

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, 2014 to June 30, 2016



FILED
04/30/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director of Business Affairs/Treasurer	Sandra Cain (Vacant)	07-01-14 to 06-30-16 07-01-16 to 07-14-16
Chief Financial Officer/Treasurer	Eric Kurtz	07-15-16 to 06-30-18
Superintendent of Schools	Thomas Cripliver	07-01-14 to 06-30-18
President of the School Board	Karen Curtis James Vanderlin Larry Biggs Karen Curtis	01-01-14 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18



STATE OF INDIANA
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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, 2014 to June 30, 2016, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from 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 to 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, 2014 to June 30, 2016.

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, 2014 to June 30, 2016, 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 April 12, 2018, 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 solely 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 effectiveness of the School Corporation's 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

April 12, 2018



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDIANAPOLIS, INDIANA 46204-2769

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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, 2014 to June 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated April 12, 2018, 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 a material weakness.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation'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 2016-001 to be a material weakness.

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

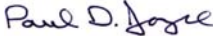
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and 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

April 12, 2018

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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, 2015 and 2016

Fund	Cash and Investments 07-01-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-16
General	\$ 837,259	\$ 12,532,416	\$ 11,325,398	\$ -	\$ 2,044,277	\$ 10,819,361	\$ 11,245,523	\$ 682	\$ 1,618,797
Debt Service	223,172	845,362	659,874	(38,361)	370,299	905,675	988,980	-	286,994
Exempt Debt	298,152	817,854	826,313	(20,145)	269,548	813,907	774,071	-	309,384
Capital Projects	(31,099)	283,826	559,116	501,763	195,374	266,489	352,363	-	109,500
School Transportation	(38,298)	277,963	411,423	503,877	332,119	289,504	231,987	204	389,840
School Bus Replacement	70,599	81,520	70,682	507	81,944	80,407	88,132	-	74,219
Rainy Day	1,000,000	-	-	(1,000,000)	-	-	-	-	-
School Lunch	427,449	714,662	883,585	-	258,526	883,455	685,056	-	456,925
Textbook Rental	217,294	110,913	157,703	54,808	225,312	97,291	158,061	-	164,542
Levy Excess	-	-	-	-	-	204	-	(204)	-
Educational License Plates	2	168	95	-	75	313	205	-	183
Alternative Education	-	19,765	19,765	-	-	-	-	-	-
SAFE School Haven	-	12,000	12,000	-	-	-	-	-	-
Early Intervention Grant	-	23,441	21,866	-	1,575	30,552	12,375	-	19,752
Extra-Curricular Activities	-	-	-	-	-	15,454	525	-	14,929
Miscellaneous Programs	204	4,260	233	-	4,231	-	1,708	-	2,523
Miscellaneous Programs Wellness/Substance Abuse Grants	-	-	-	-	-	8,118	8,118	-	-
Instruction Support High Ability	26,315	30,205	36,705	-	19,815	30,451	35,614	-	14,652
Computer Consortium/Ed Tech Advance	-	120,808	120,808	-	-	155,912	154,342	-	1,570
Education Technology	5,639	149,891	155,530	-	-	140,083	90,552	-	49,531
Education Technology Advance	-	59,672	59,672	-	-	51,152	51,152	-	-
Secured Schools Safety Grant	(6,217)	47,823	54,880	-	(13,274)	40,692	22,864	-	4,554
Non-English Speaking Programs	16	10,077	9,494	-	599	19,055	19,654	-	-
School Technology	-	1,929	-	-	1,929	2,244	2,099	-	2,074
Construction, Remodeling, and Equipping Buildings	-	28,292	28,292	-	-	-	-	-	-
Title I	(43,153)	529,885	515,671	-	(28,939)	464,520	452,075	-	(16,494)
Title I Distinguished School	-	19,677	21,635	-	(1,958)	5,333	3,375	-	-
Improving Teacher Quality, No Child Left, Title II, Part A	(2,401)	42,929	43,300	-	(2,772)	43,211	41,991	-	(1,552)
Title III - English Proficiency Migrant	-	18,442	18,442	-	-	16,420	16,420	-	-
N-Account Clearing Account	(2,365)	2,607,672	2,572,631	-	32,676	2,259,768	2,286,733	-	5,711
Totals	\$ 2,982,568	\$ 19,391,452	\$ 18,585,113	\$ 2,449	\$ 3,791,356	\$ 17,439,571	\$ 17,723,975	\$ 682	\$ 3,507,634

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, the following: 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. Amounts received from taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community service activities, and other revenue from local sources.

Intermediate sources. Amounts received as distributions from the County for fees collected for or on behalf of the School Corporation including, but not limited to, the following: educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

LAKE STATION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

State sources. Amounts received as distributions from the State of Indiana that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources. Amounts received as distributions from the federal government that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Temporary loans. Amounts 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. Amounts received from various sources, including, but not limited to, the following: 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. Amounts disbursed for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services. Amounts disbursed for support services related to students, instruction, general administration, school administration, outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services. Amounts disbursed for food service operations and community service operations.

Facilities acquisition and construction. Amounts disbursed for the acquisition, development, construction, and improvement of new and existing facilities.

Debt service. Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the School Corporation, including: all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges. Amounts disbursed for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

F. Other Financing Sources and Uses

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

LAKE STATION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Sale of capital assets. Amounts received when land, buildings, or equipment owned by the School Corporation are sold.

Transfers in. Amounts 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. Amounts 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 amounts 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 amounts 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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) 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, the following: 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:

LAKE STATION COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Funding Policy and Annual Pension Cost

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

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.

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 ended June 30, 2015 and 2016, totaled \$343,500 and \$440,500, respectively.

Note 9. Subsequent Events

Polk School - Idled

On August 16, 2017, the Board of School Trustees of the School Corporation approved a realignment of students effective August 22, 2017, for the 2017-2018 school year. This realignment idled Polk School from daily school operations; since that time, limited activities have been conducted at the school. This decision was made because of student enrollment declines and has allowed the School Corporation to focus investments on students and at other school campuses to reduce operational expense overhead necessary to run daily school operations in the building (e.g., principal, support staff, etc.).

Operating Referendum

A special election of the voters of the School Corporation was held on Tuesday, May 2, 2017, to consider a public question "*For the seven (7) calendar years immediately following the holding of the referendum, shall the School Corporation impose a property tax rate that does not exceed fifty four cents (\$0.54) on each one hundred dollars (\$100) of assessed valuation and that is in addition to all other property taxes imposed by the school corporation for the purpose of funding, maintaining and expanding academic programs, teaching positions, student safety, school bus transportation and other educational needs of the schools?*" which was approved.

Funds from this referendum will first be received in late June 2018.

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OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://www.doe.in.gov/finance/school-financial-reports>. 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 Indiana Gateway for Government Units 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 School Corporation's Financial Reports 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, 2015

	General	Debt Service	Exempt Debt	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch
Cash and investments - beginning	\$ 837,259	\$ 223,172	\$ 298,152	\$ (31,099)	\$ (38,298)	\$ 70,599	\$ 1,000,000	\$ 427,449
Receipts:								
Local sources	326,603	845,362	817,854	283,826	277,963	81,520	-	104,212
Intermediate sources	210,610	-	-	-	-	-	-	-
State sources	10,455,061	-	-	-	-	-	-	2,922
Federal sources	-	-	-	-	-	-	-	607,450
Temporary loans	1,540,000	-	-	-	-	-	-	-
Other receipts	142	-	-	-	-	-	-	78
Total receipts	12,532,416	845,362	817,854	283,826	277,963	81,520	-	714,662
Disbursements:								
Instruction	6,096,250	-	-	-	-	-	-	-
Support services	4,296,045	-	-	352,201	258,423	56,682	-	151
Noninstructional services	187,103	-	-	-	-	-	-	675,254
Facilities acquisition and construction	-	-	-	8,915	-	-	-	-
Debt service	746,000	659,874	826,313	198,000	153,000	14,000	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	208,180
Total disbursements	11,325,398	659,874	826,313	559,116	411,423	70,682	-	883,585
Excess (deficiency) of receipts over disbursements	1,207,018	185,488	(8,459)	(275,290)	(133,460)	10,838	-	(168,923)
Other financing sources (uses):								
Sale of capital assets	-	-	-	250	2,200	-	-	-
Transfers in	-	16,447	-	501,513	501,677	507	-	-
Transfers out	-	(54,808)	(20,145)	-	-	-	(1,000,000)	-
Total other financing sources (uses)	-	(38,361)	(20,145)	501,763	503,877	507	(1,000,000)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,207,018	147,127	(28,604)	226,473	370,417	11,345	(1,000,000)	(168,923)
Cash and investments - ending	\$ 2,044,277	\$ 370,299	\$ 269,548	\$ 195,374	\$ 332,119	\$ 81,944	\$ -	\$ 258,526

