOOLS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 (Continued)

Year Ended June 30, 2012	Reported	ledger	Difference
Food Expense	\$ 520,329	\$ -	\$ 520,329
Labor Direct Preparation	572,170	-	572,170
Miscellaneous	240,443	2,382	238,061
Equipment more than \$300	-	32,983	(32,983)
Food Service Management	-	1,290,018	(1,290,018)
Repair and Maintenance	-	7,559	(7,559)
Totals	<u>\$ 1,332,942</u>	<u>\$ 1,332,942</u>	<u>\$ -</u>

7 CFR 210.15(a) states in part: "*Reporting summary.* Participating school food authorities are required to submit forms and reports to the State agency or the distributing agency, as appropriate, to demonstrate compliance with Program requirements. . . ."

7 CFR 3016.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

Reporting inaccurate financial information could result in loss of future federal awards.

We recommended that School Corporation officials review and report all receipts and disbursements accurately as related to the School Nutritional Program.

**FINDING 2013-012 - COMPLIANCE OVER CHILD NUTRITION CLUSTER,
 SPECIAL TESTS AND PROVISIONS - SCHOOL FOOD ACCOUNTS**

Federal Agency: U.S. Department of Agriculture
 Federal Program: School Breakfast Program, National School Lunch Program
 CFDA Number: 10.553, 10.555
 Federal Award Number and Year: FY 2011-12, FY 2012-13
 Pass-Through Entity: Indiana Department of Education

In the accounting records, officials have comingled the activity of the school lunch program and prepaid food on account activity into the School Lunch fund (Fund # 80). Prepaid Food, a clearing account (Fund # 84), has not yet been established by the School Corporation. This fund is to be used to account for

LAKE RIDGE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

monies received from students for the prepayment of meals. The money is to be deposited and held on account in the Prepaid Food fund until the student purchases a meal. Upon purchasing a meal, the monies are then transferred to the School Lunch fund and included in sales.

The "NUTRIKIDS-POS" software is an independent software program, used in the school lunch program that does not interface with the School Corporation's accounting software. Officials independently input the monthly school lunch receipts and disbursements into the records of the School Corporation. Currently officials combine the receipts for school lunch sales and prepaid money received on account as total deposits (receipts) into the School Lunch fund (# 80). Separate funds should be used to record the receipts and activity for school lunch and prepaid food as described above. The "money on account" balances noted above are included in the reported School Lunch fund balances of \$202,212 and \$407,709, at June 30, 2012 and 2013, respectively.

7 CFR 220.7 Requirements for participation states in part:

"(e) Each school food authority approved to participate in the program shall enter into a written agreement with the State agency or the Department through the FNSRO, as applicable, that may be amended as necessary. Nothing in the preceding sentence shall be construed to limit the ability of the State agency or the FNSRO to suspend or terminate the agreement in accordance with 220.18. If a single State agency administers any combination of the Child Nutrition Programs, that State agency shall provide each SFA with a single agreement with respect to the operation of those programs. Such agreements shall provide that the School Food Authority shall, with the respect to participating schools under its jurisdiction: . . .

(12) Maintain a financial management system as prescribed by the State agency, or FNSRO where applicable; . . ."

The School Lunch Fund, designated Fund Number 0800 in prescribed accounting system when established in the school corporation account, is to be used to record all receipts from the sale of lunches, federal and state reimbursement, gifts and other receipts, as detailed in the chart of receipt accounts in Part 4. The School Lunch Fund will also be used to record all disbursements for personal service, food, supplies and equipment for the school lunch program, as detailed in Part 5. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 3)

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). Subsidiary records by student should be routinely reconciled to the cash balance and at month end. (The School Administrator and Uniform Compliance Guidelines, Volume 183, page 3, September 2008)

By not properly following the guidelines for accounting for lunch sales and revenues, the School Corporation is at risk of reporting inaccuracies which could jeopardize future grant funding.

We recommended that School Corporation officials establish the Prepaid Food fund and separate the activity of the School Lunch fund and the Prepaid Food fund according to state guidelines.

LAKE RIDGE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

**FINDING 2013-013 - COMPLAINT OVER CHILD NUTRITION
CLUSTER, PROCUREMENT, SUSPENSION AND DEBARMENT**

Federal Agency: U.S. Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Number and Year: FY 2011-12, FY 2012-13
Pass-Through Entity: Indiana Department of Education

The School Corporation did not comply with the procurement requirements for the State of Indiana. The School Corporation bid the current Food Service Management Company contract in November 2007. Since January 1, 2008, the annual contract has been renewed yearly and approved by the Indiana Department of Education. The original bid (procurement) documents were not available for audit.

In addition, the Food Service Management contract states: "Chartwells will provide certification that they have not been suspended or debarred from participate in federal program." However, upon inquiry of the School Corporation officials and the Food Service Director, they could not provide documentation that the Food Service Management Company had provided such certification, regarding compliance with suspension and debarment.

7 CFR 3016.36(b) states in part:

"Procurement standards.

- (1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section.
- (2) Grantees and subgrantees will maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders. . . .
- (9) Grantees and subgrantees will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price."

Indiana Code 5-22-17-4 states in part:

"(b) Subject to section 5 of this chapter, with the agreement of the contractor and the purchasing agency, a contract may be renewed any number of times.

(c) The term of a renewed contract may not be longer than the term of the original contract."

7 CFR 3016.35 states:

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

LAKE RIDGE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

By not adhering to procurement, suspension and debarment guidelines, the School Corporation is at risk of providing federal funding to a party who has been suspended or debarred from doing business with the federal government, and paying excessive costs.

