

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF

LOGANSPORT COMMUNITY  
SCHOOL CORPORATION  
CASS COUNTY, INDIANA

July 1, 2013 to June 30, 2015



**FILED**  
07/29/2016



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SCHEDULE OF OFFICIALS

| <u>Office</u>                    | <u>Official</u>     | <u>Term</u>          |
|----------------------------------|---------------------|----------------------|
| Treasurer                        | Gregory E. Korreckt | 07-01-13 to 06-30-16 |
| Superintendent<br>of Schools     | Michele M. Starkey  | 07-01-13 to 06-30-16 |
| President of the<br>School Board | Michael J. McCord   | 01-01-13 to 12-31-16 |



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TO: THE OFFICIALS OF THE LOGANSPORT COMMUNITY  
SCHOOL CORPORATION, CASS COUNTY, INDIANA

This report is supplemental to our audit report of the Logansport Community School Corporation (School Corporation), for the period from July 1, 2013 to June 30, 2015. 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/](http://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, incorporated within this report, was not verified for accuracy.

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

May 4, 2016

LOGANSPORT COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2014-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

*Condition*

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). One person was solely responsible for preparing and submitting the SEFA without oversight, review, or approval.

*Context*

During the audit of the SEFA, there were the following errors:

1. The National School Lunch Program expenditures were overstated by \$742,567 for the 2014-2015 school year.
2. The National School Lunch Program expenditures did not include commodities of \$158,453 and \$135,586 for the 2013-2014 and 2014-2015 school years, respectively.
3. Other immaterial adjustments were needed that increased the federal expenditures on the SEFA by \$9,472.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

*Criteria*

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

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

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

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

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

LOGANSPORT COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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

*Cause*

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

*Effect*

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA could have remained undetected. The SEFA contained the errors identified in the *Condition*.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan, which is part of this report.

***FINDING 2015-002 - 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: 13-0875, 14-0875, 15-0875  
Pass-Through Entity: Indiana Department of Education

*Condition*

The School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Cash Management, Reporting, and Special Tests and Provisions - Comparability compliance requirements.

*Context*

A review of several reports indicated a lack of controls for all program years in both years of the audit period.

LOGANSPORT COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Cash Management and Reporting*

The School Corporation had not designed or implemented adequate policies and procedures to ensure that program funds were expended prior to requesting reimbursements and that the monthly reimbursement requests (reports) were accurate prior to submission. One person prepared and submitted the reports. There was no segregation of duties, such as an oversight, review, or approval process.

*Special Tests and Provisions - Comparability*

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the Comparability Report was accurate prior to submission. One person prepared and submitted the Comparability Report. There was no segregation of duties, such as an oversight, review, or approval process.

*Criteria*

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."

*Cause*

Management had not developed a system of internal controls that segregated key functions.

*Effect*

The failure to establish an effective internal control system could have placed 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 have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan, which is part of this report.

LOGANSPORT COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

**FINDING 2015-003 - ALLOWABLE COSTS - INDIRECT COSTS 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: 13-0875, 14-0875, 15-0875  
Pass-Through Entity: Indiana Department of Education

*Condition*

The School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Allowable Costs - Indirect Costs compliance requirement.

*Context*

The School Corporation had not designed or implemented adequate policies and procedures to ensure consistency in its application of indirect costs charged to federal programs. There was no segregation of duties, such as an oversight, review, or approval process.

Indirect costs were not charged to the Title I Grants to Local Educational Agencies program for the 2013-2014 school year. The School Corporation obtained an indirect cost rate from the Indiana Department of Education and applied the rate to other federal programs as well as to other program years for the Title I Grants to Local Educational Agencies. In addition, the School Corporation did not include indirect costs in their budget for the 2013-2014 school year.

*Criteria*

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."

OMB Circular A-87, Attachment A, Part C states in part:

"1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria: . . .

f. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost."

*Cause*

The School Corporation had not developed a system of internal controls that segregated key functions.

LOGANSPOrt COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Effect*

The failure to establish internal controls enabled material noncompliance to go undetected which could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirement listed above.

In addition, we recommended that the School Corporation comply with the Allowable Costs - Indirect Costs compliance requirement.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan, which is part of this report.

***FINDING 2015-004 - INTERNAL CONTROLS OVER MIGRANT EDUCATION - STATE GRANT PROGRAM***

Federal Agency: Department of Education

Federal Program: Migrant Education - State Grant Program

CFDA Number: 84.011

Federal Award Numbers and Years: 3812-006-MR01, 3812-018-PN01,  
38213-015-PN01, SY 12-13, SY 14-15

Pass-Through Entity: Indiana Department of Education

*Condition*

The School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Period of Availability, Special Tests and Provisions - Comparability, and Special Tests and Provisions - Priority for Service compliance requirements.

