

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

SUPPLEMENTAL COMPLIANCE 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 06-30-15
Superintendent of Schools	Daniel DeHaven Thomas Cripliver	07-01-12 to 06-30-14 07-01-14 to 06-30-15
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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AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of the Lake Station Community Schools (School Corporation), for the period from July 1, 2012 to June 30, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

June 8, 2015

LAKE STATION COMMUNITY SCHOOLS
FEDERAL 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.

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.

LAKE STATION COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

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)

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
FEDERAL FINDINGS
(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
FEDERAL FINDINGS
(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
FEDERAL FINDINGS
(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.

LAKE STATION COMMUNITY SCHOOLS

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THOMAS CRIPLIVER, Ph.D.
SUPERINTENDENT

THOMAS COREY, Ed.S.
ASSISTANT SUPERINTENDENT



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

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

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FINDING 2014-004

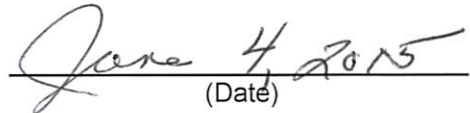
Contact Person Responsible for Corrective Action: Dr. Thomas Crippliver
Contact Phone Number: (219) 962-1159

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

LAKE STATION COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The financial statement presented in the Financial Statement and Federal Single Audit Report included the following funds with overdrawn cash balances at June 30 2013, and June 30, 2014:

Funds	Amounts Overdrawn		Amounts Overdrawn	
	June 30, 2013		June 30, 2014	
Capital Projects	\$	-	\$	31,099
School Transportation		-		38,298
N-Account		1,767		2,365

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

CURRICULAR MATERIALS RENTAL CHARGES AND EDUCATIONAL FEES NONCOMPLIANCE

Curricular materials rental charges and other educational fees for all grades were not adopted by the School Board on an annual basis; they were only adopted for the 2013-2014 school year and only for grades K-8. Curricular material rental charges and educational fee information for grades 9-12 were not presented for audit.

Records presented for audit of the textbook rental charges were incomplete and not reflective of actual costs incurred. The records presented did not provide sufficient supporting documentation. The retail price of curricular materials for grades K-8 was not provided. It could not be verified that the calculation of curricular materials rental complied with Indiana Code 20-26-12-2.

Educational fees established by the School Board are to be reviewed by an attorney and his or her opinion should be retained on whether or not the educational fees would violate the Indiana Constitution and the right for a student to be provided schooling without having to pay tuition. The written opinion of an attorney was not retained.

Educational fees must be properly and timely remitted to the School Corporation from the Extra-Curricular Accounts (ECA). The locker fees, an educational fee, were not remitted and accounted for at the School Corporation. Instead, they were retained and accounted for at the ECA level.

Indiana Code 20-26-12-2 states in part:

"(a) A governing body may purchase from a publisher any curricular material selected by the proper local officials. The governing body may rent the curricular materials to students enrolled in any public or nonpublic school . . . The annual rental rate may not exceed twenty-five percent (25%) of the retail price of the curricular materials.

(b) Notwithstanding subsection (a), the governing body may not assess a rental fee of more than fifteen percent (15%) of the retail price of curricular materials that have been:

- (1) extended for usage by students under section 24(e) of this chapter; and
- (2) paid for through rental fees previously collected."

LAKE STATION COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

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

Indiana Code 20-26-4-1(d) concerning duties of the School Corporation Treasurer, states in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions. (The School Administrator and Uniform Compliance Guidelines, Volume 185, March 2009)

AVERAGE DAILY MEMBERSHIP (ADM)

Lack of Records

The designated building level personnel did not provide written certification that the detailed student records maintained to support the Average Daily Membership (ADM) claimed was accurate. ADM records for Bailey Elementary and Edison JR/SR School were not certified by a Principal or Vice Principal for the September 2012 and September 2013 enrollment records presented for audit.

Officials shall maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM.

The building level official (Principal, Assistant Principal, etc.) is responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

Incorrect Reporting to the State

The information presented for audit indicated enrollment figures on Form No. 30A, Report of Average Daily Membership (ADM Report) for State Support, were incorrect for the school year ending June 30, 2014.

The enrollment count date for SY 2013-2014 was September 19, 2013. The enrollment reported on the ADM Report was 1,437; however, the verified enrollment per the School Corporation's records was 1,438. The understatement of one student was noted within the third grade count at Bailey Elementary School.

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

LAKE STATION COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

CREDIT CARDS

The Lake Station Community Schools Administrative Guidelines No. 6423 - Use of Credit Cards states in part:

"D. After use, school credit cards are to be returned to the Director of Business Affairs along with appropriate receipt copies of all charges."