We recommended that School Corporation officials bid the Food Service Management Company contract biannually, so as to comply with Indiana law. We also recommended that School Corporation officials request annual certifications from the Food Service Management Company regarding compliance with Suspension and Debarment.

Finding Number 2011-1 Cash Management

Original SBA Audit Report Number: B40246 Lake Ridge School Corporation

Fiscal Year: June 30, 2011

Auditee Contact Person : Edward Sopko

Title of Contact Person: Treasurer

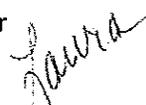
Phone Number: (219)838-1819

Status of Finding: Corrected

This summary substantiates the corrective action plan presented from the prior audit period of July 1, 2009 to June 30, 2011. The auditors noted that the Title I grant at that time had an approved carry-over amount that was not transferred to the new grant. At that point in time please note that grants were not operating as a reimburse request, so the cash in that fund had been received. Thus, per the action plan and direction of Robin Parker of the Department of Education provided Lake Ridge Schools with direction and instructed that the transfer was to be made to the new grant. The amount of \$141,745.71 was then transferred to the current Title I fund. This amount was applied before any further reimbursement requests were made.

The steps that are performed now to prevent that from happening are performed in a controlled environment. Lake Ridge Schools has employed a new Title I director that prepares the budget and monitors the expenditures, this process is also verified by the Treasurer. As Title I funds are expended, the Title I and Treasurer verify the transactions, and reimbursements are requested. Near the ending period of the Title I grant the Title I director validates the remaining approved appropriations and seeks approval for carry over. As the new Title I funding becomes available, those appropriations are placed into a new Title I fund, upon approval from the Title I funding office. When the Title I office approves carry-over amounts, the treasurer will transfer appropriation equal to that amount from the carry-over Title I fund and into the new/current Title I fund. These transfers will reduce appropriations in each line item of the previous grant and that appropriation will be placed into the proper line items as per the approved budget and carry-over amount. Since grants are operated under the reimbursement request process, there will not be cash that would be transferred, just appropriation. Finally, these transactions are reviewed by the Business Manager and the board will receive treasurer's monthly reports.

Laura Hubinger
Business Manager
11/22/13



Lake Ridge Schools

Office of the Superintendent

Mission Statement: Changing Learning, Changing Lives, Inspiring Lifelong Possibilities

6111 West Ridge Road, Gary, IN 46408

Phone: 219-838-1819

Fax: 219-989-7802

Web: www.lakeridge.k12.in.us

February 3, 2014

Finding Number: 2013-001 Internal Controls and Compliance over Reporting Federal Expenditures in the Schedule of Expenditures of Federal Awards

Auditee Contact Person: Edward Sopko

Title of Contact Person: Treasurer

Phone Number: 219/838-1819

Additional Auditee: James Hudleston-Business Manager for the period of July 1, 2011 thru April 2, 2013

Additional Auditee: Laura Hubinger-Business Manager for the period of June 17, 2013 thru June 30, 2013

The Corporation Treasurer will keep on a timely basis the new SEFA report. This report indicates the list of the federal awarded funds and the schedule of disbursements and receipts. This report will be carefully reviewed by the Business Manager to ensure that the report is ready for audit review. This report will be done on a regular schedule and will reflect all CFDA information and agency award information. This has already been corrected on our prepared documents for current use.

An additional control that must occur that is now required by the Business Manager related to grant awards. District grant administrators are required to provide to the business office the application of the grant, an approval letter that the grant has been awarded, an approved budget, copies of all cash requests, copies of all monthly, quarterly, and final reports, CFDA numbers, the begin and ending period of the grant. The account structures will be established by the business office in accordance to the Uniform Account Compliance Manual as provided by the Indiana State Board of Accounts.

The business office on a monthly basis will prepare for the Business Manager the grant monitoring reports, these reports will show the grants appropriation/budget, expenses, reimbursement/receipts, cash balance, encumbrances and appropriation balances. This report will include the CFDA Number, Grant Number, Program Name, encumbered by due date and expenditure due by date and final report date.

The statement under finding related to the auditor noting that in failing to establish controls effectively caused the district to materially misrepresent the federal assistance expended for the 2011/12 and 2012/13 school years causes us to take exception to this assertion. During this audit review, the audit team did not request explanation or indicate that there was any type of

SUPERINTENDENT
Sharon Johnson-Shirley, Ed.D.
ASSISTANT SUPERINTENDENT
Janet Flores

Business Manager
Laura Hubinger

BOARD OF SCHOOL TRUSTEES
Mr. Jonathan Evans
Mr. Glenn Johnson
Mr. Richard Lowe
Mrs. Toni Modglin
Mrs. Annette Wells

deficiencies regarding the numbers provided for federal expenses as reflected on the SEFA.

Acknowledged by:

Sharon Johnson Shultz Ed.D

Superintendent

2-11-14

Date

Laura McShane

Business Manager

2-11-14

Date

Edward R. Doyle

Treasurer

2/11/2014

Date

Lake Ridge Schools

Office of the Superintendent

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Web: www.lakeridge.k12.in.us

February 3, 2014

Finding Number: 2013-002 Internal Controls and Compliance over Financial Transactions and Reporting

Auditee Contact Person: Edward Sopko

Title of Contact Person: Treasurer

Phone Number: 219/838-1819

Additional Auditee: James Hudleston-Business Manager for the period of July 1, 2011 thru April 2, 2013

Additional Auditee: Laura Hubinger-Business Manager for the period of June 17, 2013 thru June 30, 2013

These sections of the auditor's comments surround the continued enforcement of internal controls and establishing additional sufficient reports.

Many of the notations by the auditor have been corrected; however, continued improvement will be enforced by the Board of Trustees, Superintendent, Business Manager and Corporation Treasurer.

