

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

LAKE STATION COMMUNITY SCHOOLS
LAKE COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
11/24/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director of Business Affairs	Sandra Cain	07-01-12 to 06-30-16
Superintendent of Schools	Daniel DeHaven Thomas Cripliver	07-01-12 to 06-30-14 07-01-14 to 06-30-16
President of the School Board	Larry L. Biggs James Vanderlin Karen Curtis	01-01-12 to 12-31-12 01-01-13 to 12-31-13 01-01-14 to 12-31-15



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Lake Station Community Schools (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.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 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 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 November 10, 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

November 10, 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 STATION COMMUNITY SCHOOLS, LAKE COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Lake Station Community Schools (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 November 10, 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 Station Community Schools' Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

November 10, 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.

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LAKE STATION COMMUNITY SCHOOLS
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	\$ 781,489	\$ 11,843,733	\$ 11,774,460	\$ 40,952	\$ 891,714	\$ 11,854,511	\$ 11,971,592	\$ 62,626	\$ 837,259
Debt Service	406,044	552,494	545,101	(29,818)	383,619	545,648	654,210	(51,885)	223,172
Exempt Debt	724,668	945,432	1,281,858	-	388,242	789,814	879,904	-	298,152
Capital Projects	265,172	601,566	757,018	-	109,720	509,583	650,880	478	(31,099)
School Transportation	142,472	442,889	532,816	-	52,545	431,578	522,421	-	(38,298)
School Bus Replacement	74,571	134,112	112,000	-	96,683	1,101,464	127,548	(1,000,000)	70,599
Rainy Day	-	-	-	-	-	-	-	1,000,000	1,000,000
School Lunch	733,560	939,826	967,364	(40,059)	665,963	842,343	1,018,831	(62,026)	427,449
Textbook Rental	156,883	131,689	154,435	29,818	163,955	132,149	130,695	51,885	217,294
Educational License Plates	394	169	563	-	-	131	129	-	2
Alternative Education	-	17,773	17,773	-	-	8,235	8,235	-	-
SAFE School Haven	-	20,000	34,500	-	(14,500)	24,650	10,150	-	-
L.A.S.S.	-	-	-	-	-	4,753	4,753	-	-
Extra-Curricular Activities	-	-	-	-	-	100	100	-	-
Miscellaneous Programs	-	6,350	1,962	-	4,388	-	4,184	-	204
High Ability	5,638	29,938	35,573	(3)	-	30,091	3,776	-	26,315
Education Technology	42	206,083	194,742	-	11,383	262,173	267,917	-	5,639
School Technology Advance	-	37,592	37,592	-	-	3,189	3,189	-	-
Secured School Safe Grant	-	-	-	-	-	24,629	30,846	-	(6,217)
Non-English Speaking Programs P.L. 273-1999	-	10,399	10,399	-	-	10,884	10,868	-	16
Construction, Remodeling, and Equipping Buildings	-	192,231	171,982	-	20,249	807,536	827,785	-	-
Title I	(25,416)	512,305	525,405	-	(38,516)	480,096	484,733	-	(43,153)
Improving Teaching Quality, No Child Left, Title II, Part A	(2,250)	68,544	71,231	-	(4,937)	69,298	66,762	-	(2,401)
Title III - Language Instruction	(1,181)	23,456	22,275	-	-	16,353	16,353	-	-
Education Jobs	(20,132)	90,336	70,204	-	-	-	-	-	-
N-Account (Clearing Account)	1,743	2,629,854	2,633,364	-	(1,767)	2,838,571	2,839,169	-	(2,365)
Totals	\$ 3,243,697	\$ 19,436,771	\$ 19,952,617	\$ 890	\$ 2,728,741	\$ 20,787,779	\$ 20,535,030	\$ 1,078	\$ 2,982,568

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

LAKE STATION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

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

LAKE STATION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

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.

