

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

LAKE CENTRAL SCHOOL CORPORATION
LAKE COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
09/24/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lorri Miskus Cathie Romba	07-01-12 to 02-19-13 02-20-13 to 12-31-15
Director of Business Services	Robert James	07-01-12 to 06-30-16
Superintendent of Schools	Dr. Lawrence Veracco	07-01-12 to 06-30-20
President of the School Board	Howard Marshall, Jr. George Baranowski Don Bacso	01-01-12 to 12-31-12 01-01-13 to 12-31-14 01-01-15 to 12-31-15



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Lake Central School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement as listed in the Table of Contents.

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. The basis of accounting noted above is a different basis than that used in the prior period.

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, 2012 to June 30, 2014.

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, 2012 to June 30, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

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.


Other Information

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, 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated July 22, 2015, 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.


Paul D. Joyce, CPA
State Examiner

July 22, 2015



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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 CENTRAL SCHOOL CORPORATION, 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 Central School Corporation (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2012 to June 30, 2014, and the related notes to the financial statement, and have issued our report thereon dated July 22, 2015, 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 item 2014-001 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Lake Central School Corporation's 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

July 22, 2015

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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 CENTRAL SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2013 and 2014

	Cash and Investments 07-01-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14
General	\$ (976,221)	\$ 54,232,603	\$ 52,359,367	\$ 579,649	\$ 1,476,664	\$ 54,465,347	\$ 51,678,954	\$ (368,961)	\$ 3,894,096
Debt Service	1,834,768	2,561,861	2,170,944	-	2,225,685	2,586,331	2,578,362	(8,574)	2,225,080
Exempt Debt	6,283,355	9,109,614	10,826,739	-	4,566,230	10,336,122	8,847,958	-	6,054,394
Exempt Retirement/Severance Bond Debt Service	1,349,687	1,995,106	1,997,900	-	1,346,893	2,049,206	1,999,175	-	1,396,924
Referendum Debt Exempt Capital	2,099,494	8,708,778	2,098,300	-	8,709,972	13,569,818	12,864,800	-	9,414,990
Capital Projects	4,716,362	13,193,977	15,081,309	(513)	2,828,517	11,645,747	10,834,609	58,011	3,697,666
School Transportation	2,258,155	8,140,695	7,414,396	(51,205)	2,933,249	7,873,835	7,183,113	(30,588)	3,593,383
School Bus Replacement	1,940,042	480,679	1,424,462	-	996,259	1,067,283	-	(800,000)	1,263,542
Rainy Day	-	-	-	-	-	-	-	800,000	800,000
Retirement/Severance Bond	1,859,285	-	-	-	1,859,285	-	12,827,564	12,155,000	1,186,721
Post-Retirement/Severance Future Benefits	1,587,362	133,383	1,409,779	-	310,966	-	805,298	1,038,215	543,883
Construction	(638,520)	638,658	138	-	-	-	-	-	-
2012 BAN	1,095,519	200	1,081,742	-	13,977	-	13,977	-	-
2012 G.O. Bond	-	-	1,877,988	1,898,800	20,812	-	20,812	-	-
LCHS Construction	-	-	-	16,000,000	16,000,000	27,377	5,211,996	-	10,815,381
2014 G.O. Bond	-	-	-	-	-	-	340,988	1,930,000	1,589,012
School Lunch	783,553	3,199,538	3,034,810	(7,630)	940,651	3,222,190	3,162,915	(5,237)	994,689
Textbook Rental	174,047	1,835,731	1,018,715	(717,005)	274,058	1,736,440	1,195,638	(642,603)	172,257
Self-Insurance	4,019,999	9,992,437	8,058,596	196,704	6,150,544	10,007,183	8,732,295	66,371	7,491,803
West Lake Special Education Cooperative	(755,996)	12,381,910	11,335,212	-	290,702	11,305,701	11,246,882	(57,197)	292,324
Safe Schools Commission	3,585	-	3,585	-	-	-	-	-	-
School Library Grant	12,807	-	7,585	-	5,222	-	2,729	-	2,493
Kolling Nature Trail	1,000	-	-	-	1,000	-	-	-	1,000
Aquatics Center	-	-	-	-	-	30,986	1,327	-	29,659
United Way	-	8,636	7,929	-	707	-	-	-	707
Wellness Grant	1,000	-	338	-	662	100	416	-	346
Kids On The Block	786	-	-	-	786	-	-	-	786
Making A Difference Grant 2013 / 2014	-	-	-	-	-	15,000	15,000	-	-
231,140 STAA 8/12	-	-	150,218	-	(150,218)	231,140	80,922	-	-
932,400 CSF 10/12	-	-	319,828	-	(319,828)	932,400	612,572	-	-
918,700 CSF 5/13	-	-	-	-	-	918,700	918,700	-	-
906,600 CSF 9/13	-	-	-	-	-	-	113,704	-	(113,704)
932,400 CSF 5/12	(325,202)	932,400	607,198	-	-	-	-	-	-

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

LAKE CENTRAL SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2013 and 2014
(Continued)

	Cash and Investments 07-01-12	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14
Medicaid Reimbursement - State	6,264	23,180	24,039	-	5,405	13,206	18,090	-	521
NESP 2011 / 2012	319	-	319	-	-	-	-	-	-
NESP 2012 / 2013	-	22,228	18,671	-	3,557	-	3,557	-	-
NESP 2013 / 2014	-	-	-	-	-	31,339	18,557	-	12,782
USF Technology Refund	(196,435)	184,585	55,726	-	(67,576)	219,130	56,720	-	94,834
Excellence In Performance Grant 2013 / 2014	-	-	-	-	-	500,000	500,000	-	-
Title I 2011 / 2012	(86,297)	221,951	135,654	-	-	-	-	-	-
Title I 2012 / 2013	-	614,884	679,088	-	(64,204)	232,517	168,313	-	-
Title I 2013 / 2014	-	-	-	-	-	633,194	734,776	-	(101,582)
Title I, Part D 2013 / 2014	-	-	-	-	-	40,347	45,776	-	(5,429)
IDEA, Part B 2010 / 2012	-	676	676	-	-	-	-	-	-
IDEA, Part B 2011 / 2013	(178,130)	935,960	757,830	-	-	-	-	-	-
IDEA, Part B 2012 / 2014	-	1,647,324	1,954,957	-	(307,633)	1,314,523	1,006,890	-	-
IDEA, Part B 2013 / 2015	-	-	-	-	-	1,566,443	1,772,005	-	(205,562)
Federal Preschool 2011 / 2013	(6,945)	18,081	11,136	-	-	-	-	-	-
Federal Preschool 2012 / 2014	-	76,713	84,255	-	(7,542)	31,555	24,013	-	-
Federal Preschool 2013 / 2015	-	-	-	-	-	65,795	70,368	-	(4,573)
IDEA, Part B TA Grant 2013 / 2015	-	-	-	-	-	33,447	36,746	-	(3,299)
Medicaid Reimbursement - Federal	12,696	47,289	5,663	-	54,322	26,909	19,055	-	62,176
Safe Routes To School	(2,296)	3,826	1,530	-	-	-	-	-	-
LSTA Library Grant	-	-	-	-	-	5,524	5,524	-	-
Title II, Part A 2012 / 2014	-	28,521	36,304	-	(7,783)	76,596	70,686	-	(1,873)
Title II, Part A 2011 / 2013	(24,003)	80,648	61,470	-	(4,825)	45,914	41,089	-	-
Title II, Part A 2013 / 2015	-	-	-	-	-	14,896	15,580	-	(684)
Title III 2011 / 2013	(1,140)	17,850	16,710	-	-	-	-	-	-
Title III 2012 / 2014	-	24,829	26,256	-	(1,427)	11,442	10,015	-	-
Title III 2013 / 2015	-	-	-	-	-	39,125	42,370	-	(3,245)
Title I - Grants to LEAs (Stimulus)	(1,004)	6,674	5,670	-	-	-	-	-	-
Education Jobs	2,710	35,289	37,999	-	-	-	-	-	-
Clearing Fund	55,525	12,460,170	12,585,997	-	(70,302)	13,063,179	12,894,300	-	98,577
Totals	<u>\$ 26,906,131</u>	<u>\$ 143,996,884</u>	<u>\$ 138,787,028</u>	<u>\$ 17,898,800</u>	<u>\$ 50,014,787</u>	<u>\$ 149,985,987</u>	<u>\$ 158,845,136</u>	<u>\$ 14,134,437</u>	<u>\$ 55,290,075</u>