The Corporation Treasurer currently receipts any funds that are designated for the district, and also does the monthly reconciliation. The Business Manager checks the monthly receipts and expenses and the monthly reconciliation. In the future, the Business Manager will discuss further segregation of duties. The limited number of staff prohibits much segregation; however, additional checks and balances are in place that is also reported to the Board of Trustees such as: the summary of receipts and expenses, balances by bank, monthly reconciliations, and financial reports by fund. It was noted in item 1 that there was no oversight or review or approval process, this statement is untrue. The prior Business Manager did approve and review the monthly reconciliation, all reports reference above have and will continue to be submitted to the Board of Trustees. The newly appointed Business Manager will continue to review and approve the monthly reconciliations and monthly reports, as requested by the board to be presented to the board on behalf of the Corporation Treasurer.

The Business Manager will recommend that the receipt process potentially be assigned to another staff member in order for the Treasurer to be able to manage this function on a monthly basis when reconciling. This function would need to be assigned to a deputy treasurer, but the Business Manager would need to seek approval from the Board to name a current staff member to be the deputy treasurer.

SUPERINTENDENT
Sharon Johnson-Shirley, Ed.D.
ASSISTANT SUPERINTENDENT
Janet Flores

Business Manager
Laura Hubinger

BOARD OF SCHOOL TRUSTEES
Mr. Jonathan Evans
Mr. Glenn Johnson
Mr. Richard Lowe
Mrs. Toni Modglin
Mrs. Annette Wells

In the meantime, the Corporation Treasurer will continue to receipt into the proper accounts and the Business Manager will review and check the adequate and timely entry of these financial functions.

Acknowledged by:

Sharon John Smith Ed.D 2-11-14
Superintendent Date
Edward R. Sofka
Treasurer Date
2/11/2014

Launa M. Kubong 2-11-14
Business Manager Date
James S. Wells 2-11-14
Board Member Date

Lake Ridge Schools

Office of the Superintendent

Mission Statement: Changing Learning, Changing Lives, Inspiring Lifelong Possibilities

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February 3, 2014

Finding Number: 2013-003 Internal Controls and over Compliance Requirements that have a Direct and Material Effect to ARRA Education Jobs Grant

Agency: US Department of Education

Program: ARRA Education Jobs Grant

CFDA Number: 84.410

Federal Award Number and Year: None

Pass Through Entity: Indiana Department of Education

Auditee Contact Person: Edward Sopko

Title of Contact Person: Treasurer

Phone Number: 219/838-1819

Additional Auditee: James Hudleston-Business Manager for the period of July 1, 2011 thru April 2, 2013

Additional Auditee: Laura Hubinger-Business Manager for the period of June 17, 2013 thru June 30, 2013

The corporation treasurer is responsible for the monitoring and financial reporting of grants that pass through the district. It will now be required by the Business Manager that grant applications, which include requested allowable expenditure outline, be provided to the business office. It is required to provide to the business office the approved budget, letter of approval, CFDA numbers and schedule of receipts and expenditures of the grant. The account structures will be established by the business office to ensure compliance with the Uniformity Accounting Regulations as recommended by the Indiana State Board of accounts.

The monthly grant reconciliation process conducted by the Corporation Treasurer will be reviewed and approved by the Business Manager. Some monthly grant monitoring reports may be requested to be prepared by another business office staff member, grant administrator or designee that will be reviewed and approved by both the Corporation Treasurer and/or the Business Manager. Review and approval by grant administrator or designee of the reimbursement request will occur prior to submitting to the Corporation Treasurer for final review and submission. Title I funding is currently the only reimbursement request submitted via website to the Department of Education; this submission is done in conjunction with both the Corporation Treasurer and the Title I director. The Education Jobs Fund reimbursement request was approved and submitted via e-mail. Additionally, please note that the amounts paid to each teacher are available electronically from our payroll software system.

SUPERINTENDENT
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ASSISTANT SUPERINTENDENT
Janet Flores

Business Manager
Laura Hubinger

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Mr. Glenn Johnson
Mr. Richard Lowe
Mrs. Toni Modglin
Mrs. Annette Wells

The Bi-Annual Financial Reports due to the Department of Education, also known as the Form 9 will be prepared by the Corporation Treasurer and reviewed by the Business Manager prior to submission.

These recommendations are to ensure proper monitoring is followed with any type of grant awards and ensures proper check and balances are in place to comply with the auditors request to have segregation of duties, cash management and level of effort is monitored.

Acknowledged by:

<u>Shirley Ann Staley EdD</u>	<u>2-11-14</u>	<u>Laura M. Hubbard</u>	<u>2-11-14</u>
Superintendent	Date	Business Manager	Date
<u>David R. Sofie</u>	<u>2/11/2014</u>	<u>Annette L. Wells</u>	<u>2-11-14</u>
Treasurer	Date	Board Member	Date

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February 3, 2014

Finding Number: 2013-004 Compliance Related to Head Start Grant In-Kind Match

Agency: US Department of Health and Human Services

Program: Head Start

CFDA Number: 93.600

Federal Award Number and Year: FY2011, FY2012, FY2013

Pass Through Entity: Geminus

Auditee Contact Person: Sandi Sweeney

Title of Contact Person: Head Start Administration Director

Phone Number: 219/838-1819

Additional Auditee: James Hudleston-Business Manager for the period of July 1, 2011 thru April 2, 2013

Additional Auditee: Edward Sopko-Treasurer for the period of July 1, 2011 thru June 30, 2013

Additional Auditee: Laura Hubinger-Business Manager for the period of June 17, 2013 thru June 30, 2013

Head Start division for "in-kind" reporting seemed to be overstated per the auditor's analysis. The requirements for head start are in-kind reporting that is provided by the local district. Items such as heating, water, maintenance and custodial are paid by the corporation and a portion is calculated to reflect in-kind payments. There is a 20% requirement for cash or in-kind and the district does meet that requirement, however, insufficient evidence to support the in-kind claims were not available. The in-kind numbers that have been used are from prior business official's calculations and should be recalculated on a yearly basis in order for the Head Start administrator would have current in-kind supplemented financial numbers.