LAKE STATION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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:

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

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

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

LAKE STATION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

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

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is 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

LAKE STATION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

B. Teachers' Retirement Fund

Plan Description

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

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

Indiana Public Retirement System
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 Indiana Department of Education policy requiring the School Corporation to make program expenditures prior to submitting a request for reimbursement. For the Capital Projects and School Transportation funds, the deficits are due to shortfalls in the tax collections and the circuit breaker caps, which resulted in disbursements exceeding receipts. For the N-Account (Clearing Account), the deficit cash is due to timing differences of the receipts compared to the disbursements.

LAKE STATION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 8. *Holding Corporation*

The School Corporation has entered into capital leases with the Lake Station School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years 2013 and 2014 totaled \$315,500 and \$317,000, respectively.

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

	General	Debt Service	Exempt Debt	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 781,489	\$ 406,044	\$ 724,668	\$ 265,172	\$ 142,472	\$ 74,571	\$ -	\$ 733,560	\$ 156,883
Receipts:									
Local sources	103,355	478,494	945,432	400,957	294,389	89,112	-	166,982	40,080
Intermediate sources	175,122	-	-	-	-	-	-	-	-
State sources	10,781,903	-	-	-	-	-	-	2,730	90,859
Federal sources	-	-	-	-	-	-	-	770,062	-
Temporary loans	783,000	74,000	-	200,000	148,000	45,000	-	-	-
Other	353	-	-	609	500	-	-	52	750
Total receipts	11,843,733	552,494	945,432	601,566	442,889	134,112	-	939,826	131,689
Disbursements:									
Current:									
Instruction	6,652,098	-	-	-	-	-	-	-	-
Support services	4,370,699	-	-	346,482	292,816	-	-	255	154,435
Noninstructional services	185,663	-	-	-	-	-	-	967,109	-
Facilities acquisition and construction	-	-	-	26,536	-	-	-	-	-
Debt services	566,000	545,101	1,281,858	384,000	240,000	112,000	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	11,774,460	545,101	1,281,858	757,018	532,816	112,000	-	967,364	154,435
Excess (deficiency) of receipts over disbursements	69,273	7,393	(336,426)	(155,452)	(89,927)	22,112	-	(27,538)	(22,746)
Other financing sources (uses):									
Sale of capital assets	890	-	-	-	-	-	-	-	-
Transfers in	40,062	-	-	-	-	-	-	-	29,818
Transfers out	-	(29,818)	-	-	-	-	-	(40,059)	-
Total other financing sources (uses)	40,952	(29,818)	-	-	-	-	-	(40,059)	29,818
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	110,225	(22,425)	(336,426)	(155,452)	(89,927)	22,112	-	(67,597)	7,072
Cash and investments - ending	\$ 891,714	\$ 383,619	\$ 388,242	\$ 109,720	\$ 52,545	\$ 96,683	\$ -	\$ 665,963	\$ 163,955

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

	Educational License Plates	Alternative Education	SAFE School Haven	L.A.S.S.	Extra- Curricular Activities	Miscellaneous Programs	High Ability	Education Technology	School Technology Advance
Cash and investments - beginning	\$ 394	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,638	\$ 42	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	169	-	-	-	-	6,350	-	-	-
State sources	-	17,773	20,000	-	-	-	29,938	206,083	37,592
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	169	17,773	20,000	-	-	6,350	29,938	206,083	37,592
Disbursements:									
Current:									
Instruction	-	17,773	-	-	-	-	35,573	-	-
Support services	563	-	34,500	-	-	1,962	-	194,742	37,592
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	563	17,773	34,500	-	-	1,962	35,573	194,742	37,592
Excess (deficiency) of receipts over disbursements	(394)	-	(14,500)	-	-	4,388	(5,635)	11,341	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(3)	-	-
Total other financing sources (uses)	-	-	-	-	-	-	(3)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(394)	-	(14,500)	-	-	4,388	(5,638)	11,341	-
Cash and investments - ending	\$ -	\$ -	\$ (14,500)	\$ -	\$ -	\$ 4,388	\$ -	\$ 11,383	\$ -