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, 2015

	Textbook Rental	Levy Excess	Educational License Plates	Alternative Education	SAFE School Haven	Early Intervention Grant	Extra- Curricular Activities	Miscellaneous Programs
Cash and investments - beginning	\$ 217,294	\$ -	\$ 2	\$ -	\$ -	\$ -	\$ -	\$ 204
Receipts:								
Local sources	24,524	-	-	-	-	-	-	-
Intermediate sources	-	-	168	-	-	-	-	4,260
State sources	85,289	-	-	19,765	12,000	23,441	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	1,100	-	-	-	-	-	-	-
Total receipts	110,913	-	168	19,765	12,000	23,441	-	4,260
Disbursements:								
Instruction	-	-	-	19,765	-	11,666	-	-
Support services	157,703	-	95	-	12,000	10,200	-	233
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	157,703	-	95	19,765	12,000	21,866	-	233
Excess (deficiency) of receipts over disbursements	(46,790)	-	73	-	-	1,575	-	4,027
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	54,808	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	54,808	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	8,018	-	73	-	-	1,575	-	4,027
Cash and investments - ending	\$ 225,312	\$ -	\$ 75	\$ -	\$ -	\$ 1,575	\$ -	\$ 4,231

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, 2015

	Miscellaneous Programs Wellness/ Substance Abuse Grants	Instruction Support High Ability	Computer Consortium/ Ed Tech Advance	Education Technology	Education Technology Advance	Secured Schools Safety Grant	Non-English Speaking Programs	School Technology
Cash and investments - beginning	\$ -	\$ 26,315	\$ -	\$ 5,639	\$ -	\$ (6,217)	\$ 16	\$ -
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	-	30,205	120,808	149,891	59,672	47,823	10,077	1,929
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	-	30,205	120,808	149,891	59,672	47,823	10,077	1,929
Disbursements:								
Instruction	-	36,364	-	-	-	-	9,494	-
Support services	-	341	120,808	155,530	59,672	54,880	-	-
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	-	36,705	120,808	155,530	59,672	54,880	9,494	-
Excess (deficiency) of receipts over disbursements	-	(6,500)	-	(5,639)	-	(7,057)	583	1,929
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(6,500)	-	(5,639)	-	(7,057)	583	1,929
Cash and investments - ending	\$ -	\$ 19,815	\$ -	\$ -	\$ -	\$ (13,274)	\$ 599	\$ 1,929

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, 2015

	Construction, Remodeling, and Equipping Buildings	Title I	Title I Distinguished School	Improving Teacher Quality, No Child Left, Title II, Part A	Title III - English Proficiency Migrant	N-Account Clearing Account	Totals
Cash and investments - beginning	\$ -	\$ (43,153)	\$ -	\$ (2,401)	\$ -	\$ (2,365)	\$ 2,982,568
Receipts:							
Local sources	-	10	10	-	-	-	2,761,884
Intermediate sources	-	-	-	-	-	-	215,038
State sources	-	-	-	-	-	-	11,018,883
Federal sources	-	529,875	19,667	42,929	18,442	-	1,218,363
Temporary loans	28,292	-	-	-	-	-	1,568,292
Other receipts	-	-	-	-	-	2,607,672	2,608,992
Total receipts	28,292	529,885	19,677	42,929	18,442	2,607,672	19,391,452
Disbursements:							
Instruction	-	313,701	9,529	27,215	17,570	-	6,541,554
Support services	-	199,155	10,147	16,085	872	-	5,761,223
Noninstructional services	-	2,815	1,959	-	-	-	867,131
Facilities acquisition and construction	28,292	-	-	-	-	-	37,207
Debt service	-	-	-	-	-	-	2,597,187
Nonprogrammed charges	-	-	-	-	-	2,572,631	2,780,811
Total disbursements	28,292	515,671	21,635	43,300	18,442	2,572,631	18,585,113
Excess (deficiency) of receipts over disbursements	-	14,214	(1,958)	(371)	-	35,041	806,339
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	2,450
Transfers in	-	-	-	-	-	-	1,074,952
Transfers out	-	-	-	-	-	-	(1,074,953)
Total other financing sources (uses)	-	-	-	-	-	-	2,449
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	14,214	(1,958)	(371)	-	35,041	808,788
Cash and investments - ending	\$ -	\$ (28,939)	\$ (1,958)	\$ (2,772)	\$ -	\$ 32,676	\$ 3,791,356

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, 2016

	General	Debt Service	Exempt Debt	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	School Lunch
Cash and investments - beginning	\$ 2,044,277	\$ 370,299	\$ 269,548	\$ 195,374	\$ 332,119	\$ 81,944	\$ -	\$ 258,526
Receipts:								
Local sources	68,792	905,675	813,907	266,489	289,504	80,407	-	121,391
Intermediate sources	140,796	-	-	-	-	-	-	-
State sources	9,940,635	-	-	-	-	-	-	2,696
Federal sources	-	-	-	-	-	-	-	759,290
Temporary loans	669,000	-	-	-	-	-	-	-
Other receipts	138	-	-	-	-	-	-	78
Total receipts	10,819,361	905,675	813,907	266,489	289,504	80,407	-	883,455
Disbursements:								
Instruction	5,661,586	-	-	-	-	-	-	-
Support services	3,909,812	-	-	342,559	231,987	88,132	-	214
Noninstructional services	134,125	-	-	-	-	-	-	684,842
Facilities acquisition and construction	-	-	-	9,804	-	-	-	-
Debt service	1,540,000	988,980	774,071	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	11,245,523	988,980	774,071	352,363	231,987	88,132	-	685,056
Excess (deficiency) of receipts over disbursements	(426,162)	(83,305)	39,836	(85,874)	57,517	(7,725)	-	198,399
Other financing sources (uses):								
Sale of capital assets	682	-	-	-	-	-	-	-
Transfers in	-	-	-	-	204	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	682	-	-	-	204	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(425,480)	(83,305)	39,836	(85,874)	57,721	(7,725)	-	198,399
Cash and investments - ending	\$ 1,618,797	\$ 286,994	\$ 309,384	\$ 109,500	\$ 389,840	\$ 74,219	\$ -	\$ 456,925

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, 2016

	Textbook Rental	Levy Excess	Educational License Plates	Alternative Education	SAFE School Haven	Early Intervention Grant	Extra- Curricular Activities	Miscellaneous Programs
Cash and investments - beginning	\$ 225,312	\$ -	\$ 75	\$ -	\$ -	\$ 1,575	\$ -	\$ 4,231
Receipts:								
Local sources	17,085	204	50	-	-	-	15,454	-
Intermediate sources	-	-	263	-	-	-	-	-
State sources	80,206	-	-	-	-	30,552	-	-
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	97,291	204	313	-	-	30,552	15,454	-
Disbursements:								
Instruction	-	-	-	-	-	12,375	-	-
Support services	158,061	-	205	-	-	-	-	1,708
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	525	-
Total disbursements	158,061	-	205	-	-	12,375	525	1,708
Excess (deficiency) of receipts over disbursements	(60,770)	204	108	-	-	18,177	14,929	(1,708)
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	(204)	-	-	-	-	-	-
Total other financing sources (uses)	-	(204)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(60,770)	-	108	-	-	18,177	14,929	(1,708)
Cash and investments - ending	\$ 164,542	\$ -	\$ 183	\$ -	\$ -	\$ 19,752	\$ 14,929	\$ 2,523