The Business Manager will assist the Head Start Administrator to prepare documentation that will support in-kind contributions to be claimed by the Head Start Program. This documentation will be kept as support for the reporting requirements to Geminus and the Federal Supported Program. All documentation will be kept on file with the Head Start Administrator and Corporation Treasurer. Each month the Head Start Administrator will provide supporting documentation to the business office on a monthly basis the in-kind volunteer hours effective immediately. The Head Start Administrator will no longer claim cafeteria workers paid by Chartwells as an in-kind contribution.

SUPERINTENDENT
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ASSISTANT SUPERINTENDENT
JanetFlores

Business Manager
Laura Hubinger

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Mr. Glenn Johnson
Mr. Richard Lowe
Mrs. Toni Modglin
Mrs. Annette Wells

Acknowledged by:

Sharon Johnson Smith Ed.D
Superintendent

2-11-14
Date

Laura M. Fubenz
Business Manager

2-11-14
Date

Edward R. Lopez
Treasurer

2/11/2014
Date

Arnette W. Bell
Board Member

2-11-14
Date

Denise Freeman
Head Start Administrator

2/11/14
Date

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February 3, 2014

Finding Number: 2013-005 Internal Controls over Compliance Requirements that have a Direct and Material Effect to Head Start

Agency: US Department of Health and Human Services

Program: Head Start

CFDA Number: 93.600

Federal Award Number and Year: FY2011, FY2012, FY2013

Pass Through Entity: Geminus

Auditee Contact Person: Sandi Sweeney

Title of Contact Person: Head Start Administration Director

Phone Number: 219/838-1819

Additional Auditee: James Hudleston-Business Manager for the period of July 1, 2011 thru April 2, 2013

Additional Auditee: Edward Sopko-Treasurer for the period of July 1, 2011 thru June 30, 2013

Additional Auditee: Laura Hubinger-Business Manager for the period of June 17, 2013 thru June 30, 2013

The Business Manager is requiring that the Head Start Administrator provide to the Corporation Treasurer a copy of the Head Start Grant Application, approval letter that the grant has been awarded, approved budget, copies of all cash requests, copies of all monthly, quarterly and final reports, CFDA number and the begin and ending period of the grant. Currently, the Business Office Claims Clerk has prepared a spreadsheet to monitor the financial activity for the Head Start Program. This is reviewed by the Head Start Administrator on a monthly basis.

Additionally, the Business Manager is requesting that a designated Head Start Staff Member be responsible for the proper recording of Head Start equipment. Equipment purchased by Head Start Fund must be retained within the use of Head Start Program. This document must have the description of the equipment, the vendor it was purchased from, the date of purchase, the amount and where located/used by in Head Start. This must be signed by the designated staff member as prepared by and signed by the Head Start Administrator as reviewed by. This document must be kept on a monthly basis and submitted to the business office on June 30th of each year. This will be logged in the fixed asset corporation file. This log of equipment must begin immediately with the initial log of current equipment to be submitted to the Business Office by March 1, 2014. The log of equipment purchases will be due to the Business Office each June 30th of each fiscal year.

SUPERINTENDENT
Sharon Johnson-Shirley, Ed.D.
ASSISTANT SUPERINTENDENT
Janet Flores

Business Manager
Laura Hubinger

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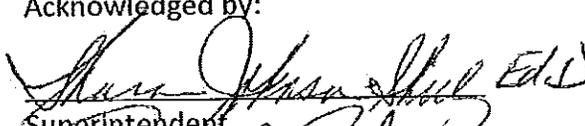
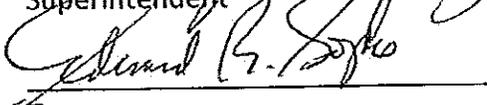
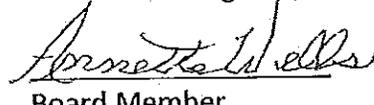
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Mr. Richard Lowe
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Additionally, the auditors indicated there was insufficient documentation to support the volunteer hours for monthly claims for in-kind services. Each volunteer will be required to complete a time sheet reflecting the date, beginning time and ending time that the volunteer work was completed. The volunteer will sign and supervisor will sign each time sheet. This must be turned into the Head Start Secretary who will keep such time sheets and prepare a spreadsheet that will summarize the volunteer activity. On a bi-weekly basis the secretary will print and sign as preparer of the spreadsheet summary and submitted to the Head Start Administrator to sign as reviewer and approval. These records will be kept with the current Head Start grant period and will be available to utilize to properly compute the volunteer in-kind requirement and readily available for audit review.

Finally, the Head Start Administrator will maintain the listing of each special needs student's assessment in the student administrative software to monitor the required tracking of services provided by the credible threshold required by the Head Start grant. It is required by Geminus to service at least 10% of the pre-k population in total. Lake Ridge will provide and keep listing with in the Head Start office and electronically on the student management system the earmarked students that qualify for these services.

By following these recommendations this process to will comply with the auditor's request to keep proper documentation and segregation of duties.