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

	Secured School Safe Grant	Non-English Speaking Programs P.L. 273-1999	Construction, Remodeling, and Equipping Buildings	Title I	Improving Teaching Quality, No Child Left, Title II, Part A	Title III - Language Instruction	Education Jobs	N-Account (Clearing Account)	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ (25,416)	\$ (2,250)	\$ (1,181)	\$ (20,132)	\$ 1,743	\$ 3,243,697
Receipts:									
Local sources	-	-	-	-	-	-	-	-	2,518,801
Intermediate sources	-	-	-	-	-	-	-	-	181,641
State sources	-	10,399	-	-	-	-	-	-	11,197,277
Federal sources	-	-	-	512,305	68,544	23,456	90,336	-	1,464,703
Temporary loans	-	-	192,231	-	-	-	-	-	1,442,231
Other	-	-	-	-	-	-	-	2,629,854	2,632,118
Total receipts	-	10,399	192,231	512,305	68,544	23,456	90,336	2,629,854	19,436,771
Disbursements:									
Current:									
Instruction	-	9,678	-	304,235	71,231	20,927	43,811	-	7,155,326
Support services	-	721	-	217,676	-	1,348	26,393	-	5,680,184
Noninstructional services	-	-	-	3,494	-	-	-	-	1,156,266
Facilities acquisition and construction	-	-	171,982	-	-	-	-	-	198,518
Debt services	-	-	-	-	-	-	-	-	3,128,959
Nonprogrammed charges	-	-	-	-	-	-	-	2,633,364	2,633,364
Total disbursements	-	10,399	171,982	525,405	71,231	22,275	70,204	2,633,364	19,952,617
Excess (deficiency) of receipts over disbursements	-	-	20,249	(13,100)	(2,687)	1,181	20,132	(3,510)	(515,846)
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	890
Transfers in	-	-	-	-	-	-	-	-	69,880
Transfers out	-	-	-	-	-	-	-	-	(69,880)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	890
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	20,249	(13,100)	(2,687)	1,181	20,132	(3,510)	(514,956)
Cash and investments - ending	\$ -	\$ -	\$ 20,249	\$ (38,516)	\$ (4,937)	\$ -	\$ -	\$ (1,767)	\$ 2,728,741

LAKE STATION COMMUNITY SCHOOLS
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	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch	Textbook Rental
Cash and investments - beginning	\$ 891,714	\$ 383,619	\$ 388,242	\$ 109,720	\$ 52,545	\$ 96,683	\$ -	\$ 665,963	\$ 163,955
Receipts:									
Local sources	131,692	545,648	789,814	311,011	278,572	1,087,464	-	124,881	42,381
Intermediate sources	181,169	-	-	-	-	-	-	-	-
State sources	10,777,262	-	-	-	-	-	-	2,735	89,768
Federal sources	-	-	-	-	-	-	-	714,649	-
Temporary loans	746,000	-	-	198,000	153,000	14,000	-	-	-
Other	18,388	-	-	572	6	-	-	78	-
Total receipts	11,854,511	545,648	789,814	509,583	431,578	1,101,464	-	842,343	132,149
Disbursements:									
Current:									
Instruction	6,672,550	-	-	-	-	-	-	-	-
Support services	4,326,556	-	-	441,135	374,421	82,548	-	180	130,695
Noninstructional services	189,486	-	-	-	-	-	-	1,018,651	-
Facilities acquisition and construction	-	-	-	9,745	-	-	-	-	-
Debt services	783,000	654,210	879,904	200,000	148,000	45,000	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	11,971,592	654,210	879,904	650,880	522,421	127,548	-	1,018,831	130,695
Excess (deficiency) of receipts over disbursements	(117,081)	(108,562)	(90,090)	(141,297)	(90,843)	973,916	-	(176,488)	1,454
Other financing sources (uses):									
Sale of capital assets	600	-	-	478	-	-	-	-	-
Transfers in	62,026	181,736	-	62,187	119,549	-	1,000,000	-	51,885
Transfers out	-	(233,621)	-	(62,187)	(119,549)	(1,000,000)	-	(62,026)	-
Total other financing sources (uses)	62,626	(51,885)	-	478	-	(1,000,000)	1,000,000	(62,026)	51,885
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(54,455)	(160,447)	(90,090)	(140,819)	(90,843)	(26,084)	1,000,000	(238,514)	53,339
Cash and investments - ending	\$ 837,259	\$ 223,172	\$ 298,152	\$ (31,099)	\$ (38,298)	\$ 70,599	\$ 1,000,000	\$ 427,449	\$ 217,294