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, 2016

	Miscellaneous Programs Wellness/ Substance Abuse Grants	Instruction Support High Ability	Computer Consortium/ Ed Tech Advance	Education Technology	Education Technology Advance	Secured Schools Safety Grant	Non-English Speaking Programs	School Technology
Cash and investments - beginning	\$ -	\$ 19,815	\$ -	\$ -	\$ -	\$ (13,274)	\$ 599	\$ 1,929
Receipts:								
Local sources	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-
State sources	8,118	30,451	155,912	140,083	51,152	40,692	19,055	2,244
Federal sources	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	<u>8,118</u>	<u>30,451</u>	<u>155,912</u>	<u>140,083</u>	<u>51,152</u>	<u>40,692</u>	<u>19,055</u>	<u>2,244</u>
Disbursements:								
Instruction	-	35,614	-	-	-	-	19,560	-
Support services	1,902	-	154,342	90,552	51,152	22,864	94	2,099
Noninstructional services	-	-	-	-	-	-	-	-
Facilities acquisition and construction	6,216	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>8,118</u>	<u>35,614</u>	<u>154,342</u>	<u>90,552</u>	<u>51,152</u>	<u>22,864</u>	<u>19,654</u>	<u>2,099</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(5,163)</u>	<u>1,570</u>	<u>49,531</u>	<u>-</u>	<u>17,828</u>	<u>(599)</u>	<u>145</u>
Other financing sources (uses):								
Sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>(5,163)</u>	<u>1,570</u>	<u>49,531</u>	<u>-</u>	<u>17,828</u>	<u>(599)</u>	<u>145</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 14,652</u>	<u>\$ 1,570</u>	<u>\$ 49,531</u>	<u>\$ -</u>	<u>\$ 4,554</u>	<u>\$ -</u>	<u>\$ 2,074</u>

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, 2016

	Construction, Remodeling, and Equipping Buildings	Title I	Title I Distinguished School	Improving Teacher Quality, No Child Left, Title II, Part A	Title III - English Proficiency Migrant	N-Account Clearing Account	Totals
Cash and investments - beginning	\$ -	\$ (28,939)	\$ (1,958)	\$ (2,772)	\$ -	\$ 32,676	\$ 3,791,356
Receipts:							
Local sources	-	-	-	-	-	-	2,578,958
Intermediate sources	-	-	-	-	-	-	141,059
State sources	-	-	-	-	-	-	10,501,796
Federal sources	-	464,520	5,333	43,211	16,420	-	1,288,774
Temporary loans	-	-	-	-	-	-	669,000
Other receipts	-	-	-	-	-	2,259,768	2,259,984
Total receipts	-	464,520	5,333	43,211	16,420	2,259,768	17,439,571
Disbursements:							
Instruction	-	265,509	3,350	26,381	14,842	-	6,039,217
Support services	-	180,736	-	15,610	1,578	-	5,253,607
Noninstructional services	-	5,830	-	-	-	-	824,797
Facilities acquisition and construction	-	-	-	-	-	-	16,020
Debt service	-	-	-	-	-	-	3,303,051
Nonprogrammed charges	-	-	25	-	-	2,286,733	2,287,283
Total disbursements	-	452,075	3,375	41,991	16,420	2,286,733	17,723,975
Excess (deficiency) of receipts over disbursements	-	12,445	1,958	1,220	-	(26,965)	(284,404)
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	682
Transfers in	-	-	-	-	-	-	204
Transfers out	-	-	-	-	-	-	(204)
Total other financing sources (uses)	-	-	-	-	-	-	682
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	12,445	1,958	1,220	-	(26,965)	(283,722)
Cash and investments - ending	\$ -	\$ (16,494)	\$ -	\$ (1,552)	\$ -	\$ 5,711	\$ 3,507,634

LAKE STATION COMMUNITY SCHOOLS
 SCHEDULE OF LEASES AND DEBT
 June 30, 2016

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Lake Station School Building Corporation	Elementary School Renovations	\$ 226,000	12/31/2011	12/31/2029
Lake Station School Building Corporation	Elementary & High School Renovations	182,000	06/30/2015	12/31/2031
Lake Station School Building Corporation	High School Renovations	<u>92,600</u>	06/30/2004	12/31/2024
Total of annual lease payments		<u>\$ 500,600</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
Tax anticipation warrants	Tax Anticipation Warrants	\$ 669,000	\$ 669,000
Notes and loans payable	Common School Loans	<u>10,406,729</u>	<u>1,213,374</u>
Totals		<u>\$ 11,075,729</u>	<u>\$ 1,882,374</u>

LAKE STATION COMMUNITY SCHOOLS
SCHEDULE OF CAPITAL ASSETS
June 30, 2016

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 28,387
Buildings	18,240,798
Improvements other than buildings	1,823,424
Machinery, equipment, and vehicles	<u>3,877,256</u>
Total capital assets	<u>\$ 23,969,865</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE LAKE 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, 2014 to June 30, 2016. 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. Except as discussed in the following paragraph, 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.

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

Basis for Qualified Opinion on Child Nutrition Cluster

As described in item 2016-004 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with the Child Nutrition Cluster regarding Procurement and Suspension and Debarment. Consequently, we were unable to determine whether the School Corporation complied with these requirements applicable to the program.

As described in items 2016-002 and 2016-003 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Allowable Costs/Cost Principles and Cash Management that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

Basis for Qualified Opinion on Title I Grants to Local Educational Agencies

As described in items 2016-007, 2016-008, and 2016-010 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Procurement and Suspension and Debarment, and Special Tests and Provisions - Assessment System Security that are applicable to its Title I Grants to Local Educational Agencies. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the School Corporation's compliance with the requirements of Child Nutrition Cluster regarding Procurement and Suspension and Debarment, and the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, the School Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on Child Nutrition Cluster for the period of July 1, 2014 to June 30, 2016.

Qualified Opinion on Title I Grants to Local Educational Agencies

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Title I Grants to Local Educational Agencies* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Title I Grants to Local Educational Agencies for the period of July 1, 2014 to June 30, 2016.

Unmodified Opinion on Special Education Cluster (IDEA)

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 the Special Education Cluster (IDEA) for the period of July 1, 2014 to June 30, 2016.

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 2016-009. Our opinion on each major federal program is not modified with respect to these matters.

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

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 a 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 2016-002, 2016-003, 2016-004, 2016-005, 2016-006, 2016-007, 2016-008, 2016-009, 2016-010, and 2016-011 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

April 12, 2018

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, 2015 and 2016

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	Passed Through to Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Passed Through to Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	FY 14-15, FY 15-16	\$ -	\$ 144,802	\$ -	\$ 182,992
School Breakfast Program							
National School Lunch Program	Indiana Department of Education	10.555	FY 14-15, FY 15-16	-	433,694	-	540,876
National School Lunch Program							
National School Lunch Program Commodities				-	51,615	-	52,161
Total - National School Lunch Program				-	485,309	-	593,037
Summer Food Service Program for Children	Indiana Department of Education	10.559	FY 14-15, FY 15-16	-	28,954	-	35,422
Summer Food Service Program							
Total - Summer Food Service Program for Children				-	28,954	-	35,422
Total - Child Nutrition Cluster				-	659,065	-	628,459
Total - Department of Agriculture				-	659,065	-	628,459
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education_Grants to States	Indiana Department of Education	84.027	14213-047-PN01	-	77	-	-
			14214-047-PN01	-	87,872	-	-
			99914-047-TA01	-	3,183	-	-
			14215-047-PN01	-	213,565	-	114,923
			14216-045-PN01	-	-	-	197,066
Total - Special Education_Grants to States				-	304,697	-	311,989
Special Education_Preschool Grants	Indiana Department of Education	84.173	45714-047-PN01	-	2,947	-	-
			45715-047-PN01	-	4,833	-	2,063
			45716-045-PN01	-	-	-	4,217
Total - Special Education_Preschool Grants				-	7,780	-	6,280
Total - Special Education Cluster (IDEA)				-	312,477	-	318,269