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

LAKE CENTRAL SCHOOL CORPORATION
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 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.

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.

LAKE CENTRAL SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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 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.

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 include the following:

Proceeds of long-term debt which includes money received in relation to the issuance of bonds or other long-term debt issues.

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

LAKE CENTRAL SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

LAKE CENTRAL SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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 a cost-sharing 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.

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
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

LAKE CENTRAL SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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
One North Capitol, 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. This is a result of the funds being required to be set up as reimbursable grants or loans.

Note 8. Holding Corporation

The School Corporation has entered into capital leases with the Lake Central Multi-District School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years ended June 30, 2013 and 2014, totaled \$7,991,974 and \$15,697,200, respectively.

Note 9. Subsequent Events

On September 25, 2014, the Lake Central Multi-District School Corporation refunded the Series 2005 bonds initially issued for the construction of Clark Middle School. The semiannual lease rental payments due from the School Corporation remained the same, as did the length of the lease.

OTHER INFORMATION - UNAUDITED

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. Additionally, some financial information of the School Corporation can be found on the Gateway website: <https://gateway.ifionline.org/>.

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

LAKE CENTRAL SCHOOL CORPORATION
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	Referendum Debt Exempt Capital	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond
Cash and investments - beginning	\$ (976,221)	\$ 1,834,768	\$ 6,283,355	\$ 1,349,687	\$ 2,099,494	\$ 4,716,362	\$ 2,258,155	\$ 1,940,042	\$ -	\$ 1,859,285
Receipts:										
Local sources	452,636	2,074,861	6,609,614	1,419,106	4,991,978	8,176,962	5,486,095	480,679	-	-
Intermediate sources	197,337	-	-	-	-	-	-	-	-	-
State sources	53,582,630	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	487,000	2,500,000	576,000	3,716,800	5,017,015	2,654,600	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	<u>54,232,603</u>	<u>2,561,861</u>	<u>9,109,614</u>	<u>1,995,106</u>	<u>8,708,778</u>	<u>13,193,977</u>	<u>8,140,695</u>	<u>480,679</u>	<u>-</u>	<u>-</u>
Disbursements:										
Current:										
Instruction	39,106,945	-	-	-	-	36,250	208,335	-	-	-
Support services	12,151,985	-	-	-	-	3,825,863	4,522,561	1,424,462	-	-
Noninstructional services	1,053,223	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	47,214	-	-	-	-	5,675,896	-	-	-	-
Debt services	-	2,170,944	10,826,739	1,997,900	2,098,300	5,543,300	2,683,500	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	<u>52,359,367</u>	<u>2,170,944</u>	<u>10,826,739</u>	<u>1,997,900</u>	<u>2,098,300</u>	<u>15,081,309</u>	<u>7,414,396</u>	<u>1,424,462</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>1,873,236</u>	<u>390,917</u>	<u>(1,717,125)</u>	<u>(2,794)</u>	<u>6,610,478</u>	<u>(1,887,332)</u>	<u>726,299</u>	<u>(943,783)</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	717,005	-	-	-	-	-	-	-	-	-
Transfers out	(137,356)	-	-	-	-	(513)	(51,205)	-	-	-
Total other financing sources (uses)	<u>579,649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(513)</u>	<u>(51,205)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>2,452,885</u>	<u>390,917</u>	<u>(1,717,125)</u>	<u>(2,794)</u>	<u>6,610,478</u>	<u>(1,887,845)</u>	<u>675,094</u>	<u>(943,783)</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 1,476,664</u>	<u>\$ 2,225,685</u>	<u>\$ 4,566,230</u>	<u>\$ 1,346,893</u>	<u>\$ 8,709,972</u>	<u>\$ 2,828,517</u>	<u>\$ 2,933,249</u>	<u>\$ 996,259</u>	<u>\$ -</u>	<u>\$ 1,859,285</u>

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

	Post- Retirement/ Severance Future Benefits	Construction	2012 BAN	2012 G.O. Bond	LCHS Construction	2014 G.O. Bond	School Lunch	Textbook Rental	Self- Insurance
Cash and investments - beginning	\$ 1,587,362	\$ (638,520)	\$ 1,095,519	\$ -	\$ -	\$ -	\$ 783,553	\$ 174,047	\$ 4,019,999
Receipts:									
Local sources	133,383	638,658	200	-	-	-	2,132,681	1,595,980	9,992,437
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	57,802	239,751	-
Federal sources	-	-	-	-	-	-	1,007,892	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	1,163	-	-
Total receipts	133,383	638,658	200	-	-	-	3,199,538	1,835,731	9,992,437
Disbursements:									
Current:									
Instruction	1,409,779	-	-	-	-	-	-	36,606	-
Support services	-	-	81,419	45,108	-	-	31,730	982,109	19,155
Noninstructional services	-	-	-	-	-	-	3,003,080	-	-
Facilities acquisition and construction	-	138	1,000,323	1,832,880	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	8,039,441
Total disbursements	1,409,779	138	1,081,742	1,877,988	-	-	3,034,810	1,018,715	8,058,596
Excess (deficiency) of receipts over disbursements	(1,276,396)	638,520	(1,081,542)	(1,877,988)	-	-	164,728	817,016	1,933,841
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	1,898,800	-	-	-	-	-
Sale of capital assets	-	-	-	-	16,000,000	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	196,704
Transfers out	-	-	-	-	-	-	(7,630)	(717,005)	-
Total other financing sources (uses)	-	-	-	1,898,800	16,000,000	-	(7,630)	(717,005)	196,704
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,276,396)	638,520	(1,081,542)	20,812	16,000,000	-	157,098	100,011	2,130,545
Cash and investments - ending	\$ 310,966	\$ -	\$ 13,977	\$ 20,812	\$ 16,000,000	\$ -	\$ 940,651	\$ 274,058	\$ 6,150,544