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

	Educational License Plates	Alternative Education	SAFE School Haven	L.A.S.S.	Extra- Curricular Activities	Miscellaneous Programs	High Ability	Education Technology	School Technology Advance
Cash and investments - beginning	\$ -	\$ -	\$ (14,500)	\$ -	\$ -	\$ 4,388	\$ -	\$ 11,383	\$ -
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	131	-	-	4,753	100	-	-	-	-
State sources	-	8,235	24,650	-	-	-	30,091	262,173	3,189
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	131	8,235	24,650	4,753	100	-	30,091	262,173	3,189
Disbursements:									
Current:									
Instruction	-	8,235	-	-	-	-	3,776	-	-
Support services	129	-	10,150	4,753	100	4,184	-	267,917	3,189
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	129	8,235	10,150	4,753	100	4,184	3,776	267,917	3,189
Excess (deficiency) of receipts over disbursements	2	-	14,500	-	-	(4,184)	26,315	(5,744)	-
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2	-	14,500	-	-	(4,184)	26,315	(5,744)	-
Cash and investments - ending	\$ 2	\$ -	\$ -	\$ -	\$ -	\$ 204	\$ 26,315	\$ 5,639	\$ -

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

	Secured School Safe Grant	Non-English Speaking Programs P.L. 273-1999	Construction, Remodeling, and Equipping Buildings	Title I	Improving Teaching Quality, No Child Left, Title II, Part A	Title III - Language Instruction	Education Jobs	N-Account (Clearing Account)	Totals
Cash and investments - beginning	\$ -	\$ -	\$ 20,249	\$ (38,516)	\$ (4,937)	\$ -	\$ -	\$ (1,767)	\$ 2,728,741
Receipts:									
Local sources	-	-	-	-	-	-	-	-	3,311,463
Intermediate sources	-	-	-	-	-	-	-	-	186,153
State sources	24,629	10,884	-	-	-	-	-	-	11,233,616
Federal sources	-	-	-	480,096	69,298	16,353	-	-	1,280,396
Temporary loans	-	-	807,536	-	-	-	-	-	1,918,536
Other	-	-	-	-	-	-	-	2,838,571	2,857,615
Total receipts	24,629	10,884	807,536	480,096	69,298	16,353	-	2,838,571	20,787,779
Disbursements:									
Current:									
Instruction	-	10,268	-	180,699	62,540	14,886	-	-	6,952,954
Support services	30,846	600	-	302,987	4,222	1,467	-	-	5,986,079
Noninstructional services	-	-	-	1,047	-	-	-	-	1,209,184
Facilities acquisition and construction	-	-	827,785	-	-	-	-	-	837,530
Debt services	-	-	-	-	-	-	-	-	2,710,114
Nonprogrammed charges	-	-	-	-	-	-	-	2,839,169	2,839,169
Total disbursements	30,846	10,868	827,785	484,733	66,762	16,353	-	2,839,169	20,535,030
Excess (deficiency) of receipts over disbursements	(6,217)	16	(20,249)	(4,637)	2,536	-	-	(598)	252,749
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	1,078
Transfers in	-	-	-	-	-	-	-	-	1,477,383
Transfers out	-	-	-	-	-	-	-	-	(1,477,383)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	1,078
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(6,217)	16	(20,249)	(4,637)	2,536	-	-	(598)	253,827
Cash and investments - ending	\$ (6,217)	\$ 16	\$ -	\$ (43,153)	\$ (2,401)	\$ -	\$ -	\$ (2,365)	\$ 2,982,568