*Context*

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

The School Corporation had not designed or implemented adequate policies and procedures to ensure that vendor disbursements were for allowable activities, for allowable costs, or were within the period of availability. The Migrant Education Grant Director's name was stamped on vendor claims to document a review; however, the Director did not review the claims. In addition, the School Corporation had properly designed procedures for payroll disbursements paid from grant funds, but the controls were not implemented. There was no segregation of duties, such as an oversight, review, or approval process.

LOGANSPOrt COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Eligibility*

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the list of students compiled for possible eligibility was accurate and complete. The information was prepared and submitted to the State Migrant Specialist who determined eligibility without oversight at the School Corporation. There was no segregation of duties, such as an oversight, review, or approval process.

*Special Tests and Provisions - Comparability*

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the Comparability Reports were accurate prior to submission. The Title I Director was responsible for preparing and submitting the Comparability Reports. There was no segregation of duties, such as an oversight, review, or approval process.

*Special Tests and Provisions - Priority for Service*

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the lists of students determined to have Priority for Service was accurate and complete. One employee was responsible for determining which students were the Priority for Service students. There was no segregation of duties, such as an oversight, review, or approval process.

The lack of properly designed or implemented internal controls over the compliance requirements listed above was evident for all awards in both years of the audit period.

*Criteria*

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."

*Cause*

Management had not developed a system of internal controls that segregated key functions.

*Effect*

The failure to establish an effective internal control system placed 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 have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

*Questioned Costs*

There were no questioned costs identified.

LOGANSPOrt COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan, which is part of this report.

***FINDING 2015-005 - ALLOWABLE COSTS - INDIRECT COSTS OVER  
MIGRANT EDUCATION - STATE GRANT PROGRAM***

Federal Agency: Department of Education

Federal Program: Migrant Education - State Grant Program

CFDA Number: 84.011

Federal Award Numbers and Years: 3812-006-MR01, 3812-018-PN01,  
38213-015-PN01, SY 12-13, SY 14-15

Pass-Through Entity: Indiana Department of Education

*Condition*

The School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Allowable Costs - Indirect Costs compliance requirement.

*Context*

The School Corporation had not designed or implemented adequate policies and procedures to ensure consistency in its application of indirect costs charged to federal programs. There was no segregation of duties, such as oversight, review, or approval process.

Indirect cost rates were charged to other programs, but were not charged to the Migrant Education - State Grant Program. The School Corporation did not charge any indirect costs to the federal program in the audit period.

The lack of properly designed or implemented controls and the noncompliance with the Allowable Costs - Indirect Costs requirements applies to all awards in both years of the audit period.

*Criteria*

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."

LOGANSPORT COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

OMB Circular A-87, Attachment A, Part C states in part:

"1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria: . . .

f. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost."

*Cause*

Management had not developed a system of internal controls that segregated key functions.

*Effect*

The failure to establish internal controls enabled material noncompliance to go undetected which could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirement listed above.

In addition, we recommended the School Corporation comply with the Allowable Costs - Indirect Costs compliance requirement.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan, which is part of this report.

***FINDING 2015-006 - SPECIAL TESTS AND PROVISIONS -  
PARTICIPATION OF PRIVATE SCHOOL CHILDREN***

Federal Agency: Department of Education

Federal Program: Migrant Education - State Grant Program

CFDA Number: 84.011

Federal Award Numbers and Years: 3812-006-MR01, 3812-018-PN01,  
38213-015-PN01, SY 12-13, SY 14-15

Pass-Through Entity: Indiana Department of Education

*Condition*

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Special Tests and Provisions - Participation of Private School Children compliance requirement.

LOGANSPORT COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Context*

The School Corporation had not designed or implemented adequate policies and procedures to ensure that services were offered to Private School children. There was no segregation of duties, such as an oversight, review, or approval process.

The School Corporation was aware that services were to be offered to Private School children, but indicated there were not any eligible students. The School Corporation did not provide any documentation that services had been offered to Private School children.

The lack of properly designed or implemented controls and the noncompliance with Special Tests and Provisions - Participation of Private School Children requirements applies to all awards in both years of the audit period.

*Criteria*

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."

34 CFR 299.6 states in part:

"(a) *General.* An agency or consortium of agencies receiving funds under an applicable program listed in paragraph (b) of this section, after timely and meaningful consultation with appropriate private school officials (in accordance with the statute), shall provide special educational services or other benefits under this subpart on an equitable basis to eligible children who are enrolled in private elementary and secondary schools, and to their teachers and other educational personnel.

(b) *Applicable programs.* This subpart is applicable to the following programs:

(1) Part C of title I (Migrant Education) . . ."

*Cause*

Management had not developed a system of internal controls that segregated key functions.

*Effect*

The failure to establish internal controls enabled material noncompliance to go undetected which could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

LOGANSPOUT COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirement listed above.

In addition, we recommended that the School Corporation comply with the Special Tests and Provisions - Participation of Private School Children requirements.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan, which is part of this report.