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

	West Lake Special Education Cooperative	Safe Schools Commission	School Library Grant	Kolling Nature Trail	Aquatics Center	United Way	Wellness Grant	Kids On The Block	Making A Difference Grant 2013 / 2014
Cash and investments - beginning	\$ (755,996)	\$ 3,585	\$ 12,807	\$ 1,000	\$ -	\$ -	\$ 1,000	\$ 786	\$ -
Receipts:									
Local sources	12,301,090	-	-	-	-	8,636	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	80,820	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	12,381,910	-	-	-	-	8,636	-	-	-
Disbursements:									
Current:									
Instruction	7,967,626	3,585	-	-	-	7,929	338	-	-
Support services	3,097,586	-	7,585	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	270,000	-	-	-	-	-	-	-	-
Total disbursements	11,335,212	3,585	7,585	-	-	7,929	338	-	-
Excess (deficiency) of receipts over disbursements	1,046,698	(3,585)	(7,585)	-	-	707	(338)	-	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
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	1,046,698	(3,585)	(7,585)	-	-	707	(338)	-	-
Cash and investments - ending	\$ 290,702	\$ -	\$ 5,222	\$ 1,000	\$ -	\$ 707	\$ 662	\$ 786	\$ -

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

	231,140 STAA 8/12	932,400 CSF 10/12	918,700 CSF 5/13	906,600 CSF 9/13	932,400 CSF 5/12	Medicaid Reimbursement - State	NESP 2011 / 2012	NESP 2012 / 2013	NESP 2013 / 2014
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ (325,202)	\$ 6,264	\$ 319	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	932,400	23,180	-	22,228	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	932,400	23,180	-	22,228	-
Disbursements:									
Current:									
Instruction	150,218	136,503	-	-	397,701	24,039	319	18,671	-
Support services	-	183,325	-	-	195,923	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	13,574	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	150,218	319,828	-	-	607,198	24,039	319	18,671	-
Excess (deficiency) of receipts over disbursements	(150,218)	(319,828)	-	-	325,202	(859)	(319)	3,557	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
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	(150,218)	(319,828)	-	-	325,202	(859)	(319)	3,557	-
Cash and investments - ending	\$ (150,218)	\$ (319,828)	\$ -	\$ -	\$ -	\$ 5,405	\$ -	\$ 3,557	\$ -

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

	USF Technology Refund	Excellence In Performance Grant 2013 / 2014	Title I 2011 / 2012	Title I 2012 / 2013	Title I 2013 / 2014	Title I, Part D 2013 / 2014	IDEA, Part B 2010 / 2012	IDEA, Part B 2011 / 2013	IDEA, Part B 2012 / 2014
Cash and investments - beginning	\$ (196,435)	\$ -	\$ (86,297)	\$ -	\$ -	\$ -	\$ -	\$ (178,130)	\$ -
Receipts:									
Local sources	37,084	-	-	-	-	-	-	-	5,759
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	147,501	-	-	-	-	-	-	-	-
Federal sources	-	-	221,951	614,884	-	-	676	935,960	1,641,565
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	184,585	-	221,951	614,884	-	-	676	935,960	1,647,324
Disbursements:									
Current:									
Instruction	37,136	-	116,924	636,779	-	-	-	427,126	1,310,567
Support services	18,590	-	18,730	41,968	-	-	676	330,704	644,390
Noninstructional services	-	-	-	341	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	55,726	-	135,654	679,088	-	-	676	757,830	1,954,957
Excess (deficiency) of receipts over disbursements	128,859	-	86,297	(64,204)	-	-	-	178,130	(307,633)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
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	128,859	-	86,297	(64,204)	-	-	-	178,130	(307,633)
Cash and investments - ending	\$ (67,576)	\$ -	\$ -	\$ (64,204)	\$ -	\$ -	\$ -	\$ -	\$ (307,633)

LAKE CENTRAL SCHOOL CORPORATION
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 2013 / 2015	Federal Preschool 2011 / 2013	Federal Preschool 2012 / 2014	Federal Preschool 2013 / 2015	IDEA, Part B TA Grant 2013 / 2015	Medicaid Reimbursement - Federal	Safe Routes To School	LSTA Library Grant	Title II, Part A 2012 / 2014
Cash and investments - beginning	\$ -	\$ (6,945)	\$ -	\$ -	\$ -	\$ 12,696	\$ (2,296)	\$ -	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	3,826	-	-
Federal sources	-	18,081	76,713	-	-	47,289	-	-	28,521
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	18,081	76,713	-	-	47,289	3,826	-	28,521
Disbursements:									
Current:									
Instruction	-	6,281	60,845	-	-	5,663	1,530	-	31,972
Support services	-	4,855	23,410	-	-	-	-	-	4,332
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	11,136	84,255	-	-	5,663	1,530	-	36,304
Excess (deficiency) of receipts over disbursements	-	6,945	(7,542)	-	-	41,626	2,296	-	(7,783)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
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	-	6,945	(7,542)	-	-	41,626	2,296	-	(7,783)
Cash and investments - ending	\$ -	\$ -	\$ (7,542)	\$ -	\$ -	\$ 54,322	\$ -	\$ -	\$ (7,783)

LAKE CENTRAL SCHOOL CORPORATION
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 II, Part A 2011 / 2013	Title II, Part A 2013 / 2015	Title III 2011 / 2013	Title III 2012 / 2014	Title III 2013 / 2015	Title I - Grants to LEAs (Stimulus)	Education Jobs	Clearing Fund	Totals
Cash and investments - beginning	\$ (24,003)	\$ -	\$ (1,140)	\$ -	\$ -	\$ (1,004)	\$ 2,710	\$ 55,525	\$ 26,906,131
Receipts:									
Local sources	760	-	-	-	-	-	-	-	56,538,599
Intermediate sources	-	-	-	-	-	-	-	-	197,337
State sources	-	-	-	-	-	-	-	-	55,090,138
Federal sources	79,888	-	17,850	24,829	-	6,674	35,289	-	4,758,062
Temporary loans	-	-	-	-	-	-	-	-	14,951,415
Other	-	-	-	-	-	-	-	12,460,170	12,461,333
Total receipts	80,648	-	17,850	24,829	-	6,674	35,289	12,460,170	143,996,884
Disbursements:									
Current:									
Instruction	52,121	-	16,571	21,861	-	5,670	37,920	-	52,273,810
Support services	9,349	-	139	4,395	-	-	79	-	27,670,428
Noninstructional services	-	-	-	-	-	-	-	-	4,056,644
Facilities acquisition and construction	-	-	-	-	-	-	-	-	8,570,025
Debt services	-	-	-	-	-	-	-	-	25,320,683
Nonprogrammed charges	-	-	-	-	-	-	-	12,585,997	20,895,438
Total disbursements	61,470	-	16,710	26,256	-	5,670	37,999	12,585,997	138,787,028
Excess (deficiency) of receipts over disbursements	19,178	-	1,140	(1,427)	-	1,004	(2,710)	(125,827)	5,209,856
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	1,898,800
Sale of capital assets	-	-	-	-	-	-	-	-	16,000,000
Transfers in	-	-	-	-	-	-	-	-	913,709
Transfers out	-	-	-	-	-	-	-	-	(913,709)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	17,898,800
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	19,178	-	1,140	(1,427)	-	1,004	(2,710)	(125,827)	23,108,656
Cash and investments - ending	\$ (4,825)	\$ -	\$ -	\$ (1,427)	\$ -	\$ -	\$ -	\$ (70,302)	\$ 50,014,787