LAKE STATION COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2015 and 2016

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	Passed Through to Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15	Passed Through to Subrecipient 06-30-16	Total Federal Awards Expended 06-30-16
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I 2013-2014			14-4680	-	73,650	-	-
Title I 2014-2015			15-4680	-	456,225	-	61,324
Title I Basic Distinguished Schools Grant			14-4680	-	19,677	-	5,333
Title I 2015-2016			16-4680	-	-	-	403,195
Total - Title I Grants to Local Educational Agencies				-	549,552	-	469,852
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III 2013-2015			01113-346-PN01	-	1,082	-	-
Title III 2014-2016			01115-053-PN01	-	17,360	-	-
Title III 2014-2016			01116-054-PN01	-	-	-	16,420
Total - English Language Acquisition State Grants				-	18,442	-	16,420
Improving Teacher Quality State Grants	Indiana Department of Education	84.367					
Title II Part A FFY 2013			13-4680	-	11,252	-	-
Title II Part A FFY 2014			14-4680	-	31,677	-	17,826
Title II Part A FFY 2015			15-4680	-	-	-	25,384
Total - Improving Teacher Quality State Grants				-	42,929	-	43,210
Total - Department of Education				-	923,400	-	847,751
Total federal awards expended				\$ -	\$ 1,582,465	\$ -	\$ 1,659,202

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 under programs of the federal government for the years ended June 30, 2015 and 2016. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

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. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

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 (IDEA) 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 deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified for the Special Education Cluster (IDEA); Qualified for the Child Nutrition Cluster and Title I Grants to Local Educational Agencies
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Child Nutrition Cluster Special Education Cluster (IDEA) Title I Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2016-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

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

Repeat Finding

This is a repeat of Finding 2014-001 from the immediate prior audit.

Condition

There were several deficiencies in the internal control system of the School Corporation related to Financial Transactions and Reporting.

1. Lack of Segregation of Duties: The School Corporation had not separated incompatible activities related to receipts, disbursements, Financial Transactions and Reporting, and the Schedule of Expenditures of Federal Awards (SEFA).

Receipts

One individual recorded the receipts, had access to make adjustments to the financial accounting system, prepared the deposits, and took the deposits to the bank. A proper system of oversight and review was not established.

Disbursements

One individual generated the vendor checks, signed the vendor checks, and recorded the vendor checks in the financial accounting system without a proper system of oversight and review.

One individual was responsible for the payroll process. This individual had access to change pay rates without evidence of a proper system of oversight or review.

Financial Transactions and Reporting

One individual prepared the financial reports without evidence of a proper system of oversight or review.

The transactions of the Textbook Rental fund were accounted for in the Extracurricular Accounts (ECA) of each school, which was outside of the financial accounting system of the School Corporation. The amounts reported for this fund were submitted by the individual ECA treasurers and entered into the School Corporation's financial accounting system as totals for reporting purposes. There were no internal controls over these transactions based upon the accounting procedures for the ECAs. The ECA Treasurers receipted and deposited collections, disbursed funds, recorded the transactions in a ledger, reconciled the ledger to the depository balance, prepared the financial reports, and reported the totals of receipts, disbursements, and balances to the School Corporation Treasurer for inclusion in the School Corporation's financial statement. There was no oversight or review of these accounts.

Schedule of Expenditures of Federal Awards (SEFA)

One employee prepared the SEFA without evidence of a proper system of oversight or review.

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

2. Monitoring of Controls: The School Corporation had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting would have required the School Corporation to monitor and assess the quality of the system of internal control.

Context

The lack of controls was a systemic issue, which occurred throughout the audit period.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators."

Cause

Management of the School Corporation had not established a proper system of internal controls.

Effect

The failure to establish and monitor controls could have enabled misstatements or irregularities to remain undetected.

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

Recommendation

We recommended that the School Corporation establish and monitor a system of internal controls to ensure that financial transactions are properly recorded and reported, and federal expenditures are properly reported in the SEFA.

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2016-002

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles
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 Numbers or Years (or Other Identifying Numbers): FY 14-15, FY 15-16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Modified Opinion

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

One person calculated the indirect costs that were charged to the programs without any evidence of review or oversight.

The School Corporation incorrectly calculated the indirect costs due to the inclusion of equipment purchases when applying the indirect cost rate. Due to the incorrect calculation, the School Corporation received \$79,470 in excess indirect costs reimbursements.

Context

The lack of controls and noncompliance over indirect costs were isolated to the 2014-2015 school year. The School Corporation no longer charges indirect costs to the programs.

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. . . ."

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

OMB Circular A-87, Attachment E, C. Allocation of Indirect Costs and Determination of Indirect Cost Rates states in part:

"1. General.

(a) Where a governmental unit's department or agency has only one major function, or where all its major functions benefit from the indirect costs to approximately the same degree, the allocation of indirect costs and the computation of an indirect cost rate accomplished through simplified allocation procedures as described in subsection 2. . . .

2. Simplified method. . . .

(b) Both the direct costs and the indirect costs shall exclude capital expenditures and unallowable costs. However, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable. . . ."

2 CFR 200.414(d) costs states: "Pass-through entities are subject to the requirements in § 200.331 Requirements for pass-through entities, paragraph (a)(4)."

2 CFR 200.331 states in part:

"All pass-through entities must:

(a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes: . . .

(xiii) Indirect cost rate for the Federal award (including if the de minimis rate is charged per § 200.414 Indirect (F&A) costs). . . .

(4) An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal Government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient (in compliance with this part), or a de minimis indirect cost rate as defined in § 200.414 Indirect (F&A) costs, paragraph (f); . . ."

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

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement related to indirect costs.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

Questioned costs of \$79,470 were identified as detailed in the *Condition*.

Recommendation

We recommended that the School Corporation establish effective controls to ensure the accuracy of calculations for indirect costs in compliance with the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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

FINDING 2016-003

Subject: School Breakfast Program, National School Lunch Program - Cash Management
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 14-15, FY 15-16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Modified Opinion

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the School Lunch fund cash balance (net cash resources) did not exceed three months average expenditures.

The School Corporation did not comply with the Cash Management requirement that they limit its net cash resources to three months average expenditures.

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

Context

The lack of controls and noncompliance were systemic issues throughout the audit period. The cash balance in the School Lunch fund (net cash resources) exceeded 3 months average expenditures in 20 of the 24 months 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 210.14(b) states: "*Net cash resources.* The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall . . . with respect to participating schools under its jurisdiction:"

(iv) Limit its net cash resource to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency; . . ."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with Cash Management compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Cash Management compliance requirement.

Views of Responsible Officials

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

FINDING 2016-004

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
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 Numbers and Years (or Other Identifying Numbers): FY 14-15, FY 15-16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Procurement

The School Corporation had not established effective controls to ensure proper procurement methods were selected prior to purchasing goods.

The School Corporation's procurement policy did not address the methods of procurement required by 2 CFR 200.320. The policy did not include the procedures for each method of procurement (micro purchase, small purchase or sealed bid), and the thresholds for each method as follows:

<u>Procurement Method</u>	<u>Dollar Amount</u>
Micro-Purchase	< \$3,500
Small Purchase	\$3,500 - 150,000
Exceeds Simplified Acquisition	> \$150,000

The School Corporation had three vendors who met the requirements for the small purchase method for which no documentation of quotes was provided.

For three other vendors, the Food Service Director indicated that price listings from the vendors were compared for the lowest price; however, there was no documentation available to verify that prices were compared.

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

Suspension and Debarment

The School Corporation did not have any policies or procedures in place to ensure that those vendors that were not contracted through a third-party purchasing service were not suspended or debarred from participation in federal award programs.

The School Corporation participated in a Service Center for some of its food service purchasing. The Service Center checked for compliance with suspension and debarment requirements for the vendors used by its members. The School Corporation did not retain documentation that two of three contracted vendors had not been suspended or debarred.