Acknowledged by:

 Superintendent	<u>2-11-14</u> Date	 Business Manager	<u>2-11-14</u> Date
 Treasurer	<u>2/11/2014</u> Date	 Board Member	<u>2-11-14</u> Date
 Head Start Administrator	<u>2/11/14</u> Date		

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February 3, 2014

Finding Number: 2013-006 Compliance Related to Head Start Cash Management

Agency: US Department of Health and Human Services

Program: Head Start

CFDA Number: 93.600

Federal Award Number and Year: FY2011, FY2012, FY2013

Pass Through Entity: Geminus

Auditee Contact Person: Sandi Sweeney

Title of Contact Person: Head Start Administration Director

Phone Number: 219/838-1819

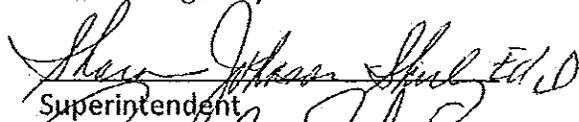
Additional Auditee: James Hudleston-Business Manager for the period of July 1, 2011 thru April 2, 2013

Additional Auditee: Edward Sopko-Treasurer for the period of July 1, 2011 thru June 30, 2013

Additional Auditee: Laura Hubinger-Business Manager for the period of June 17, 2013 thru June 30, 2013

It is the responsibility of the Head Start Administrator to request the reimbursement of approved expenditures for the Head Start Grant. In the past there were odd or not consistent timing of requested reimbursements. This is now being done on a monthly basis. At the end of each month the Head Start Administrator will have 4 days of the ensuing month to complete the reimbursement request for the prior month; allowing the 5th day for the business office to review and the corporation treasurer to sign for the request. The Business Office Claims Clerk is preparing a spreadsheet to assist with the monitoring and reimbursement requests of the Head Start grant to ensure timely submission of the request is followed.

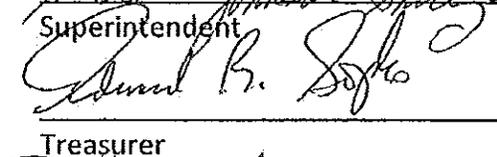
Acknowledged by:


Superintendent

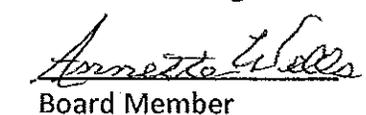
2-11-14
Date


Business Manager

2-11-14
Date


Treasurer

2/11/14
Date


Board Member

2-11-14
Date


Head Start Administrator

2/11/14
Date

SUPERINTENDENT
Sharon Johnson-Shirley, Ed.D.
ASSISTANT SUPERINTENDENT
Janet Flores

Business Manager
Laura Hubinger

BOARD OF SCHOOL TRUSTEES
Mr. Jonathan Evans
Mr. Glenn Johnson
Mr. Richard Lowe
Mrs. Toni Modglin
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February 3, 2014

Finding Number: 2013-007 Compliance Related to Head Start Grant Allowed and Allowable Costs

Agency: US Department of Health and Human Services

Program: Head Start

CFDA Number: 93.600

Federal Award Number and Year: FY2011, FY2012, FY2013

Pass Through Entity: Geminus

Auditee Contact Person: Sandi Sweeney

Title of Contact Person: Head Start Administration Director

Phone Number: 219/838-1819

Additional Auditee: James Hudleston-Business Manager for the period of July 1, 2011 thru April 2, 2013

Additional Auditee: Edward Sopko-Treasurer for the period of July 1, 2011 thru June 30, 2013

Additional Auditee: Laura Hubinger-Business Manager for the period of June 17, 2013 thru June 30, 2013

The Head Start administrator was not accurately completing a time and effort log, her salary is paid from three different grants. It is required to keep daily the record of the date, begin and ending time and number of hours each day spent on these responsibilities and duties. This is to ensure that accurate amounts are charged properly to each grant. This time sheet must be kept in each grant file to ensure proper documentation exists for audit. The Head Start Administrator must sign that the information/hours tracked are accurate.

Additionally, the Head Start Administrator will prepare proper documentation to the Office of Superintendent to be submitted to the Board of Trustees any salary recommendations for Head Start Staff, this process begins immediately. The Head Start Administrator will keep a copy of the board minutes in the Head Start Grant file to support the required compliance as proof that the board of trustees approved salaries, salary recommendations, increases or changes in salary and or benefits.

All documents that are required and mentioned above will be copied and provided to the business office in an accurate and timely manner.

SUPERINTENDENT
Sharon Johnson-Shirley, Ed.D.
ASSISTANT SUPERINTENDENT
Janet Flores

Business Manager
Laura Hubinger

BOARD OF SCHOOL TRUSTEES
Mr. Jonathan Evans
Mr. Glenn Johnson
Mr. Richard Lowe
Mrs. Toni Modglin
Mrs. Annette Wells

Acknowledged by:

Sharon Ann Shultz Ed.D.
Superintendent

Edward R. Lopez
Treasurer

Anna Sullivan
Head Start Administrator

2-11-14 Laura M. Hubinger 2-11-14
Date Business Manager Date

2/11/2014 Annette Wells 2-11-14
Date Board Member Date

2/11/14
Date

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February 3, 2014

Finding Number: 2013-008 Internal Controls over Compliance Requirements that have a Direct and Material Effect to Twenty-First Century Community Learning

Agency: US Department of Education

Program: Twenty-First Century Community Learning Centers

CFDA Number: 84.287

Federal Award Number and Year: 2010-2011, 2011-2012, 2013-2014

Auditee Contact Person: Sandi Sweeney

Title of Contact Person: Twenty-First Administration Director

Phone Number: 219/838-1819

Additional Auditee: James Hudleston-Business Manager for the period of July 1, 2011 thru April 2, 2013

Additional Auditee: Edward Sopko-Treasurer for the period of July 1, 2011 thru June 30, 2013

Additional Auditee: Laura Hubinger-Business Manager for the period of June 17, 2013 thru June 30, 2013

It is required by the Business Manager that the grant administrators submit a copy of the 21st grant application, approval letter that the grant has been awarded, approved budget, copies of all cash requests, copies of all monthly, quarterly, and final reports, CFDA number and the begin and ending period of the grant. By having this supporting documentation will allow the Corporation Treasurer to review and validate the claims allowable under the provisions of each grant.