LAKE CENTRAL SCHOOL CORPORATION
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2014

	General	Debt Service	Exempt Debt	Exempt Retirement/ Severance Bond Debt Service	Referendum Debt Exempt Capital	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond
Cash and investments - beginning	\$ 1,476,664	\$ 2,225,685	\$ 4,566,230	\$ 1,346,893	\$ 8,709,972	\$ 2,828,517	\$ 2,933,249	\$ 996,259	\$ -	\$ 1,859,285
Receipts:										
Local sources	617,799	2,366,331	7,536,122	1,509,206	10,049,818	8,045,747	5,753,835	735,283	-	-
Intermediate sources	204,151	-	-	-	-	-	-	-	-	-
State sources	53,643,397	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	-
Temporary loans	-	220,000	2,800,000	540,000	3,520,000	3,600,000	2,120,000	332,000	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total receipts	54,465,347	2,586,331	10,336,122	2,049,206	13,569,818	11,645,747	7,873,835	1,067,283	-	-
Disbursements:										
Current:										
Instruction	37,821,434	-	-	-	-	25,000	500,004	-	-	676,212
Support services	12,744,393	-	-	-	-	4,278,666	4,686,009	-	-	158,539
Noninstructional services	1,113,127	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	2,947,743	-	-	-	-
Debt services	-	2,578,362	8,847,958	1,999,175	12,864,800	3,583,200	1,997,100	-	-	11,992,813
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	51,678,954	2,578,362	8,847,958	1,999,175	12,864,800	10,834,609	7,183,113	-	-	12,827,564
Excess (deficiency) of receipts over disbursements	2,786,393	7,969	1,488,164	50,031	705,018	811,138	690,722	1,067,283	-	(12,827,564)
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	12,155,000
Sale of capital assets	-	-	-	-	-	49,437	-	-	-	-
Transfers in	699,800	-	-	-	-	8,574	-	-	800,000	-
Transfers out	(1,068,761)	(8,574)	-	-	-	-	(30,588)	(800,000)	-	-
Total other financing sources (uses)	(368,961)	(8,574)	-	-	-	58,011	(30,588)	(800,000)	800,000	12,155,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,417,432	(605)	1,488,164	50,031	705,018	869,149	660,134	267,283	800,000	(672,564)
Cash and investments - ending	\$ 3,894,096	\$ 2,225,080	\$ 6,054,394	\$ 1,396,924	\$ 9,414,990	\$ 3,697,666	\$ 3,593,383	\$ 1,263,542	\$ 800,000	\$ 1,186,721

LAKE CENTRAL SCHOOL CORPORATION
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2014
(Continued)

	Post- Retirement/ Severance Future Benefits	Construction	2012 BAN	2012 G.O. Bond	LCHS Construction	2014 G.O. Bond	School Lunch	Textbook Rental	Self- Insurance
Cash and investments - beginning	\$ 310,966	\$ -	\$ 13,977	\$ 20,812	\$ 16,000,000	\$ -	\$ 940,651	\$ 274,058	\$ 6,150,544
Receipts:									
Local sources	-	-	-	-	27,377	-	2,139,570	1,446,661	10,007,183
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	57,472	289,779	-
Federal sources	-	-	-	-	-	-	1,025,148	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	-	-	-	27,377	-	3,222,190	1,736,440	10,007,183
Disbursements:									
Current:									
Instruction	805,298	-	-	-	-	-	-	32,609	12,161
Support services	-	-	1,230	-	-	311,363	10,517	1,163,029	-
Noninstructional services	-	-	-	-	-	-	3,152,398	-	-
Facilities acquisition and construction	-	-	12,747	20,812	5,211,996	29,625	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	8,720,134
Total disbursements	805,298	-	13,977	20,812	5,211,996	340,988	3,162,915	1,195,638	8,732,295
Excess (deficiency) of receipts over disbursements	(805,298)	-	(13,977)	(20,812)	(5,184,619)	(340,988)	59,275	540,802	1,274,888
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	1,930,000	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	1,038,215	-	-	-	-	-	-	-	66,371
Transfers out	-	-	-	-	-	-	(5,237)	(642,603)	-
Total other financing sources (uses)	1,038,215	-	-	-	-	1,930,000	(5,237)	(642,603)	66,371
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	232,917	-	(13,977)	(20,812)	(5,184,619)	1,589,012	54,038	(101,801)	1,341,259
Cash and investments - ending	\$ 543,883	\$ -	\$ -	\$ -	\$ 10,815,381	\$ 1,589,012	\$ 994,689	\$ 172,257	\$ 7,491,803

LAKE CENTRAL SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2014
 (Continued)

	West Lake Special Education Cooperative	Safe Schools Commission	School Library Grant	Kolling Nature Trail	Aquatics Center	United Way	Wellness Grant	Kids On The Block	Making A Difference Grant 2013 / 2014
Cash and investments - beginning	\$ 290,702	\$ -	\$ 5,222	\$ 1,000	\$ -	\$ 707	\$ 662	\$ 786	\$ -
Receipts:									
Local sources	11,283,714	-	-	-	30,986	-	100	-	-
Intermediate sources	300	-	-	-	-	-	-	-	-
State sources	21,687	-	-	-	-	-	-	-	15,000
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	11,305,701	-	-	-	30,986	-	100	-	15,000
Disbursements:									
Current:									
Instruction	8,142,368	-	-	-	-	-	416	-	15,000
Support services	2,969,514	-	2,729	-	-	-	-	-	-
Noninstructional services	-	-	-	-	1,327	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	135,000	-	-	-	-	-	-	-	-
Total disbursements	11,246,882	-	2,729	-	1,327	-	416	-	15,000
Excess (deficiency) of receipts over disbursements	58,819	-	(2,729)	-	29,659	-	(316)	-	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	(57,197)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(57,197)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,622	-	(2,729)	-	29,659	-	(316)	-	-
Cash and investments - ending	\$ 292,324	\$ -	\$ 2,493	\$ 1,000	\$ 29,659	\$ 707	\$ 346	\$ 786	\$ -

LAKE CENTRAL SCHOOL CORPORATION
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2014
(Continued)