LAKE STATION COMMUNITY SCHOOLS
SCHEDULE OF LEASES AND DEBT
June 30, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Lake Station School Building Corporation	High School Renovations	\$ 89,500	6/30/2004	12/31/2024
Lake Station School Building Corporation	Elementary School Renovations	224,500	12/31/2011	12/31/2029
Lake Station School Building Corporation	Elementary & High School Renovations	<u>29,500</u>	6/30/2015	12/31/2031
Total of annual lease payments		<u>\$ 343,500</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
Tax anticipation warrants	Finance operating cash flow	\$ 1,111,000	\$ 1,119,777
Common School loans payable	Technology and building upgrades	<u>10,372,251</u>	<u>1,133,957</u>
Totals		<u>\$ 11,483,251</u>	<u>\$ 2,253,734</u>

LAKE STATION COMMUNITY SCHOOLS
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	\$ 31,742
Buildings	17,486,208
Improvements other than buildings	2,046,884
Machinery, equipment, and vehicles	<u>3,883,615</u>
Total capital assets	<u>\$ 23,448,449</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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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 STATION COMMUNITY SCHOOLS, LAKE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Lake Station Community Schools (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 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 item 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 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 approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

LAKE STATION COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2013 and 2014

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	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>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	FY 12-13, FY 13-14	\$ 197,630	\$ 182,906
National School Lunch Program		10.555	FY 12-13, FY 13-14	556,842	552,603
Summer Food Service Program for Children		10.559	FY 12-13, FY 13-14	21,069	28,888
Total - Child Nutrition Cluster				775,541	764,397
Fresh Fruit and Vegetable Program	Indiana Department of Education	10.582	FY 12-13, FY 13-14	43,496	-
Total - Department of Agriculture				819,037	764,397
<u>Department of Education</u>					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010			
Title I 2011-12			12-4680	114,969	-
Title I 2012-13			13-4680	397,336	83,191
Title I 2013-14			14-4680	-	396,906
Total - Title I, Part A Cluster				512,305	480,097
Special Education Cluster					
Special Education - Grants to States	Indiana Department of Education	84.027			
IDEA FY12			14212-047-PN01	64,007	-
IDEA FY13			14213-047-PN01	271,956	66,260
IDEA FY14			14214-047-PN01	-	246,868
Technical Assistance for Special Education			99914-047-PN01	-	4,518
Total - IDEA -Part B Section 611				335,963	317,646

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

LAKE STATION COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2013 and 2014
(Continued)

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	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>Department of Education (continued)</u>					
Special Education Cluster (continued)					
Special Education - Preschool Grants	Indiana Department of Education	84.173			
ECD FY12			45712-047-PN01	867	-
ECD FY13			45713-047-PN01	5,209	2,353
ECD FY14			45714-047-PN01	-	4,182
Total - IDEA Part B Section 619				6,076	6,535
Total - Special Education Cluster				342,039	324,181
English Language Acquisition State Grants	Indiana Department of Education	84.365			
			01112-045-PN01	7,891	-
			01113-050-PN01	15,565	-
			01114-039-PN01	-	16,353
Total for program				23,456	16,353
Improving Teacher Quality State Grants	Indiana Department of Education	84.367			
			12-4680	38,905	-
			13-4680	29,639	28,940
			14-4680	-	40,358
Total for program				68,544	69,298
Education Jobs Fund	Indiana Department of Education	84.410	4680	90,336	-
Total - Department of Education				1,036,680	889,929
Total federal awards expended				\$ 1,855,717	\$ 1,654,326

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

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

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) 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.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>2013</u>	<u>2014</u>
National School Lunch Program	10.555	<u>\$ 48,975</u>	<u>\$ 49,748</u>

Note 3. Special Education Cooperative

The School Corporation is a member of a Special Education Cooperative. As a result, some activity for the Special Education Cluster that is presented as federal awards expended in the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Special Education Cooperative.