Cash requests will be reconciled by the 21st Century grant administrator and submitted to the business office 4 days after the end of the prior month; allowing the 5th day for the Corporation Treasurer to review and ensure supporting documentation is available. Additionally, monthly grant monitoring reports will be prepared by the grant administrator and the 21st Century bookkeeper to ensure that timely execution of expenditures are on target for the period of the grant, these reports will be given to the business office on a monthly basis for review.

The 21st Century bookkeeper will prepare no later than the conclusion of the 21st Century grant a Maintenance of Effort report to be placed into each grant file to be available for audit. The Maintenance of Effort report will be signed by the bookkeeper as the preparer and reviewed by grant administrator and Corporation Treasurer as the final approver.

SUPERINTENDENT
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ASSISTANT SUPERINTENDENT
Janet Flores

Business Manager
Laura Hubinger

BOARD OF SCHOOL TRUSTEES
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Mr. Glenn Johnson
Mr. Richard Lowe
Mrs. Toni Modglin
Mrs. Annette Wells

Acknowledged by:

Sharon Johnson-Schubert, D
Superintendent

2-11-14
Date

Laura M. Hubinger
Business Manager

2-11-14
Date

Edward R. Lopez
Treasurer

2/11/2014
Date

Arnette L. Sells
Board Member

2-11-14
Date

Sandi Aweeney
21st Century Administrator

2/11/14
Date

Lake Ridge Schools

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February 3, 2014

Finding Number: 2013-009 Compliance Related to Twenty-First Century Community Learning Centers Grant Allowed and Allowable Costs

Agency: US Department of Education

Program: Twenty-First Century Community Learning Centers

CFDA Number: 84.287

Federal Award Number and Year: 2010-2011, 2011-2012, 2013-2014

Auditee Contact Person: Sandi Sweeney

Title of Contact Person: Twenty-First Administration Director

Phone Number: 219/838-1819

Additional Auditee: James Hudleston-Business Manager for the period of July 1, 2011 thru April 2, 2013

Additional Auditee: Edward Sopko-Treasurer for the period of July 1, 2011 thru June 30, 2013

Additional Auditee: Laura Hubinger-Business Manager for the period of June 17, 2013 thru June 30, 2013

The 21st Century Administrator will keep a time and effort log that will indicate the date, begin and ending times of time spent on 21st Century duties. A copy of this log will be kept on file in the 21st Century Grant files. The Administrator will sign to indicate that the time recorded is accurate and will be maintained with the bi-weekly payrolls to ensure proper salary charges are recorded.

The bookkeeper for the 21st Century grant will supply on a bi-weekly basis the date, begin and ending times of time spent doing the book work for 21st Century. The bookkeeper will only be paid for services performed for 21st Century grant monitoring. This will be signed by the bookkeeper and submitted to the grant administrator for approval. A copy of these time sheets will be kept in the 21st Century Grant and submitted with the bi-weekly payrolls to ensure proper salary charges are recorded.

Finally, fair and equitable salaries will be paid to employees paid by 21st Century and will be submitted by the grant administrator to the Office of Superintendent to be placed before the Board of Trustees for approval. The grant administrator will ensure that the salary and benefits comply with Lake Ridge Board Policies for salary and benefits and will keep record of the approval from the board within the 21st Century grant file of documents.

SUPERINTENDENT
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ASSISTANT SUPERINTENDENT
Janet Flores

Business Manager
Laura Hubinger

BOARD OF SCHOOL TRUSTEES
Mr. Jonathan Evans
Mr. Glenn Johnson
Mr. Richard Lowe
Mrs. Toni Modglin
Mrs. Annette Wells

Acknowledged by:

Shirley Johnson Shale Ed.D.
Superintendent

2-11-14
Date

Laura M. Hubinger
Business Manager

2-11-14
Date

Edward R. Sofka
Treasurer

2/11/2014
Date

Arnette Wells
Board Member

2-11-14
Date

Shirley Aweeney
21st Century Administrator

2/11/14
Date

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February 3, 2014

Finding Number: 2013-010 Internal Controls over Compliance Requirements that have a Direct and Material Effect on the Child Nutrition Cluster

Agency: US Department of Agriculture

Program: Child Nutrition Cluster

CFDA Number: 10.555, 10.553

Federal Award Number and Year: FY2011-2012, FY2012-2013

Auditee Contact Person: Toni Rattray

Title of Contact Person: Food Service Administration Director

Phone Number: 219/838-1819

Additional Auditee: James Hudleston-Business Manager for the period of July 1, 2011 thru April 2, 2013

Additional Auditee: Edward Sopko-Treasurer for the period of July 1, 2011 thru June 30, 2013

Additional Auditee: Laura Hubinger-Business Manager for the period of June 17, 2013 thru June 30, 2013

It was noted that proper controls for Free/Reduced Lunch verification had not been followed. I will add to the corrective action plan an inclusion of verification of request for textbook assistance within the plan.

Immediately the current food service director will randomly pull student free/reduce application that have requested and have been approved for free and reduced lunch for the 2013-2014 school year to verify that the applications were properly completed. The Director or designee will request from parents proof of income to verify the free reduced status at the time the application was completed.

The 2014-15 school year will begin the complete new process, most of which should be handled by software. Currently our software does not provide the opportunity to comply with the protocol that will fit this corrective action plan, therefore, the district has begun interviewing other software companies for student management software systems to ensure that the district will be able to perform the required steps of record keeping for or students data.