	231,140 STAA 8/12	932,400 CSF 10/12	918,700 CSF 5/13	906,600 CSF 9/13	932,400 CSF 5/12	Medicaid Reimbursement - State	NESP 2011 / 2012	NESP 2012 / 2013	NESP 2013 / 2014
Cash and investments - beginning	\$ (150,218)	\$ (319,828)	\$ -	\$ -	\$ -	\$ 5,405	\$ -	\$ 3,557	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	231,140	932,400	918,700	-	-	13,206	-	-	31,339
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	231,140	932,400	918,700	-	-	13,206	-	-	31,339
Disbursements:									
Current:									
Instruction	80,922	574,487	660,665	40,110	-	18,090	-	3,557	18,557
Support services	-	38,085	254,816	73,594	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	3,219	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	80,922	612,572	918,700	113,704	-	18,090	-	3,557	18,557
Excess (deficiency) of receipts over disbursements	150,218	319,828	-	(113,704)	-	(4,884)	-	(3,557)	12,782
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
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	150,218	319,828	-	(113,704)	-	(4,884)	-	(3,557)	12,782
Cash and investments - ending	\$ -	\$ -	\$ -	\$ (113,704)	\$ -	\$ 521	\$ -	\$ -	\$ 12,782

LAKE CENTRAL SCHOOL CORPORATION
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2014
(Continued)

	USF Technology Refund	Excellence In Performance Grant 2013 / 2014	Title I 2011 / 2012	Title I 2012 / 2013	Title I 2013 / 2014	Title I, Part D 2013 / 2014	IDEA, Part B 2010 / 2012	IDEA, Part B 2011 / 2013	IDEA, Part B 2012 / 2014
Cash and investments - beginning	\$ (67,576)	\$ -	\$ -	\$ (64,204)	\$ -	\$ -	\$ -	\$ -	\$ (307,633)
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	219,130	500,000	-	-	-	-	-	-	-
Federal sources	-	-	-	232,517	633,194	40,347	-	-	1,314,523
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	219,130	500,000	-	232,517	633,194	40,347	-	-	1,314,523
Disbursements:									
Current:									
Instruction	28,474	434,484	-	166,431	722,256	36,592	-	-	644,727
Support services	28,246	63,293	-	1,882	12,451	9,184	-	-	362,163
Noninstructional services	-	2,223	-	-	69	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	56,720	500,000	-	168,313	734,776	45,776	-	-	1,006,890
Excess (deficiency) of receipts over disbursements	162,410	-	-	64,204	(101,582)	(5,429)	-	-	307,633
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
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	162,410	-	-	64,204	(101,582)	(5,429)	-	-	307,633
Cash and investments - ending	\$ 94,834	\$ -	\$ -	\$ -	\$ (101,582)	\$ (5,429)	\$ -	\$ -	\$ -

LAKE CENTRAL SCHOOL CORPORATION
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2014
(Continued)

	IDEA, Part B 2013 / 2015	Federal Preschool 2011 / 2013	Federal Preschool 2012 / 2014	Federal Preschool 2013 / 2015	IDEA, Part B TA Grant 2013 / 2015	Medicaid Reimbursement - Federal	Safe Routes To School	LSTA Library Grant	Title II, Part A 2012 / 2014
Cash and investments - beginning	\$ -	\$ -	\$ (7,542)	\$ -	\$ -	\$ 54,322	\$ -	\$ -	\$ (7,783)
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	33,447	-	-	5,524	-
Federal sources	1,566,443	-	31,555	65,795	-	26,909	-	-	76,596
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	1,566,443	-	31,555	65,795	33,447	26,909	-	5,524	76,596
Disbursements:									
Current:									
Instruction	1,116,019	-	15,476	48,094	9,500	5,939	-	-	57,502
Support services	655,986	-	8,537	22,274	27,246	13,116	-	5,524	13,184
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	1,772,005	-	24,013	70,368	36,746	19,055	-	5,524	70,686
Excess (deficiency) of receipts over disbursements	(205,562)	-	7,542	(4,573)	(3,299)	7,854	-	-	5,910
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
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	(205,562)	-	7,542	(4,573)	(3,299)	7,854	-	-	5,910
Cash and investments - ending	\$ (205,562)	\$ -	\$ -	\$ (4,573)	\$ (3,299)	\$ 62,176	\$ -	\$ -	\$ (1,873)

LAKE CENTRAL SCHOOL CORPORATION
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended June 30, 2014
(Continued)

	Title II, Part A 2011 / 2013	Title II, Part A 2013 / 2015	Title III 2011 / 2013	Title III 2012 / 2014	Title III 2013 / 2015	Title I - Grants to LEAs (Stimulus)	Education Jobs	Clearing Fund	Totals
Cash and investments - beginning	\$ (4,825)	\$ -	\$ -	\$ (1,427)	\$ -	\$ -	\$ -	\$ (70,302)	\$ 50,014,787
Receipts:									
Local sources	-	-	-	-	-	-	-	-	61,549,732
Intermediate sources	-	-	-	-	-	-	-	-	204,451
State sources	-	-	-	-	-	-	-	-	56,912,221
Federal sources	45,914	14,896	-	11,442	39,125	-	-	-	5,124,404
Temporary loans	-	-	-	-	-	-	-	-	13,132,000
Other	-	-	-	-	-	-	-	13,063,179	13,063,179
Total receipts	45,914	14,896	-	11,442	39,125	-	-	13,063,179	149,985,987
Disbursements:									
Current:									
Instruction	41,089	12,832	-	9,916	41,874	-	-	-	52,818,095
Support services	-	2,748	-	99	496	-	-	-	27,918,913
Noninstructional services	-	-	-	-	-	-	-	-	4,269,144
Facilities acquisition and construction	-	-	-	-	-	-	-	-	8,226,142
Debt services	-	-	-	-	-	-	-	-	43,863,408
Nonprogrammed charges	-	-	-	-	-	-	-	12,894,300	21,749,434
Total disbursements	41,089	15,580	-	10,015	42,370	-	-	12,894,300	158,845,136
Excess (deficiency) of receipts over disbursements	4,825	(684)	-	1,427	(3,245)	-	-	168,879	(8,859,149)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	14,085,000
Sale of capital assets	-	-	-	-	-	-	-	-	49,437
Transfers in	-	-	-	-	-	-	-	-	2,612,960
Transfers out	-	-	-	-	-	-	-	-	(2,612,960)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	14,134,437
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,825	(684)	-	1,427	(3,245)	-	-	168,879	5,275,288
Cash and investments - ending	\$ -	\$ (684)	\$ -	\$ -	\$ (3,245)	\$ -	\$ -	\$ 98,577	\$ 55,290,075

LAKE CENTRAL SCHOOL CORPORATION
SCHEDULE OF PAYABLES
June 30, 2014

<u>Government or Enterprise</u>	<u>Accounts Payable</u>
Governmental activities	<u>\$ 245,858</u>