Context

The lack of controls was a systemic issue throughout the audit period. Documentation was not provided to support compliance with the procurement requirements of the Procurement and Suspension and Debarment compliance requirement for only the 2015-2016 fiscal year due to changes in federal requirements for procurement. Documentation also was not provided to support compliance with the suspension and debarment requirements of the Procurement and Suspension and Debarment compliance requirement for both fiscal years.

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.318(a) states: "The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part."

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

2 CFR 200.320 states in part:

"The non-Federal Entity must use one of the following methods of procurement.

(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§ 200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section apply. . . ."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

Cause

The School Corporation had not developed a system of internal controls that would have ensured that documentation related to compliance with the Procurement and Suspension and Debarment compliance requirement was maintained and made available for audit.

Effect

The failure to retain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Procurement and Suspension and Debarment compliance requirement.

Questioned Costs

There were no questioned costs identified.

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

Recommendation

We recommended that the School Corporation establish controls to ensure documentation will be maintained and made available for audit related to the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

FINDING 2016-005

Subject: Child Nutrition Cluster - Reporting, Special Tests and Provisions - Paid Lunch Equity
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 Numbers and Years (or Other Identifying Numbers): FY 14-15, FY 15-16
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Reporting, Special Tests and Provisions - Paid Lunch Equity
Audit Finding: Material Weakness

Repeat Finding

This is a repeat of Finding 2014-002 from the immediate prior audit regarding Reporting.

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Reporting and Special Tests and Provisions - Paid Lunch Equity compliance 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 reviewed prior to submission.

Paid Lunch Equity (National School Lunch Program only)

The School Corporation did not have adequate controls in place for paid lunch equity. The Food Service Director calculated the weighted average price; however, there was no documentation of review of the calculation.

Context

The lack of controls was a systemic issue throughout the audit period.

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

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

The School Corporation's management had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the Reporting and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Reporting and Special Tests and Provisions - Paid Lunch Equity 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 programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the Reporting and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Views of Responsible Officials

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

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

FINDING 2016-006

Subject: Title I Grants to Local Educational Agencies - Internal Controls

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 14-4680, 15-4680, 16-4680

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed; Cash Management; Eligibility; Matching, Level of Effort, Earmarking; Reporting, Special Tests and Provisions - Comparability; Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals; Special Tests and Provisions - Schoolwide Programs

Audit Finding: Material Weakness

Repeat Finding

This is a repeat of Finding 2014-004 from the immediate prior audit regarding Activities Allowed or Unallowed, Cash Management, Reporting, and Special Tests and Provisions - Comparability.

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed; Cash Management; Eligibility Level of Effort - Maintenance of Effort of Matching, Level of Effort, Earmarking, Reporting; Special Tests and Provisions - Comparability; Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals; and Special Tests and Provisions - Schoolwide Programs.

Activities Allowed or Unallowed

One employee prepared and determined the distribution of the payroll expenditures to the correct funds. There was no segregation of duties, such as an oversight or approval process, to ensure that Title I employees were paid from the correct fund.

Cash Management and Reporting

One employee prepared and submitted the requests for reimbursement without evidence of a proper system of oversight or review.

Eligibility

The Title I director reviewed the Eligibility numbers per the Eligibility School Summary Table per grant application; however, the review process was not documented.

Level of Effort - Maintenance of Effort and Reporting

The Biannual Financial Report Certification Form for the Form 9 report was indicated as prepared by the Chief Financial Officer/Director of Business Affairs and reviewed by the Superintendent of Schools; however, there was no documentation of the review of the report to supporting documentation.

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

Reporting

The Annual Expenditure Reports were prepared by the Chief Financial Officer/Director of Business Affairs without evidence of a proper system of oversight or review.

Special Tests and Provisions - Comparability

The Comparability reports were prepared by the Title I Grant Director and reviewed by the Superintendent of Schools; however, there was no documentation of the review of the report.

Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals

The School Corporation had no documented controls in place to ensure that teachers hired within the School Corporation met the highly qualified requirements for the subject areas they were employed to teach.

Special Tests and Provisions - Schoolwide Programs

The School Corporation had not consistently documented the review of the schoolwide program plans.

Context

The lack of controls was a systemic issue throughout 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

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

Cause

The School Corporation's management had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the following compliance requirements: Activities Allowed or Unallowed; Cash Management; Eligibility; Level of Effort - Maintenance of Effort of Matching, Level of Effort, Earmarking; Reporting; Special Tests and Provisions - Comparability; Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals; and Special Tests and Provisions - Schoolwide Program.

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 noted above. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the 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 programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed; Cash Management; Eligibility; Level of Effort - Maintenance of Effort of Matching, Level of Effort, Earmarking; Reporting; Special Tests and Provisions - Comparability; Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals; and Special Tests and Provisions - Schoolwide Programs.

Views of Responsible Officials

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

FINDING 2016-007

Subject: Title I Grants to Local Educational Agencies - Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Number and Year (or Other Identifying Number): 16-4680
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Modified Opinion

Condition

The School Corporation had not established an effective internal control system related to the grant agreements and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

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

The School Corporation did not have controls in place to ensure that personnel activity reports, such as time and effort logs or Semi-Annual Certifications, were properly prepared, reviewed, and retained for all staff paid from grant funds.

The School Corporation did not comply with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements. Personnel activity reports, such as time and effort logs or Semi-Annual Certifications, were not retained to support the payments which totaled \$55,891 to the Title I Director for the 2015-2016 fiscal year.

Context

The lack of controls was a systemic issue throughout the audit period; however, the noncompliance related to the personnel activity reports was isolated to the 2015-2016 fiscal 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

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:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of this Circular. . . .
- j. Be adequately documented. . . ."

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

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

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

". . . (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award . . .

(5) Personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
- (b) They must account for the total activity for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods. . . ."

2 CFR 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- i. Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- ii. Be incorporated into the official records of the non-Federal entity;
- iii. Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .

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

- iv. Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

2 CFR 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed . . ."

The Indiana Department of Education Title I Fiscal Handbook 2015-2016, Basic Title I, Part A and D states in part: "Title I funded staff paid solely from the Title I Funds complete a Semi-Annual Certification twice a year. Employees who work on multiple activities must maintain a time and effort log at least once a month. . . ."

Cause

The School Corporation had not developed or implemented a system of internal controls that would have ensured compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirements could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

Questioned costs of \$55,891 were identified as detailed in the *Condition*.

Recommendation

We recommended that the School Corporation establish effective controls to ensure compliance and comply with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Views of Responsible Officials

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

FINDING 2016-008

Subject: Title I Grants to Local Educational Agencies - Procurement

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 14-4680, 15-4680, 16-4680

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Modified Opinion

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

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the procurement requirements of the Procurement and Suspension and Debarment compliance requirement. The School Corporation had not established effective controls to ensure that proper procurement methods were selected prior to purchasing goods.

The School Corporation's procurement policy did not address the methods of procurement required by 2 CFR 200.320. The policy did not include the procedures for each method of procurement (micro-purchase, small purchase, or sealed bid) and the thresholds for each method.

The School Corporation did not comply with the procurement requirements of the Procurement and Suspension and Debarment compliance requirement as determined by 2 CFR 200.320. Two of the four vendors tested for procurement compliance were subject to the "small purchase" procurement method (\$3,500 - \$150,000). The School Corporation expended \$53,115 and \$3,738 for educational materials and professional development, respectively. The School Corporation did not obtain quotes from other vendors or document its basis for purchasing from these vendors.

Context

The lack of controls and noncompliance with procurement requirements were isolated to the 2015-2016 fiscal year due to changes in federal requirements for procurement.

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.318(a) states: "The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part."

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

2 CFR 200.320 states in part:

"The non-Federal Entity must use one of the following methods of procurement.

(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§ 200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section apply. . . ."