At registration, the parent will select the opportunity to complete a free/reduce lunch application as provided by the Child Nutrition Center and complete a textbook assistance request form provided by Lake Ridge Schools. (The free/reduced lunch application does not

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ASSISTANT SUPERINTENDENT
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Business Manager
Laura Hubinger

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Mr. Glenn Johnson
Mr. Richard Lowe
Mrs. Toni Modglin
Mrs. Annette Wells

apply for those who have been directly certified by the State of Indiana. However, the directly certified student still requires parents complete the request for textbook assistance form.) Clerical staff will process the form and indicate in the software if the student qualifies for free, reduced or paid lunch (this also may be done electronically via software controls). The clerical staff at each building will also indicate in the software if the student qualifies for textbook assistance (this also may be done electronically via software controls). All lunch applications will be submitted to a central location at the administration building. An assigned data specialist will keep on file. At the beginning of each school year, students who have been approved for free or reduced lunch will receive a verification letter indicating the approved status at the district level. Two weeks after the beginning of school, this should be ample time for all schedule changes to be in place, the data specialist will send a mass billing to all students who would owe for textbook rental, these students/parents would not have completed a textbook assistance form. This initial billing would be done centrally by the administration data specialist. Continued billing each quarter would be done by the individual building clerks. The administrative data specialist would utilize the student administrative software to randomly select 3% of the free/reduced students and send a letter to parents to provide documents that will support the information they completed on the free and reduced application. The administrative data specialist will review each application that is turned into the building secretaries to validate the completion of the forms. It has been brought to the business office attention that the current student software system does not communicate electronically to the food service point of sale to indicate the students who have been approved for free, reduced lunch. This should be done nightly via electronic submission by computer and not with human data entry-this will ensure proper data transfer for new students, free-reduced students, and directly certified and if done nightly this protocol will capture the most current data.

As the food service provider processes claims, they must review on the web site (www.sam.gov) and print and sign that each vendor used does not appear on the Suspension and Debarment report. All vendors must be verified every semester/bi-annually. This process will begin immediately beginning with any new vendors that Chartwells or food service provider uses until all vendors utilized are verified prior to the payment of the claims submitted. Assistance from the business office will apply.

The financial report is prepared by the Corporation Treasurer; the food service provider must provide to the treasurer any supporting documentation that will verify the financial activities. This will be reviewed by the Business Manager or designee prior to the data entry by the food service director. Each report will be signed by the preparer and the reviewer and the data entry person prior to submission.

Currently, the food service department accepts prepaid on account for lunches. However, it was noted that there was no clear way to determine the total prepaid lunch account balances as a whole. March 1, 2013 the corporation treasurer will be provided from the food service director, obtained from the point of sale food service software, the total balance remaining in the prepaid account. This amount will be reduced from the current lunch fund (800) and transferred into the prepaid lunch fund (8400). As the food service director provides the lunch

money to be receipted into the lunch fund, the financial reports will reflect how much money represents money collected for student breakfast, student lunch, student prepaid. The treasurer will receipt into the food service fund (800) the breakfast and lunch money collected. The treasurer will receipt into the pre-paid food service fund (8400) the amount of money collected for prepaid lunch accounts. Each month the food service director will provide a reconciled report that will indicate how much money should be transferred from fund 8400 to fund 800 for breakfast and lunch. A separate monthly reconciliation monitoring report will be prepared by the Food Service or designee and submit to the business office for review.

Acknowledged by:

<u>Sharon Johnson Hill Ed.D.</u>	<u>2-11-14</u>	<u>Laura M. DeBorja</u>	<u>2-11-14</u>
Superintendent	Date	Business Manager	Date
<u>Edward R. Spivey</u>	<u>2/11/2014</u>	<u>Annette L. Wells</u>	<u>2-11-14</u>
Treasurer	Date	Board Member	Date
<u>Donalby</u>	<u>2-11-14</u>		
Food Service Administrator	Date		

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February 3, 2014

Finding Number: 2013-011 Compliance over Reporting for the Child Nutrition Cluster

Agency: US Department of Agriculture

Program: Child Nutrition Cluster

CFDA Number: 10.555, 10.553

Federal Award Number and Year: FY2011-2012, FY2012-2013

Auditee Contact Person: Toni Rattray

Title of Contact Person: Food Service Administration Director

Phone Number: 219/838-1819

Additional Auditee: James Hudleston-Business Manager for the period of July 1, 2011 thru April 2, 2013

Additional Auditee: Edward Sopko-Treasurer for the period of July 1, 2011 thru June 30, 2013

Additional Auditee: Laura Hubinger-Business Manager for the period of June 17, 2013 thru June 30, 2013

Beginning March 1st 2014 the ledger for food service equipment purchased over \$300 will no longer be prorated over the reporting period. The food service manager will provide to the treasurer an asset report log of equipment purchases for food service, thus the ledger will be verified by claim payment and prepared and kept on file within the business office and the food service division. Although the overall report of equipment purchased did balance, the dollar figure was prorated over the course of two accounting periods. The report will reflect actual monthly equipment purchases.

A log of all equipment will be kept on file in the food service division, showing purchase date, equipment description, vendor purchased from, and location of the equipment. On June 30 of each budget year the food service will provide to the business office the inventory of such equipment to be included within the corporation fixed asset files.