In review of the credit card claims there were several payments made for charges to several vendors that did not have detailed invoices attached.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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

TRAVEL CLAIMS

The Lake Station Community Schools Administrative Guidelines No. 6550 - Travel Payment and Reimbursement states in part:

"Reimbursement for approved professional travel will be based on expenses incurred solely by the employee upon submission of a properly completed and approved professional travel reimbursement form.

The Superintendent approves all professional reimbursement forms.

The following are reimbursable upon submission of receipts and documentation:

. . .f) Meals, \$40 per diem

Emergency and/or unanticipated trips involving Board expense(s) may be approved by the Superintendent and/or the Treasurer. . .

Actual expenses are approved by the Superintendent for professional and classified staff. The Treasurer approves expenses incurred by the Superintendent. The Superintendent approves expenses incurred by the Treasurer.

Business related mileage for the Corporation is reimbursable under the following conditions:

- a) Requests for reimbursement are to be submitted on the Monthly Mileage Report. *The report must be approved by the Department Head or Principal.* Parking receipts are required for reimbursement. Incomplete reports will be returned . . . "

LAKE STATION COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

Twelve of thirteen travel claims reviewed were not in compliance with the School Board approved travel policy. Two travel claims exceeded the \$40 per diem meal allowance. Four travel claims were not approved by the proper authority. Six of the travel claims were not approved by anyone.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

MEAL CHARGING POLICY

On December 15, 2010, the School Board approved a Meal Charging Policy which states in part:

"We strongly discourage meal charges, but we understand that an occasional emergency makes it necessary at the Elementary level. Students at the elementary level may charge up to 5 breakfasts and 5 lunches. A la carte items (milk is considered an a la carte item) may not be charged. The purpose of allowing charges is to ensure that the child does not go hungry by providing a meal to a child who has no other food available to him that day."

Per the policy, we calculated that 5 breakfasts at \$1.20 equals \$6.00 and 5 lunches at \$1.55 equals \$7.75 for a total maximum allowable charge of \$13.75. During a review of the "Monthly Customer Balance Lists" that detailed the students' account balance, we noted student account balances that accumulated charges exceeding the maximum allowable amounts.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

PREPAID FOOD ACCOUNT

The School Corporation accounted for prepaid food within the School Lunch fund. A separate clearing account for the prepaid food account activity was not established as prescribed.

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

RECEIPTING OF PROCEEDS INTO IMPROPER FUND

The Lake Station Multi-School Building Corporation refinanced the First Mortgage Bond Refunding and Improvement Bonds, Series 2014A in the amount of \$4,610,000 and the First Mortgage Bonds, Series 2014B in the amount of \$1,130,000 with a closing date of January 15, 2014.

LAKE STATION COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

The Official Statement states, in part:

"Proceeds from the 2014A bonds will be used for the purpose of providing for the payment of (i) the refunding of the outstanding Lake Station School Building Corporation First mortgage Bonds, Series 2003, dated December 3, 2003 (the "2003 Bonds"), (ii) a portion of the interest payable on the Series 2014 A bonds to January 15, 2016, (iii) cost of improvements to facilities owned or leased by Lake Station Community Schools (the School Corporation"), and (iv) costs of issuance of the Series 2014 A Bonds and the refunding."

"Proceeds from the 2014B bonds will be used for the purpose of providing for the payment of (i) the costs of acquisition of the School Corporation's administration building, (ii) the interest payable on the Series 2014 B bonds to January 15, 2016, and (iii) the related costs of issuance of the Series 2014 B Bonds."

The School Corporation recorded sale of property proceeds of \$1,002,559.53 in the School Bus Replacement fund on January 15, 2014. The proceeds were not recorded into either the Capital Projects or the General fund based upon the nature of the transaction.

Proceeds generated by the sale or rental of property should be receipted into the fund which originally purchased the property unless otherwise provided by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 18)

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THOMAS CRIPLIVER, Ph.D.
SUPERINTENDENT

THOMAS COREY, Ed.S.
ASSISTANT SUPERINTENDENT



June 15, 2015

Ms Lisa David
State Board of Accounts
302 West Washington St.
Room E 418
Indianapolis, IN 46204-2765

Dear Ms David,

Please accept this as our official response to the audit results and comments presented to us on June 8, 2015 regarding the audit conducted at Lake Station Community School Corporation.

I appreciate the auditor's careful review of our records and the time they took. It was a positive learning experience for me as a new superintendent to the district as they examined the last two (2) years of information prior to my arrival. We agree with their findings and will work to initiate their suggestions that were identified.

Sincerely,

Tom Crippliver
Superintendent

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

LAKE STATION COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on June 8, 2015, with Thomas Crippliver, Superintendent of Schools; Sandra Cain, Director of Business Affairs; Karen Curtis, President of the School Board; and Thomas Corey, Assistant Superintendent of Schools.