LAKE STATION COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	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
Title I, Part A 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
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Section II - Financial Statement Findings

FINDING 2014-001 - FINANCIAL TRANSACTIONS AND REPORTING

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

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the School Corporation to reduce risks to the achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to cash and investments, receipts, disbursements, and preparation of the Schedule of Expenditures of Federal Awards (SEFA). The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

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

One employee is responsible for issuing receipts, depositing receipts, issuing vendor checks, preparing and remitting payroll amounts to the depository and vendors, recording all of these transactions in the financial accounting system, and reconciling the funds ledger to the depository balance. One employee is responsible for preparing the SEFA without visual evidence of a review or approval. There is no segregation of duties; nor is there adequate oversight and approval of the transactions and reports generated based on these transactions.

2. Preparing Financial Statement: 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 and correct, material misstatements.

The transactions of the School Lunch and Textbook Rental funds are accounted for in Extra-Curricular Accounts (ECA) outside of the financial accounting system of the School Corporation. The amounts reported for these funds are submitted by the individual ECA Treasurers and entered into the School Corporation's financial accounting system as totals. Based on the accounting procedures for ECA's, there is no internal control over these transactions. The ECA Treasurers receipt and deposit collections, disburse funds, record the transactions in a ledger, reconcile the ledger to the depository balance, prepare the financial reports, and report the totals of receipts, disbursements, and balances to the School Corporation Treasurer for inclusion in the School Corporation's financial statement. There is no oversight or monitoring of these accounts.

The Food Service Director is responsible for overseeing all activity related to the School Lunch program. The Food Service Department consists of the Food Service Director and the Office Assistant. One employee is responsible for preparing purchase orders, issuing checks, recording disbursements, and reconciling the bank balance to the funds ledger. There is no segregation of duties; nor is there adequate oversight or approval of the transactions and reports generated based on these transactions.

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-002 - INTERNAL CONTROL OVER THE CHILD NUTRITION CLUSTER

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Years: FY 12-13, 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 following compliance requirements: Eligibility, Equipment and Real Property Management, Procurement and Suspension and Debarment, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications.

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

The School Corporation did not have proper segregation of duties to ensure compliance with Eligibility and Special Tests and Provisions - Verification of Free and Reduced Price Applications requirements. Applications associated with eligibility and verifications were not subjected to review prior to eligibility determinations and submission of the verification report.

Equipment and Real Property Management

The School Corporation did not have proper controls in place to ensure purchases or disposals of assets purchased with federal dollars were added to or removed from the School Corporation's capital asset records.

Procurement and Suspension and Debarment

The School Corporation relies on a consultant from a purchasing cooperative to perform procurement activities and to verify compliance with Suspension and Debarment requirements. The consultant oversees the bidding process and verifies that the bidders are not suspended or debarred from receiving federal funds. Once bids are received, the consultant recommends the lowest bids for each product. There is no oversight or approval of the bids by the School Corporation. Additionally, the School Corporation obtained quotes to replace serving lines at the High School. The School Corporation did not have policies or procedures in place to ensure compliance with Suspension and Debarment requirements.

Reporting

The School Corporation did not have proper segregation of duties to ensure the required reports were accurate. Monthly and annual reports filed were not subjected to review prior to submission.

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.

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

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

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

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance 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 establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

FINDING 2014-003 - VERIFICATION OF FREE AND REDUCED PRICE MEAL APPLICATIONS

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY 12-13, FY 13-14
Pass-Through Entity: Indiana Department of Education

The School Corporation had deficiencies within its verification processes which did not allow them to adequately document the verification of the eligibility status of their approved free and reduced price applications for the School Breakfast Program and National School Lunch Program. The eligibility verification determination process was not completed using the proper procedures. 18 percent of the verifications tested had income evidence attached that suggested the child should be moved from free to reduced price meals; however, the appropriate changes were not made to the eligibility status for these children.