LAKE CENTRAL SCHOOL CORPORATION
SCHEDULE OF LEASES AND DEBT
June 30, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Lake Central Multi-District School Building Corporation	Kahler Refunding	\$ 1,773,000	6/30/2014	12/31/2017
Lake Central Multi-District School Building Corporation	Clark Middle School	2,150,000	6/30/2007	12/31/2025
Lake Central Multi-District School Building Corporation	Bibich Peifer Homan Watson Refunding	773,000	7/15/2011	12/31/2029
Lake Central Multi-District School Building Corporation	Freshman Center Refunding	1,630,000	12/31/2012	7/15/2018
Lake Central Multi-District School Building Corporation	High School & Protsman Series 2012B	8,904,000	7/15/2013	1/15/2033
Lake Central Multi-District School Building Corporation	High School & Protsman Series 2013	429,000	7/15/2013	1/15/2033
Lake Central Multi-District School Building Corporation	QSCB's	230,000	7/15/2011	12/31/2026
Total of annual lease payments		<u>\$ 15,889,000</u>		

Type	Description of Debt	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:				
General obligation bonds	Peifer HVAC		\$ 1,500,000	\$ 514,499
General obligation bonds	District Wide Environmental & Safety		1,930,000	494,807
General obligation bonds	Pension Bonds		12,155,000	1,434,076
Tax anticipation warrants	Tax Anticipation Warrants 2014		12,332,000	12,451,288
Notes and loans payable	Common School Loan #A1397		50,000	50,375
Notes and loans payable	Common School Loan #A1406		60,300	40,703
Notes and loans payable	Common School Loan #A1456		140,000	71,225
Notes and loans payable	Common School Loan #A1502		80,336	40,871
Notes and loans payable	Common School Loan #A1519		569,640	195,102
Notes and loans payable	Common School Loan #A1541		664,580	196,051
Notes and loans payable	Common School Loan #A1641		839,160	194,405
Notes and loans payable	Common School Loan #A1651		208,026	48,193
Notes and loans payable	Common School Loan #A1688		932,400	197,113
Notes and loans payable	Common School Loan #A1744		918,700	97,911
Totals			<u>\$ 32,380,142</u>	<u>\$ 16,026,619</u>

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LAKE CENTRAL SCHOOL CORPORATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2014

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.

	Ending Balance
Governmental activities:	
Land	\$ 4,500,000
Buildings	311,500,595
Improvements other than buildings	4,169,943
Machinery, equipment, and vehicles	39,960,605
Books and other	<u>12,548,891</u>
Total capital assets	<u>\$ 372,680,034</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 CENTRAL SCHOOL CORPORATION, LAKE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Lake Central School Corporation's (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, 2012 to June 30, 2014. 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.

Opinion on Each 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 each of its major federal programs for the period of July 1, 2012 to June 30, 2014.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2014-002 and 2014-003. Our opinion on each major federal program is not modified with respect to these 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.

Report on Internal Control Over Compliance

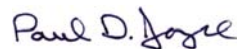
Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over 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 2014-002, 2014-003, and 2014-004 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

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

LAKE CENTRAL SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2013 and 2014

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 06-30-13	Total Federal Awards Expended 06-30-14
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	FY12-13 and 13-14	\$ 84,730	\$ 81,366
National School Lunch Program	10.555	FY12-13 and 13-14	1,164,749	1,178,720
Special Milk Program for Children	10.556	FY12-13 and 13-14	1,642	1,822
			<u>1,251,121</u>	<u>1,261,908</u>
Total for cluster				
			<u>1,251,121</u>	<u>1,261,908</u>
Total for federal grantor agency				
			<u>1,251,121</u>	<u>1,261,908</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Pass-Through Indiana Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205			
Safe Routes to School Program		EDS# A249-8-320136	1,530	-
			<u>1,530</u>	<u>-</u>
Total for federal grantor agency			<u>1,530</u>	<u>-</u>
<u>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</u>				
Pass-Through Indiana State Library				
Grants to States	45.310	EDS# A64-14-ISL-44A	-	5,524
			<u>-</u>	<u>5,524</u>
Total for federal grantor agency			<u>-</u>	<u>5,524</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010	12-4615	135,654	-
		13-4615	679,088	168,313
		14-4615	-	734,776
Title I, Part D Delinquent Grant		FY 13-14	-	45,776
			<u>814,742</u>	<u>948,865</u>
Total for program				
			<u>814,742</u>	<u>948,865</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	4615	5,670	-
			<u>5,670</u>	<u>-</u>
Total for cluster			<u>820,412</u>	<u>948,865</u>

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

LAKE CENTRAL SCHOOL CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2013 and 2014
(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 06-30-13	Total Federal Awards Expended 06-30-14
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through Indiana Department of Education (continued)				
Special Education Cluster				
Special Education - Grants to States	84.027	14211-064-PN01	676	-
		14212-064-PN01	530,481	-
		14213-064-PN01	1,368,470	704,823
		14214-064-PN01	-	1,240,404
Special Education - Technical Assistance Grants		99914-064-TA01	-	25,722
Total for program			<u>1,899,627</u>	<u>1,970,949</u>
Special Education - Preschool Grants	84.173	45711-064-PN01	7,795	-
		45712-064-PN01	58,979	-
		45713-064-PN01	-	16,809
		45714-064-PN01	-	49,258
Total for program			<u>66,774</u>	<u>66,067</u>
Total for cluster			<u>1,966,401</u>	<u>2,037,016</u>
English Language Acquisition State Grants	84.365	0112-042-PN01	16,710	-
		0113-046-PN01	26,256	10,015
		0114-038-PN01	-	42,370
Total for program			<u>42,966</u>	<u>52,385</u>
Improving Teacher Quality State Grants	84.367	09-4615	36,303	-
		11-4615	61,470	41,089
		12-4616	-	70,686
		13-4616	-	15,580
Total for program			<u>97,773</u>	<u>127,355</u>
Education Jobs Fund	84.410	FY 2012	<u>37,999</u>	-
Total for federal grantor agency			<u>2,965,551</u>	<u>3,165,621</u>
Total federal awards expended			<u>\$ 4,218,202</u>	<u>\$ 4,433,053</u>

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

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

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the 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 when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), 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, 2013 and 2014. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2013	2014
National School Lunch Program	10.555	<u>\$ 243,247</u>	<u>\$ 236,760</u>

Note 3. Special Education Cooperative

The School Corporation is a member of a Special Education Cooperative and serves as the fiscal agent for it. As a result, some activity for the Special Education Cluster that is presented as receipts and disbursements in the financial statement is not presented on the SEFA for the School Corporation. This activity is reported on the SEFAs of the member school corporations as appropriate.

LAKE CENTRAL SCHOOL CORPORATION
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?	no

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
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:

Name of Federal Program or Cluster

Child Nutrition Cluster
Special Education Cluster

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

Auditee qualified as low-risk auditee?	no
--	----

Section II - Financial Statement Findings

FINDING 2014-001 - FINANCIAL TRANSACTIONS AND REPORTING

The School Corporation has deficiencies in the internal control system related to financial transactions and reporting. Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the School Corporation's audited financial statement and then determining how those identified risks should be managed. The School Corporation has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements.