SUPERINTENDENT
SharonJohnson-Shirley, Ed.D.
ASSISTANT SUPERINTENDENT
JanetFlores

Business Manager
Laura Hubinger

-86-

BOARD OF SCHOOL TRUSTEES
Mr. Jonathan Evans
Mr. Glenn Johnson
Mr. Richard Lowe
Mrs. Toni Modglin
Mrs. Annette Wells

Acknowledged by:

Sharon Johnson Spivey Ed.D
Superintendent

2-11-14
Date

Laura M. Submer
Business Manager 2-11-14
Date

Edward R. Jones
Treasurer

2/11/2014
Date

Annette L. Sobers
Board Member 2-11-14
Date

Tom Ratty
Food Service Administrator

2-11-14
Date

Lake Ridge Schools

Office of the Superintendent

Mission Statement: Changing Learning, Changing Lives, Inspiring Lifelong Possibilities

6111 West Ridge Road, Gary, IN 46408

Phone: 219-838-1819

Fax: 219-989-7802

Web: www.lakeridge.k12.in.us

February 3, 2014

Finding Number: 2013-012 Compliance over Child Nutrition Cluster, Special Tests and Provisions-School Food Accounts

Agency: US Department of Agriculture

Program: Child Nutrition Cluster

CFDA Number: 10.555, 10.553

Federal Award Number and Year: FY2011-2012, FY2012-2013

Auditee Contact Person: Toni Rattray

Title of Contact Person: Food Service Administration Director

Phone Number: 219/838-1819

Additional Auditee: James Hudleston-Business Manager for the period of July 1, 2011 thru April 2, 2013

Additional Auditee: Edward Sopko-Treasurer for the period of July 1, 2011 thru June 30, 2013

Additional Auditee: Laura Hubinger-Business Manager for the period of June 17, 2013 thru June 30, 2013

Currently, the food service department accepts prepaid on account for lunches. However, it was noted that there was no clear way to determine the total prepaid lunch account balances as a whole. March 1, 2013 the corporation treasurer will be provided from the food service director, obtained from the point of sale food service software, the total balance remaining in the prepaid account. This amount will be reduced from the current lunch fund (080-0) and transferred into the prepaid lunch fund (8400). As the food service director provides the lunch money to be receipted into the lunch fund, the financial reports will reflect how much money represents money collected for student breakfast, student lunch, student prepaid. The treasurer will receipt into fund 800 the breakfast and lunch money collected. The treasurer will receipt into fund 8400 the amount of money collected for prepaid lunch accounts. Each month the food service director will provide a reconciled report that will indicate how much money should be transferred from fund 8400 to fund 800 for breakfast and lunch.

SUPERINTENDENT
Sharon Johnson-Shirley, Ed.D.
ASSISTANT SUPERINTENDENT
Janet Flores

Business Manager
Laura Hubinger

BOARD OF SCHOOL TRUSTEES
Mr. Jonathan Evans
Mr. Glenn Johnson
Mr. Richard Lowe
Mrs. Toni Modglin
Mrs. Annette Wells

Acknowledged by:

Sharon Johnson Shuler Ed.D.
Superintendent

2-11-14
Date

Laura M. Hubonze
Business Manager

2-11-14
Date

Edward R. Sofas
Treasurer

2/11/2014
Date

Annette Z. Bell
Board Member

2-12-14
Date

Jonahally
Food Service Administrator

2-11-14
Date

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Office of the Superintendent

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February 3, 2014

Finding Number: 2013-013 Compliance over Child Nutrition Cluster, Procurement, Suspension and Debarment

Agency: US Department of Agriculture

Program: Child Nutrition Cluster

CFDA Number: 10.555, 10.553

Federal Award Number and Year: FY2011-2012, FY2012-2013

Auditee Contact Person: Toni Rattray

Title of Contact Person: Food Service Administration Director

Phone Number: 219/838-1819

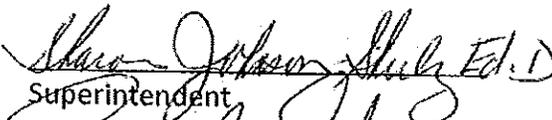
Additional Auditee: James Hudleston-Business Manager for the period of July 1, 2011 thru April 2, 2013

Additional Auditee: Edward Sopko-Treasurer for the period of July 1, 2011 thru June 30, 2013

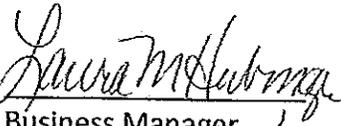
Additional Auditee: Laura Hubinger-Business Manager for the period of June 17, 2013 thru June 30, 2013

As the food service provider processes claims, they must review on the web site (www.sam.gov) and print and sign that each vendor used does not appear on the Suspension and Debarment report. All vendors must be verified every semester/bi-annually. This process will begin immediately beginning with any new vendors that Chartwells or food service provider uses until all vendors utilized are verified prior to the payment of the claims submitted. Assistance from the business office will apply. The Accounts Payable will review the process and check to ensure that the food service division is following this required protocol.

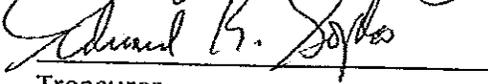
Acknowledged by:


Superintendent

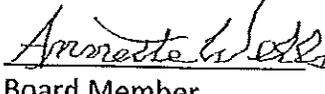
2-11-14
Date


Business Manager

2-11-14
Date


Treasurer

2/11/2014
Date


Board Member

2-11-14
Date


Food Service Administrator

2/11/14
Date

SUPERINTENDENT
Sharon Johnson-Shirley, Ed.D.
ASSISTANT SUPERINTENDENT
Janet Flores

Business Manager
Laura Hubinger

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LAKE RIDGE SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on February 11, 2014, with Sharon Johnson-Shirley, Ed. D., Superintendent of Schools; Edward R. Sopko, Treasurer; Laura Hubinger, Business Manager; and Annette Wells, Vice President of the School Board.