7 CFR 245.6a(f)(7) states:

"Eligibility changes. Based on the verification activities, the local educational agency shall make appropriate modifications to the eligibility determinations made initially. The local educational agency must notify the household of any change. Households must be notified of any reduction in benefits in accordance with paragraph (j) of this section. Households with reduced benefits or that are longer eligible for free or reduced price meals must be notified of their right to reapply at any time with documentation of income or participation in one of the eligible programs in paragraph (a)(1) of this section."

Failure to comply with this requirement could cause the School Corporation to be ineligible to receive future federal awards.

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

We recommended that the School Corporation properly complete and document the verification of student eligibility status and the appropriate changes to eligibility when applicable.

***FINDING 2014-004 - INTERNAL CONTROLS OVER TITLE I
GRANTS TO LOCAL EDUCATIONAL AGENCIES***

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years: 12-4680, 13-4680, and 14-4680

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 such as an oversight or approval process, related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Availability, Reporting, and Special Tests and Provisions for Comparability compliance requirements that have a direct and material effect on the program. 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 program.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Availability

The School Corporation has not designed or implemented adequate policies or procedures to ensure that the activities allowed, allowable costs, and period of availability are properly determined in compliance with program requirements. One employee was solely responsible for preparing and distributing the payroll expenditures, which is the majority of the expenditures for the grant. There was no segregation of duties, such as oversight or approval process to ensure that only Title I employees were paid from the grant within the available period.

Cash Management and Reporting

The School Corporation has not designed or implemented adequate policies or procedures to ensure that requests for reimbursement or required reports were accurately prepared. One person was responsible for preparing and submitting the requests and reports. There was no segregation of duties, such as oversight or approval process.

Special Tests and Provisions for Comparability

The School Corporation has not designed or implemented adequate policies or procedures to ensure that the Comparability Report, which is a required report, was accurately prepared. As part of the Comparability Report, the School Corporation is to report enrollment figures. There was no supporting documentation to support the enrollment figures reported on the Comparability Reports for the audit period.

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

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

have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance 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 establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

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 STATION COMMUNITY SCHOOLS

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

THOMAS CRIPLIVER, Ph.D.
SUPERINTENDENT

THOMAS COREY, Ed.S.
ASSISTANT SUPERINTENDENT



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2012-2, 2012-3, and 2012-4

Original Assigned SBA Audit Report Number: B42023
Report Period: 7-1-2010 to 6-30-2012
Pass-Through Entity or Federal Grantor Agency: IDOE; NISEC
Contact Person Responsible for Corrective Action: Sandra Cain
Contact Phone Number: (219) 962-1159

Status of Audit Finding:

This federal grant was completed prior to the audit. We are no longer receiving special education federal funding so these should no longer be issues. However, there are currently procedures in place to prevent them from occurring in the future. Grant directors now sign off on all expenditures which are then approved monthly by the Treasurer and School Board. The Director of Business currently submits all requests for reimbursement after claims have been paid and all reimbursement claims are signed by grant directors. All required semi-certifications are now being submitted by appropriate administrators for all federal grants. All capital assets are updated on a bi-annual basis by an outside vendor who travels to all buildings and meets with the Director of Maintenance, Food Service Director, and Technology Director to ensure that all assets are accounted for and federal purchases are labeled as such so as to ensure of the proper disposal of all capital assets.