Cause

The School Corporation had not developed a system of internal controls to ensure compliance with the procurement requirements of the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement 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 establish controls to ensure compliance and comply with the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

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

FINDING 2016-009

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate
Federal Agency: Department of Education
Federal Program: Title I Grant to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): 14-4680, 15-4680, 16-4680
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rate
Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Specials Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

The School Corporation did not have controls to ensure that documentation regarding the reason for a student leaving the high school cohort graduation rate for mobility reasons was prepared, reviewed, and retained.

The School Corporation failed to comply with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate requirement that for the students removed from the high school cohort graduation rate for mobility reasons there was written documentation that the student was enrolled in another school or in an educational program that culminated in the award of a high school diploma, or emigrated to another country, or was deceased.

Context

The lack of controls and noncompliance were systemic issues throughout the audit period. The School Corporation did not obtain the proper documentation required for 11 of the 12 students tested.

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. . . ."

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

34 CFR 200.19(b) states in part:

"*High schools*—

(1) *Graduation rate.* Consistent with paragraphs (b)(4) and (b)(5) of this section regarding reporting and determining AYP, respectively, each State must calculate a graduation rate, defined as follows, for all public high schools in the State:

(i)(A) A State must calculate a 'four-year adjusted cohort graduation rate,' defined as the number of students who graduate in four years with a regular high school diploma divided by the number of students who form the adjusted cohort for that graduating class . . .

(ii) The term 'adjusted cohort' means the students who enter grade 9 (or the earliest high school grade) and any students who transfer into the cohort in grades 9 through 12 minus any students removed from the cohort.

(A) The term 'students who transfer into the cohort' means the students who enroll after the beginning of the entering cohort's first year in high school, up to and including in grade 12.

(B) To remove a student from the cohort, a school or LEA must confirm in writing that the student transferred out, emigrated to another country, or is deceased.

(1) To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma. . . ."

Cause

The School Corporation had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation establish controls to ensure compliance and comply with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

Views of Responsible Officials

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

FINDING 2016-010

Subject: Title I Grants to Local Educational Agencies - Special
Tests and Provisions - Assessment System Security

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 14-4680, 15-4680, 16-4680

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Assessment System Security

Audit Findings: Material Weakness, Modified Opinion

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement. The School Corporation was required to maintain Indiana Testing Security and Integrity Agreements (Agreements) for any individual who administered, handled, or had access to secure test materials at the district or school level.

The School Corporation did not have a documented oversight or review process to ensure that the proper employees were receiving the required testing and security training, including chain of custody of testing materials.

The School Corporation had the appropriate administration and building personnel certify the Agreements that documented their understanding of the School Corporation's test security measures and policies; however, not all Agreements were provided for audit.

Context

The lack of controls and noncompliance were systemic issues throughout the audit period. Signed Agreements for the junior/senior high school employees and a grant director were not provided for audit.

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

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed . . ."

The Indiana Assessment Program Manual, Chapter 10, Section 9, Part A states in part: ". . . School Corporation, accredited nonpublic school, charter school, and Choice school administrators must develop, implement and assess procedures for the secure storage, administration and delivery of standardized test books back to the IDOE via the test contractor."

Lake Station Community Schools 2623.01 - Test Security Provisions for Statewide Assessments policy states: ". . . D. following all procedures located in the testing manuals and those outlined by the IDOE. . . ."

Indiana Assessment Program Manual, Chapter 10, Section 4, Part D states in part: ". . . Ensure all applicable school and corporation staff review and sign the *Indiana Testing Security and Integrity Agreement* annually by the end of September as described in the Code of Ethical Practices and Procedures. . . ."

Cause

The School Corporation had not developed a system of internal controls that would have ensured compliance with the Special Tests and Provisions - Assessment System Security compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and with the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

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

Recommendation

We recommended that the School Corporation establish controls to ensure compliance and comply with the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement.

Views of Responsible Officials

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

FINDING 2016-011

Subject: Special Education Cluster (IDEA) - Level of Effort - Maintenance of Effort

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-047-PN01; 14214-047-PN01;
99914-047-TA01; 14215-047-PN01;
14216-045-PN01; 45714-047-PN01;
45715-047-PN01; 45716-045-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Finding: Material Weakness

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Level of Effort - Maintenance of Effort requirements of the Matching, Level of Effort, Earmarking compliance requirement.

The Biannual Financial Report Certification Form for the Form 9 report was prepared by the Chief Financial Officer/Director of Business Affairs and reviewed by the Superintendent of Schools; however, there was no documentation of the comparison of the report to supporting documentation.

Context

The lack of controls was a systemic issue throughout 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. . . ."

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

The School Corporation had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the Level of Effort - Maintenance of Effort requirements of the Matching, Level of Effort, Earmarking compliance requirement.

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 requirement. A lack of an effective internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish internal controls related to the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement.

Views of Responsible Officials

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

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

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THOMAS CRIPLIVER, Ph.D.
SUPERINTENDENT

ERIC D KURTZ
CHIEF FINANCIAL OFFICER



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

March 4, 2018

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

Fiscal period: 07/01/2012 to 06/30/2014
Program: National School Lunch Program, School Breakfast Program,
and Summer Food Service Program for Children
Federal Agency: US Department of Agriculture
State Pass-Through: Indiana Department of Education (IDoE)
Contact Person: Eric Kurtz
Phone Number: 219-962-1159 | ekurtz@lakes.k12.in.us

Status of Audit Finding: Lake Station Community Schools (“LSCS”) implemented corrective actions to enhance management control and oversight of its free and reduced-price application verification process. Applications are now subjected to a two (2) person approval and double check verification process. In addition, 100% of 2015-2016 Applications processed between July 1, 2015 and January 13, 2016 were re-verified by IDoE staff. Our Food Service Department staff also now uses a third-party software application to confirm Applicant eligibility. In addition, LSCS used a third-party vendor to perform a capital asset inventory. LSCS is continuing its efforts to enhance compliance with grant guidance and other requirements. However, we recognize limitations for segregation of duties in a small staff environment. In addition, some initiatives have not been implemented due to personnel turn-over. Full compliance efforts are an ongoing effort, with projected implementation in Q3-2018.

BOARD OF SCHOOL TRUSTEES

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

Fiscal period: 07/01/2012 to 06/30/2014
Federal Agency: US Department of Agriculture
State Pass-Through: Indiana Department of Education
Program: National School Lunch Program, School Breakfast Program
Contact Person: Eric Kurtz
Phone Number: 219-962-1159 | ekurtz@lakes.k12.in.us

Status of Audit Finding: Lake Station Community Schools (“LSCS”) implemented corrective actions to enhance management control and oversight of its free and reduced-price application verification process. Applications are now subjected to a two (2) person approval and double check verification process. In addition, 100% of 2015-2016 Applications processed between July 1, 2015 and January 13, 2016 were re-verified by IDoE staff. Our Food Service staff also now uses a third-party software application to confirm Applicant eligibility. LSCS is continuing its efforts to enhance compliance with grant guidance and other requirements. However, we recognize limitations for segregation of duties in a small staff environment, some initiatives have not been implemented due to personnel turn-over. Full compliance efforts are an ongoing effort, with projected implementation in Q3-2018.



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

Fiscal period: 07/01/2012 to 06/30/2014
Program: Title I Grants to Local Educational Agencies
Federal Agency: US Department of Education
State Pass-Through: Indiana Department of Education
Contact Person: Eric Kurtz
Phone Number: 219-962-1159 | ekurtz@lakes.k12.in.us

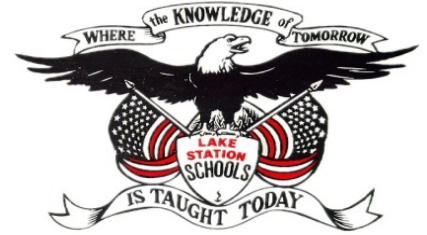
Status of Audit Finding: LSCS has made progress on enhancing management control, oversight and administration of its federal Title I grant program. However, with turn-over in personnel responsible for both program administration and fiscal management oversight, these efforts have not been fully implemented. Toward this goal personnel responsible for support, administration and management of the federal Title 1 program have participated in training and development. For example, two (2) current employees of LSCS attended the Indiana Department of Education uniform grant guidance workshop. In addition, two (2) LSCS employees as registered to attend the Indiana Department of Education's Title Con in May 2018 which will focus, in-part, on federal program Title compliance. Full compliance efforts are an ongoing effort, with projected implementation in November 2018.