Control activities should be selected and developed at various levels to reduce risks of error and/or fraud of the financial statements. The School Corporation has not separated incompatible activities related to all areas of the financial statement. The failure to establish these controls could enable material misstatements to remain undetected.

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

1. Lack of Segregation of Duties: The School Corporation has not separated incompatible activities related to Reporting, Receipts, and Vendor Disbursements.

Reporting: One individual is responsible for preparing the Form 9 financial report required to be submitted to the Indiana Department of Education every six months. These reports are the basis for the financial statement. This same individual is extensively involved with the receipt and disbursement process. Although a required certification for this report is signed by management, documentation was not available to support that the report had been compared to supporting documentation or subjected to review before submission.

Receipts: One individual is primarily responsible for issuing and recording receipts, preparing the deposits, and taking the deposit to the bank without a proper system of oversight or review in place.

Disbursements: Two individuals are involved in the vendor disbursements process. One individual processes the vendor disbursements that are supported with a purchase order and the other individual processes the vendor disbursements that the School Corporation has determined do not require the use of a purchase order. A separate review or oversight process to prevent or detect errors has not been established.

The failure to establish these controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

2. Monitoring of Controls: An evaluation of the School Corporation's system of internal control has not been conducted. The failure to monitor the internal control system places the School Corporation at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the School Corporation has no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting require the School Corporation to monitor and assess the quality of the system of internal control.

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)

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-002 - ALLOWABLE COSTS AND COSTS PRINCIPLES

Federal Agency: U.S. Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Special Milk Program for Children
CFDA Numbers: 10.553, 10.555, 10.556
Federal Award Years: FY12-13, FY13-14
Pass-Through Entity: Indiana Department of Education

The School Corporation operates a Food Service Program, which is the recipient of federal funding from the School Breakfast Program, National School Lunch Program, and Special Milk Program for Children. All transactions related to the Food Service Program are recorded in the School Lunch fund. This includes, but is not limited to, salaries and benefits, food purchases, supplies and all revenue generated by the Food Service Program.

Management of the School Corporation has not established an effective internal control system, to ensure that only allowable and adequately documented costs are paid with the Food Service Program funds.

An internal control system should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis.

The School Lunch fund is used for the payment of wages of food service employees. Funds related to food service were also used to pay a percentage of several school corporation administrative support staff member's salaries for fiscal years 2012-2013 and 2013-2014. The administrative support staff members (treasurer, accounts payable and clerks, benefits administrator) did not maintain personnel activity reports to support the distribution of a portion of their salaries to the School Lunch fund. The amount of the administrative support salaries charged to the federal grant was \$37,796 and is considered a questioned cost.

OMB Circular A-87, Attachment B, Section 8, Compensation for personal services, states in part:

"h. Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation. . . .

(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,

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

(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 . . ."

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 enabled material noncompliance to go undetected. The failure to comply with compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Allowable Costs and Cost Principles requirements of the programs.

FINDING 2014-003 - PROCUREMENT

Federal Agency: U.S. Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Special Milk Program for Children

CFDA Numbers: 10.553, 10.555, 10.556

Federal Award Years: FY12-13, FY13-14

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system related to the grant agreement and the Procurement compliance requirements.

For the 2012-2013 fiscal year, the School Corporation utilized a third party for food service bids. The third party administered the bidding process as well as verified that the vendors were not suspended or debarred. The third party made a recommendation to the School Corporation for the winning bids. However, the School Corporation and Board of School Trustees never formally approved or awarded the bids.

For the 2013-2014 fiscal year, the Food Service Director and Director of Business Services contracted with a third party purchasing service for food products, materials, supplies, and milk bids. The School Corporation and Board of School Trustees did not approve the contract with the purchasing service.

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

The School Corporation Bylaws and Policies, Policy 6320 - PURCHASING states:

"It is the policy of the School Board that the Director of Business Services/Treasurer shall act as the purchasing agent for the Board. Contracts can be awarded by the Director of Business Services/Treasurer without Board approval for any single item or group of identical items costing less than \$150,000. All other contracts require Board approval prior to purchase."

The U.S. Department of Agriculture procurement regulations required the School Corporation to follow State and local procurement laws and standards. The School Corporation did not follow its' own policies and procedures for procurement by not having the Board of School Trustees approve the contract with the third party purchaser.

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."

7 CFR 3016.36 states in part:

"(a) *States*. When procuring property and services under a grant, a State will follow the same policies and procedures it uses for procurements from its non-Federal funds. The State will ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations. Other grantees and subgrantees will follow paragraphs (b) through (i) in this section.

(b) *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 . . ."

Indiana Code 5-22-6-1 states: "The purchasing agency of a governmental body may purchase services using any procedure the governmental body or the purchasing agency of the governmental body considers appropriate."

Indiana Code 5-22-6-2 states:

"(a) A governmental body may adopt rules governing the purchase of services for the governmental body.

(b) The purchasing agency of a governmental body may establish policies regarding the purchase of services for the governmental body."

The failure to establish internal controls enabled material noncompliance to go undetected. The failure to comply with compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Procurement requirements of the programs.

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

FINDING 2014-004 - ELIGIBILITY AND SPECIAL TESTS - VERIFICATIONS

Federal Agency: U.S. Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Special Milk Program for Children
CFDA Numbers: 10.553, 10.555, 10.556
Federal Award Years: FY12-13, FY13-14
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 the Eligibility and Special Tests - Verification of Free and Reduced Lunch Applications compliance requirements.

Eligibility

The School Corporation has not designed or implemented adequate policies or procedures to ensure that students' eligibility for free and reduced price lunches is properly determined in compliance with program requirements. One person is solely responsible for inputting applications into the computer software system which determines eligibility. In addition, the applicable federal income eligibility guidelines are uploaded every year by one individual; however, there is no documentation that the eligibility guidelines entered are verified as accurate prior to the software making eligibility determinations for all applicants. An oversight or review process has not been established to ensure accurate eligibility determinations.

Verification of Free and Reduced Price Lunch Applications

Each School Corporation that participates in the National School Lunch Program must verify the current free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced price meals. The School Corporation performed the verifications; however, there was no documentation that an oversight or review process had been established to ensure the accuracy of the verifications performed.

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 programs.

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 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 programs. 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."

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements 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 compliance requirements listed above.

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AUDITEE PREPARED DOCUMENTS

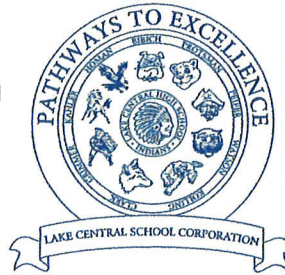
The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.