BOARD OF SCHOOL TRUSTEES

Larry Biggs, Karen Curtis, Jane Stills, Greg Tenorio, James Vanderlin
LAKE STATION COMMUNITY SCHOOLS

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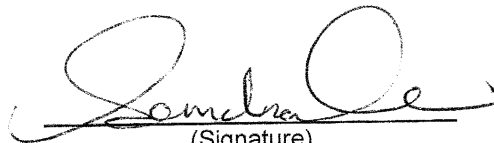


FINDING 2012-5, 2012-6, 2012-7, and 2012-8

Original Assigned SBA Audit Report Number: B42023
Report Period: 7-1-2010 to 6-30-2012
Pass-Through Entity or Federal Grantor Agency: IDOE
Contact Person Responsible for Corrective Action: Sandra Cain
Contact Phone Number: (219) 962-1159

Status of Audit Finding:

All capital assets are updated on a bi-annual basis by an outside vendor who travels to all buildings and meets with the Director of Maintenance, Food Service Director, and Technology Director to ensure that all assets are accounted for and all federal purchases are labeled as such so as to ensure of the proper disposal of all capital assets. An assistant for the Food Service Director was hired who is responsible for among other things: daily deposits, completion of all food service purchases, and assisting in the verification of all free or reduced applications. All checks require two signatures and monthly reports are reviewed by the Director of Business and Superintendent. All applications are verified and maintained in the Food Service Director's office. Presently all eligibility determinations and verifications are performed by the Food Service Director or her assistant. The Food Service Department is still gaining an understanding of segregation of duties as well as verification requirements to ensure compliance of these matters. Each year, the Food Service Director completes the required calculation to determine if meal prices need to be increased to meet the minimum state price requirements. She has applied for a waiver for the 2015/16 school year to ensure that cash reserves do not increase to more than three months' average expenditures.


(Signature)

Director of Business Affairs
(Title)

April 22, 2015
(Date)

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THOMAS COREY, Ed.S.
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CORRECTIVE ACTION PLAN

FINDING 2014-001

Contact Person Responsible for Corrective Action: Dr. Thomas Cripliver
Contact Phone Number: (219) 962-1159

Description of Corrective Action Plan: The officials of Lake Station Community School Corporation will design and implement controls to properly segregate duties as much as possible due to the size of the district and budgetary constraints.

Anticipated Completion Date: Immediately

FINDING 2014-002

Contact Person Responsible for Corrective Action: Dr. Thomas Cripliver
Contact Phone Number: (219) 962-1159

Description of Corrective Action Plan: The officials of Lake Station Community School Corporation will design and implement controls to properly segregate duties as much as possible due to the size of the district and budgetary constraints. All eligibility and verifications reports, as well as monthly and yearly reports will be reviewed by someone other than the person completing the reports. All equipment purchased and disposed, as well as service center bids of will be approved by the School Board at an open board meeting.

Anticipated Completion Date: Immediately

FINDING 2014-003

Contact Person Responsible for Corrective Action: Dr. Thomas Cripliver
Contact Phone Number: (219) 962-1159

Description of Corrective Action Plan: The Lake Station Community School Corporation will adequately document the verification of eligibility status for all free and reduced price applications. All applications will be reviewed by someone other than the person completing the verification to ensure that they are completed properly and in a timely manner.

Anticipated Completion Date: Immediately

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THOMAS COREY, Ed.S.
ASSISTANT SUPERINTENDENT



FINDING 2014-004

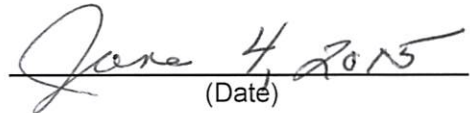
Contact Person Responsible for Corrective Action: Dr. Thomas Crippliver
Contact Phone Number: (219) 962-1159

Description of Corrective Action Plan: The officials of Lake Station Community School Corporation will design and implement controls to properly segregate duties as much as possible due to the size of the district and budgetary constraints. The Title I director will approve all Title I timesheets on a biweekly basis. Financial reimbursements are now approved by the Title I director before being submitted. All enrollment figures will be checked for accuracy and supporting documentation will be provided on all comparability reports.

Anticipated Completion Date: Immediately


(Signature)


(Title)


(Date)

BOARD OF SCHOOL TRUSTEES
Larry Biggs, Karen Curtis, Jane Stills, Greg Tenorio, James Vanderlin
LAKE STATION COMMUNITY SCHOOLS

OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the School Corporation. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.