# LOGANSPORT

COMMUNITY SCHOOL CORPORATION

2829 GEORGE STREET ♦ LOGANSPORT, INDIANA 46947 ♦ VOICE 574.722.2911 ♦ FAX 574.722.7634

## BOARD OF SCHOOL TRUSTEES

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Scott B. Kraud  
*Vice-President*

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*Secretary*

Bill J. Cuppy  
*Member*

David M. McClure  
*Member*

## ADMINISTRATION

Michele M. Starkey  
*Superintendent*

Gregory E. Korreckt  
*Controller/Treasurer*

Tim Moss  
*Transportation Director*

Cyle Dibble  
*Technology Director*

## MEMBER SCHOOLS

Columbia Elementary School  
*20 East Columbia Street*

Fairview Elementary School  
*846 S. Cicott Street*

Franklin Elementary School  
*410 W. Miami Avenue*

Landis Elementary School  
*One Landis Lane*

Columbia Middle School  
*1300 N. Third Street*

Lincoln Middle School  
*2901 Usher Street*

Logansport High School  
*One Berry Lane*

Century Career Center  
*2500 Hopper Street*

## Website

[www.lcsc.k12.in.us](http://www.lcsc.k12.in.us)

Home of the Berries



## CORRECTIVE ACTION PLAN

Contact Person Responsible for Corrective Action: Gregory E. Korreckt, Business Manager/Controller  
Contact Phone Number: 574-722-2911

Description of Corrective Action Plan:

### Finding 2015-001

Preparation of Schedule of Expenditures of Federal Awards – The Finance Supervisor will prepare the document, the Controller and Superintendent will review and sign off on the document prior to submission.

### Finding 2015-002

Cash Management and Reporting – Reimbursement requests will be reviewed by the Grant Director prior to submission by the Finance Supervisor  
Comparability Report – the Controller and Title I Director will review and sign off on this report in the future.

### Finding 2015-003

Indirect Costs – prior Administration direction was to support the classroom. LCSC has subsequently implemented the practice that all grants are and will be charged Indirect Cost going forward. This assessment process will be reviewed by the Finance Supervisor and Title I Director.

### Finding 2015-004

Vendor Disbursement – all claims will be reviewed by the Migrant Director and Finance Supervisor to be certain they fall within Grant allowable activities, costs, and period of availability requirements.

Payroll Records - The Migrant Director will review payroll reports and provide feedback for changes needed to the Payroll Department, as per established practices of the School Corporation.

Eligibility – the Migrant Director and Superintendent will review the list of eligible students once received from the State Migrant Specialist and address any discrepancies.  
Comparability Report - The Controller and Migrant Director will review and sign off on all reports in the future.

Priority for Service – the Migrant Director and Superintendent will review the student lists to determine Priority for Service.

### Finding 2015-005

Indirect Costs – prior Administration direction was to support the classroom. LCSC has subsequently implemented the practice that all grants are and will be charged Indirect Cost going forward. This assessment process will be reviewed by the Finance Supervisor and Migrant Director.



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*One Berry Lane*

Century Career Center  
*2500 Hopper Street*

## Website

[www.lcsc.k12.in.us](http://www.lcsc.k12.in.us)

### Finding 2016-006

Private School Students – records to determine private school student eligibility will be maintained by the Migrant Director and reviewed by the Controller and/or Superintendent. If there are no eligible private school students, documentation will be maintained to that effect.

### Anticipated Completion Date:

All corrective actions noted above as it relates to Findings 2015-001, 2015-002, 2015-003, 2015-004, 2015-005, and 2015-006 have been implemented.

(Signature)

Business Manager/Controller

(Title)

May 4, 2016

(Date)



LOGANSPORT COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

**ANNUAL REPORT**

The Annual Financial Report for the 2013-2014 school year, due August 29, 2014, was not filed electronically until September 30, 2014, which was 32 days past the due date.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

**OVERDRAWN CASH BALANCES**

The financial statement presented in the Financial Statement and Single Audit Report for the School Corporation included the following funds with overdrawn cash balances at June 30, 2014 and 2015. This list excludes reimbursable grant funds with deficit cash balances at fiscal year end:

| Fund                                   | Amount Overdrawn |            |
|--|------------------|------------|
|  | 06-30-14         | 06-30-15   |
| Retirement/Severance Bond Debt Service | \$ 167,119       | \$ 115,798 |
| Capital Projects                       | 490,378          | 457,898    |
| School Bus Replacement                 | -                | 87,461     |
| McHale Construction 2013               | 153,450          | 181,724    |
| McHale Construction 2014               | -                | 435,908    |
| Textbook Rental                        | -                | 375,951    |
| Century Career Center 2014             | 235,834          | 154,727    |
| LHS Sponsorship                        | -                | 4,179      |
| China Trip Donations                   | -                | 4,554      |
| McHale Auditorium                      | 41,797           | 139,655    |

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)

LOGANSPORT COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on May 4, 2016, with Gregory E. Korreckt, Treasurer; Michele M. Starkey, Superintendent of Schools; Michael J. McCord, President of the School Board; Teresa Popejoy, Finance Supervisor; and Emily Graham, Migrant Director.