Eric D. Kurtz, Chief Financial Officer
Lake Station Community Schools
219-962-1159 x104
ekurtz@lakes.k12.in.us

March 4, 2018

LAKE STATION COMMUNITY SCHOOLS

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Corrective Action Plan

FINDING 2016-001

Subject: Financial Transactions and Reporting

Person Responsible for Corrective Action:
Eric Kurtz – 219-962-1159

Views of Responsible Official:

Similar concerns as those identified in the finding relating to the Lack of Segregation of Duties and Monitoring of Controls are shared. Most personnel responsible for these areas assumed these responsibilities at the very end of, or after the conclusion of this audit period. Due to turnover and a small staff, segregation of duties presents challenges.

Description of Corrective Action Plan:

The corrective action will include:

- 1) A review of current assignments and segregating duties to reduce risks and improve controls.
- 2) Improved training, education and professional development of personnel responsible for financial transactions and reporting.
- 3) Improved internal controls and monitoring.
- 4) Actions to enhance retention of personnel responsible for financial transactions and reporting to reduce turnover.
- 5) Improved use of technology-based systems to ensure effectiveness and accuracy financial transactions and reporting.

Anticipated Completion Date:

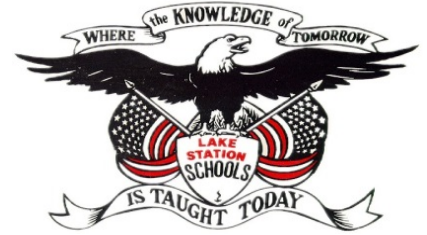
An assessment of actions, needs and a plan will be completed by June 15, 2018; with an implementation to occurring by October 1, 2018.

A handwritten signature in black ink that reads 'Eric D. Kurtz'. The signature is written in a cursive style and is positioned above a horizontal line.

Eric D. Kurtz, Chief Financial Officer
Lake Station Community Schools
April 12, 2018

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Corrective Action Plan

FINDING 2016-002

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles

Persons Responsible for Corrective Action:

Theresa Kietzman – 219-962-1190

Eric Kurtz – 219-962-1159

Views of Responsible Official:

Similar concerns are shared as those identified in the finding relating to the lack of an effective internal control system to ensure compliance with grant, allowable costs, and cost principles. Due to a small food service office staff, effective segregation of duties/monitoring presents challenges.

Description of Corrective Action Plan:

The corrective action will include:

- 1) A review and enhancement of management controls.
- 2) A review of current assignments and duties to enhance monitoring, oversight, and error detection.
- 3) Improved training, education and professional development of personnel responsible for financial and food service cluster.
- 4) Improved understanding of the US Department of Agriculture program requirements and IN DOE food service guidance.

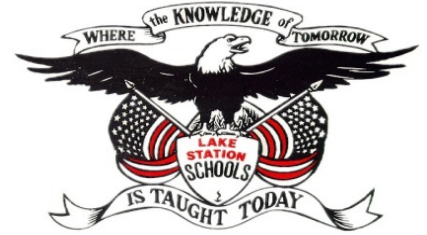
Anticipated Completion Date:

An assessment of actions, needs and a plan will be completed by June 15, 2018; with an implementation to occurring by September 1, 2018.

Eric D. Kurtz, Chief Financial Officer
Lake Station Community Schools
April 12, 2018

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Corrective Action Plan

FINDING 2016-003

Subject: Child Nutrition Cluster - Cash Management

Persons Responsible for Corrective Action:

Theresa Kietzman – 219-962-1190

Eric Kurtz – 219-962-1159

Views of Responsible Official:

While the finding states "... that the School Lunch fund cash balance (net cash resources)" ... "not exceed three months average expenditures" the food service facilities and equipment are aging and will require significant maintenance and capital replacement expenditures. The funds in excess are intended to be available to meet these projected significant maintenance and capital replacement expenses.

Description of Corrective Action Plan:

We will collaborate with IN DOE food service for guidance on how to implement a capital equipment / facility / infrastructure improvement and replacement program, once this plan is in place the food service cash balance will managed to "not exceed three months average expenditures" excluding funds allocated to the new plan.

Anticipated Completion Date:

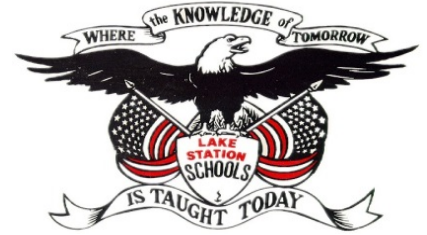
Capital equipment / facility / infrastructure improvement and replacement program will be developed by September 15, 2018.

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April 12, 2018

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Corrective Action Plan

FINDING 2016-004

Subject: Child Nutrition Cluster – Procurement and Suspension and Debarment

Persons Responsible for Corrective Action:

Theresa Kietzman – 219-962-1190

Eric Kurtz – 219-962-1159

Views of Responsible Official:

We concur with the finding that an established an effective internal control system related to the federal Child Nutrition Cluster grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Description of Corrective Action Plan:

Procedures will be developed and implemented to create and retain supporting documentation of compliance with federal Child Nutrition Cluster Procurement and Suspension and Debarment requirements.

Anticipated Completion Date:

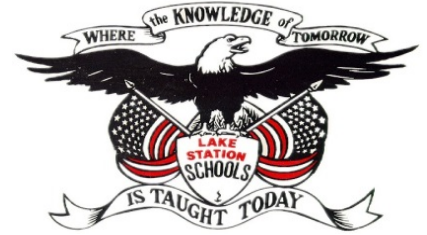
New Child Nutrition Cluster procurement activities are underway for the 2018-2019 school year; extensive work has been done to developed and implement cooperative purchasing in collaboration with IN DOE and Northwest Indiana Education Service Center (NWIESC) that ensure compliance with federal Child Nutrition Cluster Procurement and Suspension and Debarment requirements. Compliance is anticipated by August 20, 2018.

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Eric D. Kurtz, Chief Financial Officer
Lake Station Community Schools
April 12, 2018

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Corrective Action Plan

FINDING 2016-005

Subject: Child Nutrition Cluster - Reporting, Special Tests and Provisions – Paid Lunch Equity

Persons Responsible for Corrective Action:

Theresa Kietzman – 219-962-1190

Eric Kurtz – 219-962-1159

Views of Responsible Official:

While this finding is identified as a separate and distinct finding, the concerns identified are substantially like **FINDING 2016-002, 2016-003, 2016-004** relating to an ineffective or lacking internal control system. As noted previously notes, due to a small food service office staff, effective segregation of duties/monitoring presents challenges.

Description of Corrective Action Plan:

The corrective action will include:

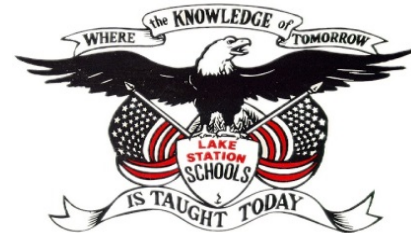
- 1) A review and enhancement of management controls.
- 2) A review of current assignments and duties to enhance monitoring, oversight, and error detection.
- 3) Improved training, education and professional development of personnel responsible for financial and food service cluster.
- 4) Improved understanding of the US Department of Agriculture program requirements and IN DOE food service guidance.

Anticipated Completion Date:

An assessment of actions, needs and a plan will be completed by June 15, 2018; with an implementation to occurring by September 1, 2018.