Lake Central School Corporation

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St. John, IN 46373
Fax: (219) 365-6406

website: lcsc.us



Lawrence Veracco, Ph.D.
Superintendent

Rob James
Director of Business
Services

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number:	2012-1 Allowable Costs, Cash Management, Period of Availability
Original SBA Audit Report Number:	B41373
Fiscal Year:	July 1, 2010 to June 30, 2012
Auditee Contact Person:	Robert James
Title of Contact Person:	Director of Business Services
Phone Number:	219-365-8507, ext. 124

Status of Finding:

This finding has been corrected as of June 30, 2014. The school district did not have efficient internal controls in place when the current Director of Business Services was hired during the 2010-2011 school year. This audit finding addressed those issues that occurred during 2010-2011 before the proper internal controls were put into practice. Upon these internal control deficiencies being brought to our attention four years ago, the administration immediately implemented controls to better monitor grants and reduce the risk of unallowable costs being charged to the grant during the period of availability. Specifically, the Director of Business Services now maintains a spreadsheet that keeps track of the grant award, expenditures to date, and the percentage of the grant remaining. This spreadsheet is updated on a monthly basis. Also, grant reimbursements are now requested monthly. By requesting the reimbursements on a monthly basis, the Director of Business Services reviews the grant activity in a timely manner and notices if any inappropriate expenditures are charged to the grant. Lastly, the Director of Business Services and the grant administrator regularly communicate about the grant expenditures and ongoing balances. The open communication ensures that another school administrator is also aware of the grant activity and adds an additional layer of internal controls. The school district will continue to utilize all of these internal control procedures and implement others if any weaknesses are later discovered.

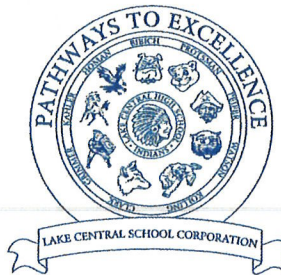
Robert K. James, CPA, CBO
Director of Business Services

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Lawrence Veracco, Ph.D.
Superintendent

Rob James
Director of Business
Services

CORRECTIVE ACTION PLAN

FINDING 2014-1

Contact Person Responsible for Corrective Action: Rob James
Contact Phone Number: (219) 365-8507

Lack of Segregation of Duties

Reporting – Currently, the Corporation Treasurer prepares the Form 9 report and it is independently reviewed by the Director of Business Services. After his review, the Direction of Business Services submits the Form 9 report to the Department of Education. Even though a thorough review is conducted, the district has not adequately tick marked and documented this review. Beginning with the Form 9's submitted in July 2015, the Director of Business Services will make his own notations on the Form 9 report documenting his review, rather than just confirming what was already done by the Corporation Treasurer.

Receipts – The majority of money receipted through Central Office is received via ACH or bank wires. Currently, the Director of Business Services verifies that all of these transactions are receipted correctly. Most of the cash and checks remitted to the Corporation Treasurer (i.e. insurance checks, facility rental, food service, etc) are initially collected and counted by other individuals in the corporation. After the money is remitted to the Corporation Treasurer, a receipt is sent back to the person who collected the payments for them to compare to the amount remitted. During the fall of the 2015-2016 school year, a system of additional oversight will be developed by the administrative team to have the Director of Business Services review the receipts and deposits.

Disbursements – Similar to Receipts, during the fall of the 2015-2016 school year, the administrative team will develop procedures to have the Director of Business Services review disbursements. This will probably include the Director of Business Services sampling disbursements that appear on the claim docket and verifying the payee, dollar amount, account code, etc agree to the original invoice and have been properly approved for payment.

Monitoring of Controls

Once the aforementioned internal controls are implemented in the fall of the 2015-2016 school year, the next step will be for the district to review the effectiveness of these controls. This will involve a separate administrator who is not involved in the Business Department control structure.


(Signature)

Director of Business Services
(Title)

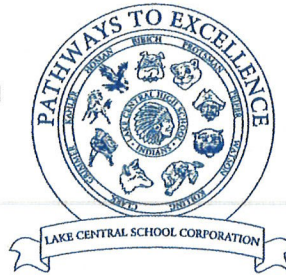
7-21-15
(Date)

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website: lcsc.us



Lawrence Veracco, Ph.D.
Superintendent

Rob James
Director of Business
Services

CORRECTIVE ACTION PLAN

FINDING 2014-2

Contact Person Responsible for Corrective Action: Rob James
Contact Phone Number: (219) 365-8507

Instead of applying a general indirect cost rate to the Food Service Program for administrative costs, the policy of the Lake Central School Corporation has been to charge identifiable costs directly to the program. We have felt this is cleaner and more transparent to our School Board and taxpayers. These costs include, for example, utility bills for which the cafeteria has its own electrical or water meter. Additionally, we were charging 10% of the salaries of the treasurer, payroll, and accounts payable clerks to the program. This was based on an estimate that approximately 10% of our employees work in food service and therefore, 10% of the job duties of these administrative personnel would be related to food service. We acknowledge that this calculation was not based on actual expenditures, but rather our best estimate.

Beginning with the 2015-2016 school year, we intend to no longer allocate a portion of these administrative salaries directly to the Food Service Program. Rather, at the end of the school year, we will apply the applicable indirect cost rate to recover administrative costs.

(Signature)

Director of Business Services
(Title)

7-21-15

(Date)

Lake Central School Corporation

8260 Wicker Avenue
Tel: (219) 365-8507

St. John, IN 46373
Fax: (219) 365-6406

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CORRECTIVE ACTION PLAN

FINDING 2014-3

Contact Person Responsible for Corrective Action: Rob James
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The Lake Central School Corporation acknowledges that the School Board did not formally approve the bids that were obtained by the third party for our Food Service Program's food products, materials, supplies, and milk bids during the audit period. On June 1, 2015, the School Board approved HPS, LLC to act as our third party for the bidding of our food service products for the 2015-2016 school year. Once the bids are received by HPS, we will bring their recommendations in front of the Lake Central School Board to be formally awarded.

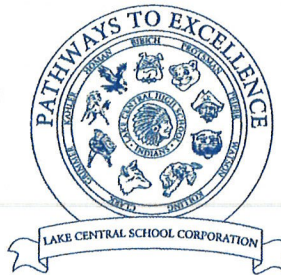

(Signature)
Director of Business Services
(Title)
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CORRECTIVE ACTION PLAN

FINDING 2014-4

Contact Person Responsible for Corrective Action: Rob James
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Eligibility – The Lake Central School Corporation annually uploads the income eligibility guidelines into our food service computer software. The program then determines the applicant's eligibility. Beginning with the 2015-2016 school year, a separate individual will go into the system to verify the guideline amounts where accurately uploaded. This second individual will also randomly test some of the computer generated determinations to verify that the software is making the proper eligibility conclusions.

Verification of Free and Reduced Price Lunch Applications – As stated in the finding, the School Corporation did perform the required application verifications. However, in some instances, a second individual did not review and confirm the verification initially performed. Beginning with the 2015-2016 school year, we will not only continue to perform the required verifications, but we will also make sure that a second individual confirms the verifications initially completed.



(Signature)
Director of Business Services

(Title)
7-21-15

(Date)

OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.