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Eric D. Kurtz, Chief Financial Officer
Lake Station Community Schools
April 12, 2018



Corrective Action Plan

FINDING 2016-006

Subject: Title I Grants to Local Educational Agencies

Persons Responsible for Corrective Action:

Janine Sheppard – 219-962-8531

Eric Kurtz – 219-962-1159

Views of Responsible Official:

Similar concerns as those identified in this finding relating to the Lack of Segregation of Duties and Monitoring of Controls are shared. Most personnel responsible for federal Title I program assumed these responsibilities at the very end of, or after the conclusion of this audit period. Due to turnover thorough and in-depth program knowledge was lost; and with a small staff, segregation of duties presents challenges. We find ourselves presented with the choice of adding staff to meet oversight and control expectations; which reduces funding available for program service deliver to students. In addition, with the new federal Every Student Succeeds Act (ESSA) many provisions of the No Child Left Behind Act (NCLB) are no longer applicable.

Description of Corrective Action Plan:

The corrective action will include:

- 1) A review and enhancement of management controls.
- 2) A review of current assignments and duties to enhance monitoring, oversight, and error detection.
- 3) Improved training, education and professional development of personnel responsible for financial and food service cluster.
- 4) Improved understanding of new program requirements under ESSA replacing NCLB.
- 5) Improved understanding of US Education Department program and grant requirements and IN DOE guidance for federal Title I programs under ESSA.

Anticipated Completion Date:

Completion of federal Title Compliance Training by federal Title I Coordinator and Chief Financial Officer by June 1, 2018. Assess new compliance, oversight, monitoring and control initiatives by August 17, 2018 with implementation by October 1, 2018.

A handwritten signature in black ink that reads 'Eric D. Kurtz'. The signature is written in a cursive style and is positioned above a horizontal line.

Eric D. Kurtz, Chief Financial Officer
Lake Station Community Schools
April 12, 2018



Corrective Action Plan

FINDING 2016-007

Subject: Title I Grants to Local Educational Agencies – Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Persons Responsible for Corrective Action:

Janine Sheppard – 219-962-8531

Eric Kurtz – 219-962-1159

Views of Responsible Official:

Similar concerns as those identified in this finding relating to an effective internal control system related to federal Title I grant agreements and the Activities Allowed or Unallowed, and Allowable Costs/Cost Principles compliance requirements are shared. Most personnel responsible for federal Title I program assumed these responsibilities at the very end of, or after the conclusion of this audit period. Due to turnover thorough and in-depth program knowledge was lost; and with a small staff, segregation of duties and in-depth monitoring presents challenges. We also, understood from federal Uniform Grant Guidance Workshops hosted by IN DOE that time and effort logs were no-longer required. With the new federal Every Student Succeeds Act (ESSA) many provisions of the No Child Left Behind Act (NCLB) are no longer applicable.

Description of Corrective Action Plan:

The corrective action will include:

- 1) A review and enhancement of management controls.
- 2) A review of current assignments and duties to enhance monitoring, oversight, and error detection.
- 3) Improved training, education and professional development of personnel responsible for financial and food service cluster.
- 4) Improved understanding of appropriate methodology for tracking of personnel time and effort dedicated to the furtherance of federal grant related activities to ensure compliance and comply with the Activities Allowed or Unallowed, and Allowable Costs/Cost Principles
- 5) Improved understanding of new program requirements under ESSA replacing NCLB.
- 6) Improved understanding of US Education Department program and grant requirements and IN DOE guidance for federal Title I programs under ESSA.

Anticipated Completion Date:

Completion of federal Title Compliance Training by federal Title I Coordinator and Chief Financial Officer by June 1, 2018. Assess new compliance, oversight, monitoring and control initiatives by August 17, 2018 with implementation by October 1, 2018.

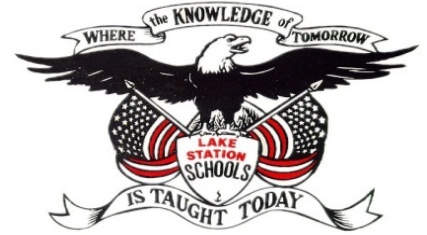
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Eric D. Kurtz, Chief Financial Officer
Lake Station Community Schools

April 12, 2018

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Corrective Action Plan

FINDING 2016-008

Subject: Title I Grants to Local Educational Agencies – Procurement

Persons Responsible for Corrective Action:

Janine Sheppard – 219-962-8531

Eric Kurtz – 219-962-1159

Views of Responsible Official:

We concur with the finding that an established an effective internal control system related to federal Title I grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Description of Corrective Action Plan:

Procedures will be developed and implemented to create and retain supporting documentation of compliance with federal Title I Procurement and Suspension and Debarment requirements.

Anticipated Completion Date:

Completion of federal Title Compliance Training by federal Title I Coordinator and Chief Financial Officer by June 1, 2018. Assess new compliance, oversight, monitoring and control initiatives for federal Title I Procurement and Suspension and Debarment requirements by August 17, 2018 with implementation by October 1, 2018.

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April 12, 2018

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Corrective Action Plan

FINDING 2016-009

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions – Annual Report Card, High School Graduation Rate

Persons Responsible for Corrective Action:

Christine Pepa – 219-962-8531

Eric Kurtz – 219-962-1159

Views of Responsible Official:

Concerns raised with respect to written documentation evidence not being presented for audit supporting High School Graduation Rate for the students removed from the High School cohort graduation rate for mobility reasons that the student was enrolled in another school or in an educational program that culminated in the award of a high school diploma, or emigrated to another country, or was deceased.

Description of Corrective Action Plan:

Establish a documentation practice for High School cohort graduation rate.

Anticipated Completion Date:

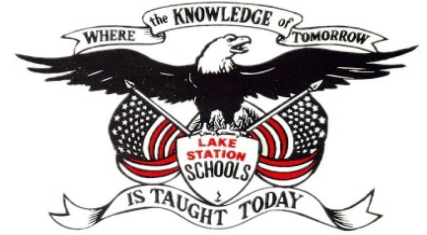
Assess and understand documentation and reporting requirements for High School cohort graduation rate by June 30, 2018; implement program for reporting by September 1, 2018.

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Eric D. Kurtz, Chief Financial Officer
Lake Station Community Schools
April 12, 2018

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Corrective Action Plan

FINDING 2016-010

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions – Assessment System Security

Persons Responsible for Corrective Action:

Janine Sheppard – 219-962-8531

Eric Kurtz – 219-962-1159

Views of Responsible Official:

Concerns raised with respect to written documentation evidence supporting signed Indiana Testing Security and Integrity Agreements; several signed agreements were not presented for audit.

Description of Corrective Action Plan:

Establish a documentation practice for tracking signed Indiana Testing Security and Integrity Agreements.

Anticipated Completion Date:

Assess and understand documentation and reporting requirements for Indiana Testing Security and Integrity Agreements by June 30, 2018; implement program for tracking by September 1, 2018.

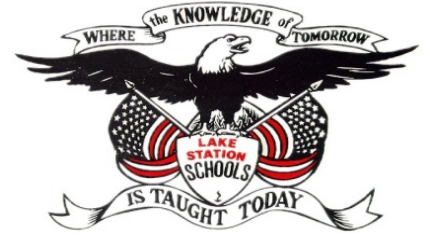
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Eric D. Kurtz, Chief Financial Officer
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April 12, 2018

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Corrective Action Plan

FINDING 2016-011

Subject: Special Education Cluster - Level of Effort - Maintenance of Effort

Person Responsible for Corrective Action:

Eric Kurtz – 219-962-1159

Views of Responsible Official:

Concerns raised with respect to maintenance of effort, Matching, Level of Effort, Earmarking compliance requirements for Special Education Cluster grants. Maintenance of effort, Matching, Level of Effort, Earmarking compliance is coordinated with and reported by the Northwest Indiana Special Education Cooperative (NISEC).

Description of Corrective Action Plan:

Implement maintenance of effort, Matching, Level of Effort, Earmarking compliance and reporting requirements for Special Education Cluster grants in collaboration with NISEC.

Anticipated Completion Date:

Understand and assess maintenance of effort, Matching, Level of Effort, Earmarking compliance and reporting requirements for Special Education Cluster grants by September 15, 2018, with implementation by October 1, 2018.

Eric D. Kurtz, Chief Financial Officer
Lake Station Community Schools
April 12, 2018

OTHER REPORTS

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